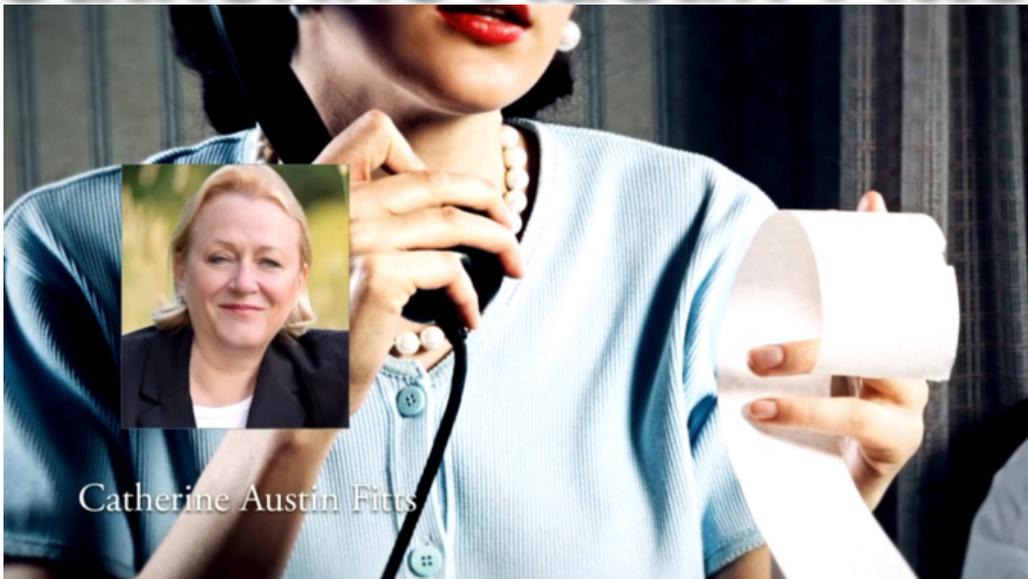




The Solari Report

January 24, 2019

2018 Annual Wrap Up The Real Game of Missing Money with Catherine Austin Fitts



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Catherine Austin Fitts: Good evening and welcome to The Solari Report. Today is January 24, 2019, and this is the last audio presentation of our 2018 Annual Wrap Up. Our theme is ‘The Real Game of Missing Money’, and this is Catherine Austin Fitts. I am delighted that you could join me this evening.

The most important event that happened in Washington during the last 12 months was the adoption of Statement 56 by the Federal Accounting Standards Advisory Board. It slipped through in October 2018. It was adopted during the Kavanaugh hearings, which was a remarkable coincidence because it went through when the ‘shriek-o-meter’ was turned to full volume, which was a volume all about sex. It reminded me of when the \$21 trillion started to go missing. That was covered up by Monica Lewinsky’s blue dress and talk of oral sex in the oval office.

For a full discussion of FASAB Statement 56, see our Special Report. You can link to it from our home page or in the Federal Finances Law section on the web presentation for the Annual Wrap Up. The public version that you will link to from our home page is available to everyone if you want to share it with any members of the public. Remember, you can always share your web presentation or Solari Report information with immediate family.



FASAB Statement 56 authorizes secret books. When you combine that with waivers that the government can permit related companies and entities to keep, you make a large part of the US economy and securities market dark. Why is an obscure accounting policy adopted through the offices of the GAO (Government Accountability Office that works for Congress) and OMB (Office of Management and Budget that works for the White House) the most important political event of the year? Because it converted what has been up to now, a financial coup d'état – which I've been covering for two decades – into a legal coup d'état.

As a legal matter, a secret group of people by a secret process can allocate tax dollars and securities proceeds from the largest securities issuer in the world by whatever manner they want and do it in secret. It occurred after a significant effort to hold the Department of Defense accountable for \$6.5 trillion missing in Federal fiscal 2015 in which the DOD admitted that they couldn't complete an audit.

This fundamentally changes the governance structure of the United States and essentially changes the credit of any US or US-related bond as well as stocks in companies whose revenues and profits flow from government-related products and services. That means that this is a material event. It is a material event for citizens, and it is a material event for investors. That applies to citizens and investors both globally and domestically.

As a result of what happened, I decided to change our theme for the Annual Wrap Up to 'The Real Game of the Missing Money'. I was going to do the Annual Wrap Up on the theme that we will have for the first quarter – on ESG financing and investment.



When FASAB Statement 56 went final, I realized that this is a uniquely material event. It is extremely important to communicate what has happened, particularly in light of numerous efforts by the corporate media to downplay it as well as the \$21 trillion missing from the US government.

It is very important that I collect together in one place the information that serious citizens and investors need to do due diligence as to what has happened and what it means to you and your assets so you can begin to think about what you can or should do about it.

Many of you will ask, “What can I do? It’s too depressing. I don’t want to look at it unless you tell me what I can do.”

There are many things that you can do, but the first and most important thing that you should do is to face what is happening and what it implies for how the United States and the world will be governed in the future. Then you need to connect it to your unique situation. Everyone is different, but the operations and finances that we are talking about thread throughout many different aspects of your life – I suspect far more than many of you are aware of.

My experience is that it is critical for each person to thoroughly digest what is happening and see things as they are before they consider what actions they want to take. So getting an accurate map is very important. My father was a surgeon; therefore I always think in terms of surgery. You really don’t want your neurosurgeon to cut until he or she has a very accurate map of your brain and knows exactly what he or she needs to do and why.



There are three things about FASAB Statement 56 that are important for you to understand. I want to discuss each one of them in some detail. The first thing is this was an action taken with the full support of both executive branch and Congress and bipartisan Congressional support in both the House and the Senate. The General Accounting Office works for Congress – all the Congress. The Office of Management and Budget works for the Trump Administration. Both the Trump Administration and all the Democrats and Republicans in the Senate and House all agreed to do this.

Did every one of them focus on it? Probably not, but all the leadership knew. I'm sure they believed that it was important in terms of handling the Treasury market and the bondholders. I am assuming that from October on, the primary dealers – who are the group of firms that market the auctions and the initial issuance of Treasury securities – are all out assuring large creditors this is the kind of central control and leadership that basically gives the people who run the Treasury and the finances, including the members and owners of the New York Fed, the power to ensure that the people's elected officials cannot interfere with the actions necessary to ensure creditor rights and market liquidity. I can easily see the primary dealers making a strong case that this makes it easier for the people you can trust to make sure your creditor rights are protected to do their duty.

It reminds me of a famous statement by James Carville, the political consultant. During the Clinton Administration he said, "I used to think that if there was reincarnation, I wanted to come back as the President or the Pope or as a 400 baseball hitter. But I would now like to come back as the bond market. You can intimidate everybody."



It would not surprise me if Nancy Pelosi's reinstatement of PAYGO, which is a budget rule in the Congress that says that you can only spend money if you can identify a source to pay for it, was connected to the implementation of FASAB Statement 56. That was part of the deal. It makes the secret money all the more important and powerful.

So number one is: Please understand that this was the single-most important event that happened in Washington last year. It was a bipartisan action with the full support of the Trump White House and the General Accounting Office, which means that it was a bipartisan 'okie-dokie' from the leadership on both sides of the aisle in both the Senate and the House. That is what you need to understand. That is a very important comment on what is going on in Washington.

Number two is 'Secret Armies'. Matt Taibbi of *Rolling Stone* recently wrote a very good piece on FASAB 56. We published it in News Trends & Stories. You can also find it at *Rolling Stone* under his section.

Here is what I wrote him when he was trying to grapple with what this was about:

The story is simple and obvious. What is it about secret financing for secret armies that you do not understand? The US government just officially changed its governance model from a Constitutional Republic to fascism through an obscure accounting policy. No need to bother with a Constitutional Convention. The US Treasury is free to tax and then borrow from our pension funds and global and domestic investors and transfer the money and assets financed in technology found or created without limit or oversight to private corporations and investors without compensation or oversight.



This is privatization by the ‘Just Do It’ method. Think of this as an extension of the bailouts to a permanent, open bailout structure.

The US government just announced that it is sticking a pipeline into the back of Treasury and announced to every private army, mercenary, and thug in the world that they are open for business. Why do you think that Mattis is suddenly out and Blackwater is running ads that Blackwater is coming, and Erik Prince is testifying that we can use mercenaries in Syria?

I would also note that the US military announced that they are planning on recruiting from a group of people who are not citizens but have green cards.

I think that many Americans would probably prefer they do that than have a draft, but if you populate the military with people who have green cards, it is a military that is willing to enforce against the US citizens, so the combination is very sobering.

Perhaps what is most sobering when FASAB 56 was put into place, is that it was relatively soon after by Washington timetables to a group of the military – Mattis, Dunford, and Kelly – using their gravitas and credibility to arrange phenomenal increases in military appropriations. So, they use their gravitas to achieve the increase in appropriations for the military, FASAB 56 is put into place, and suddenly, clean sweep. All the Marines are out –



– Mattis, Dunford, and Kelly are out. And who is in Kelly's place running the White House? It's the person at OMB who engineered FASAB 56, who is now the Chief of Staff.

That is a very clear message about what is coming next in terms of engineering the US government and the pivot of the national security state, bringing back a lot of its outsourcing into America.

If we are going to have a radical re-engineering of the US government bureaucracy, which I believe is underway and is first and foremost what the shutdown is about, as well as re-engineer land use as demonstrated by 9/11, the fires in California, and various instances of weather warfare across the country.... [sentence not complete]. You look at the related provisions of federal disaster recovery funding going through Washington, and the ability to field and fund secret private armies without limit is a very critical development; you need to understand what it may mean to the next one, two, three, four, or five years.

We are rebuilding America with a wholly new vision. The team that is doing it is now free to 'rock-n-roll'.

So number one was: Both sides of the aisles and both White House and Congress supported it. Second was: Secret Armies. We have been building private companies that provide mercenaries, and that capacity has been building since we started the wars in the Middle East after 9/11. That infrastructure is hungry, and they are very creative in terms of ways to keep the game going regarding improving corporate earnings and improving the campaign contributions that run from those corporate earnings.



Number three is: We are experiencing a very significant change in the deep state leadership with David Rockefeller dead in 2017 and now George H.W. Bush dead. We are watching the Marines going out. Kelly, Dunford, and Mattis are all out. The Bushies are in, although I would include Mattis as one of the Bushie crowd given his relationship with George Schultz and the Hoover Institute at Stanford.

We have Kavanaugh in the Supreme Court, Powell in the Federal Reserve, and now Barr in as Attorney General. The FASAB was done by the Bushie crowd. I bet that Nick Brady, former Secretary of the Treasury under George H.W. Bush when Barr was Attorney General, was involved, if not engineering the FASAB, in the creation process. When he was Secretary of Treasury, he was involved with OMB and GAO in creating a FASAB [He was part of the process then. Chuck Bowsher, former head of GAO was also likely involved.

The way they would have done this is had a commission-like process, and they would have touched base and discussed the problem, likely with the other Secretaries of Treasury who were alive – Rubin, Summers, Lew. They were probably part of the process. John Hawke – a critical figure in engineering the housing bubble - is my guess for somebody who would have been in there, as well as the big accounting firms and the big black budget law firms – which is one of the reasons I think it is so disturbing that the former Sullivan & Cromwell Chairman has recently died in a highly suspect manner, as I discussed last week in Money & Markets.



Of course, Mnuchin was Skull & Bones at Yale, and it is very much a Yale/Harvard crowd that is running this. It reminds me of the movie *The Good Shepherd*. If you haven't seen it, it's a must-see to understand governance in America.

There is a wonderful scene where Matt Damon plays Edward Wilson, and he is basically senior in covert operations at the CIA. One of the Mafiosi whom they do business with is in Miami. He is looking at him and quizzical. Joe Pesci plays him. I put the scene up many times on The Solari Report, but I will read it to you again:

Let me ask you something. We Italians, we got our families, and we got the church. The Irish, they have their homeland, the Jews their traditions. Even the [N people], they got their music. What about you people, Mr. Wilson? What do you have?

Wilson looks at him, and says:

The United States of America. The rest of you are just visiting.

I think it's very important that you understand the group I am describing, particularly that Bushie crowd; I was very much a part of that world. That is the way they look at it. This is their money, not our money. This is their operation, not our operation. They are going to do whatever they are going to do, and we are not a part of it.



Paul O'Neill essentially had to leave as Secretary of the Treasury because he couldn't get along with the crowd under George W. Bush and Cheney. In the book that he helped Ron Suskind write, he has a very famous quote about an aide speaking to him. Many people believe it is attributed to Karl Rove, but that is not definite:

The aide said that guys like me were “in what we call the reality-based community,” which he defined as people who “believe that solutions emerge from your judicious study of discernable reality.”

He said, “That's not the way the world really works anymore,” he continued. “We are an empire now, and when we act, we create our own reality. And while you are studying that reality – judiciously, as you will – we will act again, creating other new realities which you can study, too, and that's how things will sort out. We're history's actors, and all of you will be left to just study what we do.”

If you look at the group of leadership that has run America since 1963, there was enormous continuity in leadership because you had a group of people who engineered the assassination of President Kennedy in 1963 and engineered the subsequent cover-up. Being in on that kill was a very important part of creating this group. You were either in the group, or you weren't, and there was nothing you could do to get in the group if you weren't in on the 'kill', so to speak.



I am oversimplifying it, but it is important to understand that there has been extraordinary continuity. With Rockefeller and Bush dying, the group that engineered the coup that included killing President John F. Kennedy is basically dying and disappearing from power. That means that a new group has to emerge and come up. That process is making things very fluid.

I'm going to talk a lot more about it with Harry Blazer when we publish Part II on the deep state; this one will be on the Kennedy Assassination and the Cover Up. It will be published in the first week of February.

So, that leadership is leaving, and now you have a younger, new leadership. That leadership feels even less of a connection or commitment to the general population than the last one. In combination, that fluidity of leadership and the younger leadership, along with the pivot to the USA that began with the Trump election, has made what has happened in the last two years in terms of disaster capitalism – whether it's the fire or weather warfare – a clear indication that they are moving fast and do not intend to share their plans with the wider population.

Part of their challenge is the free spending after 9/11. It built up an unbelievably expensive national security infrastructure. It's a huge complex that is not efficient. They threw a lot of pork and money around. The problem is that whole edifice is really a tapeworm, especially if they let the mercenaries go free to figure out how to get more money to keep it fed.



In addition, you have a large society highly dependent on substantial amounts of subsidy that is not organized for this kind of change or any kind of market performance in this world. It's not surprising that business's number one complaint is they can't find the type of employees they need because, if you look at what we needed to do starting in the early 1990s to make sure that people had the skills necessary to be part of this world, we did the opposite. Instead of encouraging them to get the skills, we encouraged them to go into debt and have a party.

When you add to this that the Federal control has been asserted on the 5G rollout so that states and localities supposedly have no say in stopping 5G, it says that to make this change at high speed, they are very dependent on the one-way mirror and mind control to manage the change.

The bottom line is that the storm is upon us. It's not coming; it's here, and we are in it.

I think that it is imperative to be careful about listening to or believing any predictions of what is going to happen in the future. The future is very fluid, and we have to see how it's going to go. But most importantly, you have to have a vision of how you can be successful in this environment – no matter how it goes – and you need to base that vision on an accurate map of reality.



If you look in the section, “Get Ready, Get Ready, Get Ready,” I hope to have those future scenarios completed by the time we ‘put this to bed’ – by mid February. Those scenarios will be designed to help you use four different situations to help you with your planning.

I should note that in the ‘Get Ready, Get Ready, Get Ready’ section there is a schedule of events for the year. You might want to take a look at that because I think it’s always helpful to see what events are ‘baked into the cake’ for the year ahead. We use that schedule internally, and this year I decided that, given how fluid the leadership is, I’m going to put that up for subscribers to help them with their planning.

Who should care? Who is going to be impacted by this? Let’s look at the different groups. The first party who should care is investors. The officially reported US Treasury debt is starting to expand at a very rapid pace. The outstanding debt disclosed in official reports is now higher than our annual GDP, so it almost up to \$22 trillion. It’s expanding at an accelerating rate.

The Treasury debt grew by 6% in 2018, and it is expected to grow by 8% in 2019. That is despite many years of, what is being called, an ‘economic recovery’. If the economy slows or goes into recession, the debt growth is going to accelerate. If you add unfunded liabilities, the picture deteriorates even further.

I really want to encourage you to watch a presentation by someone I consider to be the best bond manager I know in America. His name is Jeff Gundlach, and he runs a firm called DoubleLine.



You can find their website at www.DoubleLine.com. Annually he does an oversight of the financial markets – just an overview. If you go to www.DoubleLine.com and click on ‘Webcast’ you can find his January webcast. I would listen to the entire thing, but the final 20 minutes focuses on the combination of Federal debt and the significant maturities and rollovers of corporate debt. The two are going to clash into each other – ‘smash’ into each other like two tsunamis going at each other.

If you look at the increase in debt of 6% last year, the deficit was \$800 billion but the debt went up by \$1.3 trillion because floods, natural disasters, one-off military expenditures, and the Social Security system meant that the actual cash expenditures were much greater.

If you look at the disaster capitalists, there is no doubt that there is a giant sucking sound out of the Federal budget. My guess is the number they are showing is small because I think they are also pulling money out of the mortgage funds. That is what I believe, particularly the push back I experienced when I started talking about the historical relationship between mortgage fraud, fires and the federal funds. This is a very old game and a very profitable one based on the anecdotal patterns I saw in the federal mortgage funds and from my software tools before the Department of Justice seized and stole the software.

What Gundlach says is that in the first three months of fiscal 2019, the debt will grow by \$458 billion. That is an annualized basis of almost \$2 trillion. If the debt growth keeps increasing at the same rate, which is about 30% a year, you can’t imagine what is going to happen.



The question is: Where is the capital going to come from? Currently foreign investors hold about 30% of the outstanding Treasury debt. If anything, they are downsizing their positions.

For one thing, we are having a trade war with China, and China is looking to expand the global liquidity of their own currencies and bond markets rather than keep ours going. You have foreign countries and central banks grappling with their own high levels of debt. The way we kept the global recovery going, in one sense, was by leveraging up the emerging markets. Now both the developed world and the emerging markets are levered up.

You also have many people who fear economic sanctions, so they wish to reduce their dollar dependency. If you add it all up, it means that it is unlikely that foreign sovereign wealth funds and central banks will provide a significant source of fresh funds to the US Treasury market. You also have significant increases in corporate debt maturities over the next five years. So, the corporations are going to be competing fiercely, particularly for global private investors and the funds sitting in offshore havens. As all the money went missing from the Federal government, the offshore havens' balances grew and grew and grew. It's a remarkable symmetry.

This means the interests that control the \$21 trillion (plus or minus) stolen from federal accounts and who received \$24 trillion (plus or minus) on the bailouts will be in the catbird's seat – so to speak. We may in fact be approaching our first known planetary LBO.

The US investors own about \$7 trillion, which is about 33% of the outstanding debt. Then the Federal government, which is Social Security and I suspect the ESF fund, owns about 27%. The Federal Reserve owns 11%.



The alternative is that we can monetize the debt by the Federal Reserve buying all of those. They say that they are not buying but reducing bond holdings that ballooned during quantitative easing.

The US government can't buy more unless significant immigration, in theory, could bring money into Social Security – or at least, less than the outflow – which is one of the drivers for immigration. I suspect that the US government has been leveraging up the ESF by having the missing money pulled out and sent into different trading vehicles so they can then buy a large amount of Treasuries on a leveraged basis. So the ESF and its trading partners have some I'm sure. Both of those simply monetizes the debt from my point of view, and that means more and more monetary inflation.

Finally, of course, there are the US investors. It means that our pension funds buy more, and I think that part of raising the interest rates by the Feds was to get the pension funds to keep buying Treasuries as their debt matures.

The other is retirement accounts. There was a big effort coming into the bailout period to talk about mandating Treasury purchases for IRAs, 401Ks and other types of retirement accounts, and it wouldn't surprise me to see the pressure increase to start to do that. The pushback last time was so significant that those plans disappeared from the discussion rather quickly.

One of the most important issues that investors are going to have to grapple with when they consider what FASAB Statement 56 means is whether or not the United States government owns the assets that their bonds and purchases are financing.



So, I'm an investor, and I buy a Treasury bond. The money goes into Treasury. It buys an asset – a ship or a plane or a piece of land or it builds a building. Is the asset owned by the government, or is it being transferred out the back door into private corporations?

We know that a great deal of responsibility and assets have been transferred to private corporations, in part because that is a way to keep those operations secret.

I did a great interview with Amy Benjamin last year on secrecy. I would strongly recommend you listen to that.

The reality is another way that you can support corporate earnings and balance sheets is simply by transferring the asset out of government and into a corporation. Who knows? Who cares?

FASAB 56 will protect the transfer out. There are some who argue that it wouldn't, but I would argue that it could – particularly if securities fraud is involved, which, given the history of the US government, is relatively easy to do. So FASAB 56 says that you don't see it transferred out. If you look at the waivers applying to private corporations, those waivers make sure that you don't see it arrive. The inside players will know, so the stock market does very well. Never underestimate the ability of this process to deliver steroids to private corporations.

So you need to decide: Is your credit different if the government owns the assets that you are financing?



If those assets or some portion of them are being transferred out the back door into private corporate hands and the contracts that you are funding with government contractors is building new technology and databases and knowledge that they own and not the government, does that impact your credit?

In other words, if the US government is simply a marketing shell and doesn't really own the powerful assets that you are financing, does that impact your credit? And does it impact the price at which you are willing to take that risk – that the politics of the entity will be different if it owns the assets? We will have more on that in the section that we are publishing on investor issues.

Don't be surprised if the primary dealers are assuring the large bondholders that FASAB Statement 56 assures the leadership the power and control that they need to protect creditors' rights from the populists. But I would argue 'au contraire'. If those assets are long gone, it's a very different credit.

In defense of the leadership, I think that it is important to understand how we got here. The money started to shift out of the Federal government after the inability to reach a budget deal in 1995, and there was quite a chorus of pain from the leadership that there was no constituency for financial responsibility – which is absolutely true. The last 30 years of my life is proof positive that it is extremely difficult to build a constituency for financial responsibility, particularly if you are up against a group that has \$21 trillion to buy everybody and everything.



When Rubin took money out of the Exchange Stabilization Fund during the budget shutdown in 1995, I think that it scared the ‘bejeezus’ out of the people who run the hidden system of finance and the black budget. That was the time when the President of CalPERS said that they had given up on the country, and they were moving all the money out at the beginning of the fall. Of course, that is when we started to globalize. In order to get a great deal of capital, you ‘hiccup’ the world and jam prices down worldwide, and then you bubble the US economy and the dollar. So your dollar is high, and you can pick up equity cheap. You go around the world.

Did you ever see the old gameshow where they would take the shopping cart, and keep everything they could throw into the cart for the next ten minutes? It’s somewhat of a ‘supermarket sweep’, if you will.

Since then we’ve had an engineered financial coup d’état. We have \$21 trillion in missing money and \$24 trillion of bailouts. I know they say that they have paid the money back, but I will believe it when I see it. And how would we know? The books aren’t reliable.

The result has been a tremendous centralization of assets and ownership globally.

I thought that I would return for a little ‘oldie but goodie’ memory. One of the most popular articles I ever wrote was one published in February of 2009 about something that had happened to me in 2001. The article is the original coup d’état article.



I kept struggling before the bailouts and then during the bailouts, to warn people how big what was happening was. It was extremely hard for many Americans to fathom what privatization by ‘Just Do It’ method on a global scale would look like. This is from my article:

In the fall of 2001 I attended a private investment conference in London to give a paper, *The Myth of the Rule of Law, or How the Money Works – The Destruction of Hamilton Securities Group*. The presentation documented my experience with the Washington-Wall Street partnership that had engineered a fraudulent housing and debt bubble. It illegally shifted vast amounts of capital out of the United States, used privatization as a form of privacy – a pretext to move government assets to private investors at below-market prices, and then shift private liabilities back into government at no cost to the private liability holder.

Other presenters at the conference included distinguished reporters covering privatization in Eastern Europe and Russia. As the portraits of British ancestors stared down upon us, we listened to story after story of global privatization throughout the 1990s in the Americas, Europe, and Asia.

Slowly as the pieces fit together we shared a horrifying epiphany. The banks, the corporations, and the investors acting in each global region were the exact same players. They were a relatively small group that appeared again and again in Russia, in Eastern Europe, and Asia, —————



———— accompanied by the same well-known accounting firms and law firms. Clearly there was a global financial coup d'état underway.

The magnitude of what was happening was overwhelming. In the 1990s, millions of people in Russia had woken up to find their bank accounts and pension funds simply gone – eradicated by a falling currency or stolen by mobsters who laundered money back into big New York Fed member banks for reinvestment to fuel the debt bubble.

Reports of politicians, government officials, academics, and intelligence agencies facilitating the racketeering and theft were compelling. One lawyer in Russia living without electricity and growing food to prevent starvation was quoted as saying, “We are being de-modernized.”

Several years earlier I listened to three peasant women describe the war on drugs in their respective countries: Columbia, Peru, and Bolivia. I asked them, “After they sweep you into camps, who gets your land, and at what price?”

My question opened a magic door. They poured out how the real economics worked on the ‘war on drugs’, including the stealing of land in government contracts to build housing for the people who were displaced.



At one point, suspicious of my understanding of how this game worked, one of the women said, “You say you have never been to our countries, yet you understand exactly how the money works. How is this so?”

I replied that I had served as Assistant Secretary of Housing at the US Department of Housing and Urban Development in the United States where I oversaw billions of government investment in US communities. Apparently it worked the same way in their countries as it worked in mine.

I later found out that the government contractor leading the ‘war on drugs’ strategy for the USA to Peru, Columbia, and Bolivia was the very same contractor in charge of knowledge management for HUD enforcement.

This Wall Street-Washington game was a global game. The peasant women of Latin America were up against the same financial pirates and businesses model as the people in South Central Los Angeles, West Philadelphia, Baltimore, and the South Bronx.

Later, courageous reporting by several independent investigative reporters confirmed in detail that the privatization and economic warfare model that I discussed in London had deep roots in Latin America.



We are experiencing a global heist. Capital is being sucked out of country after country. The presentation that I gave in London revealed a piece of the puzzle that was difficult for the audience to fathom. This was not simply happening in the emerging markets; it was happening in America, too.

I described a meeting that had occurred in April 1997, more than four years before that day in London. I had given a presentation to a distinguished group of US pension fund leaders on the extraordinary opportunity to re-engineer the US Federal budget. I presented our estimate that the prior year's Federal investment in the Philadelphia, Pennsylvania area had a negative return on investment. We presented that it was possible to finance places with private equity and re-engineer the government investment to a positive return, and as a result, generate significant capital gains.

Hence, it was possible to use US pension funds to significantly increase retirees' retirement security by successfully investing in American communities, small business, and farms – all in a manner that would reduce debt, improve skills, and improve jobs.

The response from the pension fund investors to this analysis was quite positive until the President of the CalPERS pension fund, the largest in the country, said, “You don't understand. It's too late. They have given up on the country. They are moving all of the money out in the fall.” (That was the fall of 1997) “They are moving it to Asia.”



Sure enough, that fall significant amounts of money started leaving the US, including illegally. Over \$4 trillion went missing from the US government. (That number is now \$21 trillion.)

No one seemed to notice. Misled into thinking that we were in a boom economy by a fraudulent debt bubble engineered with force and intention from the highest levels of the financial system, Americans were engaging in an orgy of consumption that was liquidating the real financial equity we needed urgently to reposition ourselves for the times ahead.

The mood that afternoon in London was quite sober. The question hung in the air, unspoken: Once the bubble was over, was the time coming when we, too, would be de-modernized?

In 2009, more than seven years later, this is a question that many of us are asking ourselves.

This re-engineering of the global government system is using debt and privatization – or what I call ‘piratization’ – which has been underway for quite some time. It’s coming to America, and it’s in America now. The message of the California fires is: It’s underway, and it’s going to continue.

The number one party who should care is the investor. The number two party who should care is the US citizen or resident. If you are a US citizen, you are an investor. You may not buy Treasury securities; —



—— you may not own Treasury securities, but your pension fund does if you have one. Or the pension funds that you are liable for in your state and city own plenty of Treasury securities that are impacted, and you will be too if those bonds don't produce an interest or lose their value over time.

Your bank owns a large amount of Treasury securities. A great deal has been done to either force or encourage banks, instead of loaning their money locally, to loan their money to the Treasury Department through their securities portfolio.

Your insurance company likely owns a great deal of Treasury securities. Your municipality and state and their reserve funds and all sorts of funds that they keep have big positions. If you look around as to how much of your tax dollar and how much of your investment dollar is going into Treasuries – whether you know it or not – it's quite extraordinary.

Some of us have 401Ks or IRAs. It is possible that you could become an investor by mandate.

So you are an investor and you are also a guarantor. During the time that I was working with the gold group from GATA, they sent a letter to the Treasury Department asking them whether or not they reserved the right to seize gold. They wrote back and said, "We reserve the right to seize all of your property."

If the assets are leaving the government and moving onto the balance sheet of private corporations, the assets that the creditors can look to to secure their positions are your property.



Of course with FASAB 56 and all these other things, if there are plenty of mercenary armies to seize your property to turn over to creditors, the legal mechanisms are now almost in place to do that.

I'll never forget one entrepreneur who I worked with on the first 'Missing Money' website who said, "I used to think that I owned my home until I met Catherine, and then I realized that the US Treasury creditors own my home."

The second party who should care is the US citizen or resident. But you should also care because, under the Constitution, we are responsible for the operation of the government and to ensure that it operates inside the Constitution and the law, which it doesn't. So, we all need to think about what country we want to have and what we can do to move us back towards a more democratic process and an economy that is efficient and is run to produce wealth as opposed to run to control centrally.

The third party who should care is a US government employee or business dependent on government money, and that should include government employees at state or local levels. I doubt that the Feds will fire the civil service quickly; they will let it die off, but it is going to be increasingly powerless and increasingly an unpleasant operating environment. In fact, that could kill or harm critical infrastructure that we need.

If you are dependent on a government income – if you are a government employee or your business is dependent on government income –



– you need to build your ability to either earn a private income or build your skills to do it yourself. So, whether it's home repair or car repair, many of the people who I know who are successful in this environment have dramatically expanded their do-it-yourself skills. If you like gardening and growing food, as you know, I am very concerned that the cost of food may go up. You absolutely want to see if you can't move the income side of your financial statement or the expense side more to the private side.

It's very specific to the situation. If your skills are relevant to the '3.0 economy' – or as I often call it 'Global 3.0' – then you are going to be in demand whether you work in government or the private sector. However, I think that you want to be careful about the extent to which you depend on a government income because the competition over those cash flows is going to get fierce – much fiercer than it is now.

The fourth person who should care is a global citizen who operates under the national security umbrella of the United States. If the US succeeds in maintaining a reserve currency, it's one world. If we lose it, it's another world. You see around the world many countries starting to build their own military capacity because they don't want to depend on the United States. So, we have Japan now talking about building its own army; we have the EU taking the first steps towards an independently financed EU army. This all means radical increases to the already unbearable military expenses because the US is still spending a fortune. It is going to mean more people fighting for less resources and the increased risk of war. We are talking about the potential for a very different scenario coming from the United States.



This could potentially impact everyone globally. If a small group controls the United States and decides to go to war, that is what is going to happen.

Finally, I wanted to walk you through the web presentation for this Annual Wrap Up theme. We are going to organize a great deal of resources together, and I want to guide you through what they are.

If you go to www.HUDMissingMoney.Solari.com you can follow along with me. The first section is the Table of Contents. If you click on ‘The Real Game of Missing Money’ you will pull up the Table of Contents, and you can, of course, click to everything from there.

The first section after the Table of Contents is the introduction, which is an overview of what is happening and why it is important. The second section is where we republished Dr. Skidmore’s report. The original report was September 2017, and then there have been subsequent updates from 2017 through December 2018. We also posted the graph that shows all the undocumentable adjustments at HUD and DOD from fiscal 1998 to 2015.

I have asked Dr. Skidmore if he and his students could continue to bring us through to 2018, which he said he would do. So, Dr. Skidmore’s report is second.

The next section is particularly significant for larger serious investors. It’s called ‘US Federal Finances:



The Law'. Money is a man-made construct. If you are going to understand money, you have to understand its governance and management, which means that it is essential to understand the laws, rules, and regulations. They reflect a society's agreement regarding what that money is and who will oversee it and implement its monetary and fiscal operations and how those operations will work.

In one sense, the financial system of currency, bonding, mortgage and bank credit, taxation, and appropriations that was initially created by Alexander Hamilton (which I know because I named my last company after Alexander Hamilton, Hamilton Securities Group) and managed by the US Federal government is no different than hopscotch or Monopoly or Dungeons & Dragons. Before you play, you need to know the rules of the game. So, if you are going to understand the rules of the game of money, you have to understand the law.

Learning the rules and the law related to US Federal finances is challenging, particularly if you haven't gone to law school. After Dr. Skidmore published his report, I realized that it was going to be essential for journalists, investors, and for concerned citizens to have a relatively easy way to understand the Constitutional Law and the financial management laws, as well as the black budget laws. So, I commissioned two excellent, young attorneys to prepare briefing papers to summarize the legal infrastructure of the US Federal financial system.

Those papers are public at www.Constitution.Solari.com, but we republished them here in the Annual Wrap Up so that we have everything in one section.



The first paper is on the Federal Reserve System. If you want to understand the financial system, you need to understand how money is created. The article is called ‘The History and Organization of the Federal Reserve: The What and Why of the United States Most Powerful Banking Organization’. That is important because if you look at the ownership of the Federal Reserve Bank, which is secret, they say that they are ‘members’ but they don’t say who or what percentage, let alone who controls those members. It’s important to understand because it is that group that is basically running the Federal credit mechanism.

My assessment is that the institution of FASAB 56 with the institution of PAYGO makes them significantly more powerful than they were when Trump became President – and they were very powerful then.

The other papers all come under the category of ‘Fiscal’, which is the US Treasury. The first is on the Appropriation Clause of the US Constitution. The second is on the Financial Management and Reporting Requirements. The third is on the Black Budget, which is the ‘carve-out’ for secret spending, which I would say is more than adequate to do that. The last that we published before the Annual Wrap Up was the briefing paper on the Federal Accounting Standards Advisory Board Statement 56.

We have a new paper that we just published contiguous with this publication of the Annual Wrap Up called ‘National Security Exemptions and SEC Rule 10B-5’, which goes much more to some of the things investors need to know as to how this impacts them specifically.



After the legal section, the next section is called ‘Why Should Investors Care?’ That is an article that my attorney, Carolyn Betts, and I are writing to review the issues most important to investors. I am planning to post that by the end of next week. If you are an investor doing due diligence, I would make sure that you review that.

Next to that section we put up a series of tables that show the different players. It’s called ‘Contractors, Investors & Dealers’ and there are going to be four tables. Three of them are up. One is on the 100 largest contractors; one is on the top brokers; and one is a list of primary dealers. We include information regarding their stocks if they are publicly traded. (Not all of them are, but some are.)

If you click on the different fields you can manipulate and change those tables around to analyze. These are companies – both contractors and financial institutions – that have deep commitments and involvement in the securities market. If FASAB 56 is happening, it is with their concurrence one way or the other.

Those tables are flexible, so I would examine and interact with them. You will get a much better sense of who the players are.

The next section is called ‘The Missing Money Story – 1989-2019’. When I became Assistant Secretary of Housing, I never considered myself on the way to becoming an expert on the real Federal finances. My goal was to make communities pleasing. I was interested in what I call the ‘Popsicle Index’. If you don’t know what the Popsicle Index is, we have a short video on it at Solari.com and you can get a general idea of it.



The Popsicle Index is the percent of people in a place who believe that a child can leave their home, go to the nearest place to buy a Popsicle, and come home alone safely. I was deeply concerned that there was a win-lose model between the Popsicle Index and the Dow Jones Index. The Dow Jones Index kept going up by things that were causing the Popsicle Index to go down. It seemed that it was going to be relatively easy to re-engineer the world to something that had a win-win relationship so that the Dow Jones could make money by getting the Popsicle Index to go up.

I was only interested in creating a win-win model because I thought that the wealth potential was extraordinary, and I wanted to live in a world where children were safe. One thing that had happened to me before I went to HUD is that I finally concluded, after many years of trying to figure out how I could take personal responsibility for the safety of a child in our society, to give up. I essentially decided that it was hard enough to coexist with the CIA without trying to do it with a child.

I discovered, of course, that the thing that was causing the Popsicle Index to go down was a negative return on investment engineered through the Federal budget because the leadership wasn't interested in wealth; they were interested in control. As a result, I spent 30 years trying to bring accountability to US finances. But in the process, I was a witness to the financial coup, and I was a witness to all the different strategies that were used, not just by the leadership, but also by the general population to prevent financial accountability and to suppress the importance of what was going on.



I thought it would help you to understand a history – at least the history that I saw as events unfold. So, I am not here to present a case for the court of law or even present a case as an investigative reporter, but simply to tell you as a witness what I watched.

I plan to have that up last before we send the document to the printer. If you haven't watched the videos from *Secret Space Program 2014* and *2015* from both Farrell and Fitts, I strongly recommend that you watch it, including the panel that Farrell and Fitts did with some others at 2015. Those are up. If you go to the last section that we have under "The Real Game of Missing Money", which is 'Missing Money Movies and Documentaries' we have all those videos up. There is one place where you can get all of them. They are in the Documentary section at the bottom. There is plenty of information to watch and absorb, but I recommend it as very critical background to understanding the development of a hidden system of finance and black budget after World War II and the growth of that system until it is simply overwhelmed and has taken over the overt economy.

I am also going to draw on many Solari Report resources. So, for the people who are long-time Solari Report subscribers, they have already been through the material that serves as building blocks for what I am going to present.

One thing that I want to talk about is all the different tactics that they use to kill the story. People always ask me, "How did this story not go viral?" You have no idea! It's like *The Joy of Cooking*; there are thousands of recipes of how you kill a story, and I think that I have experienced most of them.



I do recommend two things that you can also read that will really help you. One is the 3rd Quarter Wrap Up that we did in 2017 called ‘Control 101’. The major theme in that Wrap Up will be very useful. It’s the blue one with the waves going through the brain. The second one is the Pension Fund, which was the 2017 Annual Wrap Up. If you go to www.PensionFund.Solari.com, it is available there..

It was very peculiar. I finished the big theme on that one and I was in the Netherlands in February of 2018 when I finished the theme. The next morning I flew back to the US. Before I landed – 20 minutes before I landed – our site went down. It was so bad that it was easier to bring up a new one than to bring back the old one.

I was livid, so I made the Pension Fund web presentation available to the public. I said, “Okay, you take me down, and I’ll make it public.”

If you read Control 101 from the 3rd Quarter 2017 Wrap Up and then the Pension Fund from the 2017 Annual Wrap Up, I think that those two will make it easier for you to follow the material. They are important building blocks.

Another one, if you are a new subscriber, do a search and get my video on the Red Button story. I’ve told the red button story so many times that I am not going to tell it again, but it is very important to contemplate it and what it means to the complicity of the general population in how things got as bad as they have.



After my ‘Missing Money Story – 1989-2019’ we have a section called the ‘Missing Money Chronology’. In the process of preparing the ‘Why Should Investors Care’ my attorney, Carolyn Betts, and I created a chronology to pull out some of the key dates. You can play with the fields, so you can look at the dates in ascending or descending order. We also put in a field to talk about what kind of event it was. Was it an article? Was it something related to Hamilton Securities?

Remember, the key to making the financial coup d’état go is that money needed to be pulled out of the Federal accounts. So, money had to start getting transferred out of the Federal accounts in enormous amounts. To do that, many good government types in Washington had to be scared to death. You had to send a message to the civil service, “You better not mess with this, and you have to keep it secret.” So, slaughtering the team that was re-engineering HUD and Hamilton with it, we were really at that point. The brains supporting the operation was critical to sending a message, “Don’t mess with us.”

I was dealing with very serious physical harassment. It was enough to ‘scare anybody to death’.

Finally, the next section is ‘Solari Missing Money A-Team’, which is the missing money hall of fame. Never say to me, “Why is nobody doing anything?” If you look at the list, you will see that there were many people who stood up and took enormous risks and were very courageous and brilliant in their defense of financial integrity. We owe them a great deal of appreciation. Most of all, we owe them the recognition that there are many excellent people standing up for human civilization in a very powerful way. They are quite a group of people; they have done amazing things, and they absolutely deserve your admiration.



I'm always shocked and amazed at what a significant difference people like that can make despite having very little support. I think that the time has come when I'm hoping the world can start sending much more support to the people fighting for them and supporting them as opposed to the people stealing from them.

I was listening to a Leonard Cohen song recently, and there was a great line that said, "Many men have fallen where you promised to stand guard." That is what reminds me of so many people in the leadership of this country. They promised to stand guard and, instead, many people have fallen. What is heartbreaking is the extent to which the people who are falling still support them. I can never understand or fathom why.

The final section is 'Movies and Documentaries'. There are so many great tools to educate yourself, especially those *Secret Space Program 2014* and *2015* videos that I put up. If you haven't seen them, that is great background for the other pieces that we will be publishing for the end of the month.

In conclusion, I want to relate to you one of my favorite quotes that you often see in 'The Solari Report' from Sir Peter Medawar. He said, "What is relevant is what solves the problem. If we had thought through real relevancies, we would be on Sirius by now."

It's quite extraordinary the issue of the missing money and the Federal finance and the corruption in the Federal finances and the fraud in the Federal finances. Ultimately, this is the issue that decides who rules.



If I can print as much money as I want as the Fed owners and I can spend money on a secret basis, even though I am taking it from securities raised on the US Treasury credit with the backing of the citizens or with their tax dollar, and if I can spend as much of that money on a secret basis combined with the ability to deliver physical violence secretly and with impunity hiding behind a one-way mirror with a population that has zero privacy, then the people don't have any sovereignty and the government doesn't have any sovereignty.

This is about who rules and the conditions under which they can control and rule. FASAB Statement 56 has finished the conversion to secret governance by a secret society – not to say that wasn't going on before, but it was going on on the covert side. Now it's running everything. It's a very somber picture. However, if 5-10% of the US population – including members of the investment community – takes the time to understand and to act, at best the picture can change. At worst, that 5-10% can significantly improve their chance of succeeding on the road ahead.

We are in the middle of a reordering and reorganizing of institutions, which will accelerate throughout the year. We need to each think about what that could mean to us and prepare accordingly.

I expect to have the full web presentation before I leave for Europe in mid-February. One possibility is that I do a live Solari Report session in February on the missing money so that I can take questions and we can discuss it live. Let me know if that would be of interest.



I presume that we will have the hard copies to the print and digital subscribers by late February or early March. We can also do a session after you've had some time to work with the materials in a hard copy. If you have not converted to a print and digital subscriber so that you automatically receive a hard copy, now might be a good time to do it before this one comes out. Or you could always buy the hard copy at the store when they are available.

Given the denseness of the material – particularly the legal issues – I find it much easier to read this in a hard copy. Of course, you can always get that by printing out the pdf and the flip book when they are available.

Please check out the web presentation and look at the last few pieces to publish between now and the end of the month at www.HUDMissingMoney.Solari.com.

I want to thank you for taking the time to investigate and understand this because it is a critical issue. Of course, I close as I always do: Don't ask if there is a conspiracy; if you are not in a conspiracy, 2019 would be a really good year to start one.

Ladies and gentlemen, goodnight and good luck.



MODIFICATION

Transcripts are not always verbatim. Modifications are sometimes made to improve clarity, usefulness and readability, while staying true to the original intent.

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