

## **The American Tapeworm, Part II**

### **The Solari Solution**

**A Responsible Way to Fund America's State and Local Government Deficits**

*or ... What To Do About The American Tapeworm*

**by Catherine Austin Fitts**

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*Scoop*

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"God does not bless a mess."

---Bishop Alfred Owens

#### **The Solari Solution "In a Nutshell"**

**Debt = War**

**Equity = Peace**

**Learn How the Money Works**

**Vote With Our Time & Money**

**Get the Missing Money Back**

**Make Our Place Wonderful**

**Manage Our Risk**

#### **The American Tapeworm -- Debt Up, Equity Down & Out**

The real deal in US government financial matters today is that there are two plans to finance the current government deficits.

The first plan is the "American Tapeworm" model (see Appendix I). Under the leadership of the Bush Administration (and before that, the Clinton Administration) and with the support of Congress and the Supreme Court, the American Tapeworm model is to simply finance the federal deficit through warfare, currency exports, Treasury and federal credit borrowing and cutbacks in domestic "discretionary" spending.

The resulting state and local deficits will then be financed with state and local tax and user

fee increases, cutbacks, employee layoffs and increased borrowing. This will then place local municipalities and local leadership in a highly vulnerable position -- one that will allow them to be persuaded with bogus but high-minded sounding arguments to further cut resources. Then, to "preserve bond ratings and the rights of creditors," our leaders can be persuaded to sell our water, natural resources and infrastructure assets at significant discounts of their true value to global investors. This process of persuasion will be with a carrot and stick, the carrot taking the form of a piece of the action and the stick taking the form of the threat of targeting by smear campaigns and covert operations.

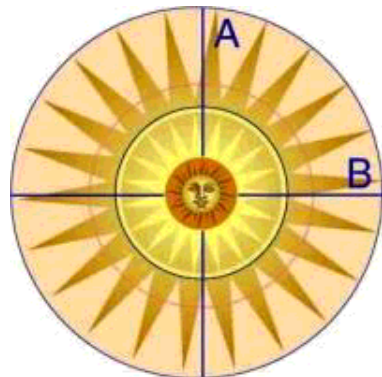
Global investors will purchase our discounted natural resources and infrastructure by reinvesting the trillions of dollars that have been stolen from our pension funds through dot.com and Enron-type pump and dump fraud (the recent \$1.4 billion settlement with Wall Street indicated that investors have lost \$8 trillion) and through money stolen from federal accounts (for more on the officially documented \$3.3 trillion in "undocumentable adjustments" from the Department of Defense (DOD) and Housing and Urban Development (HUD) (see Appendix I).

Global and institutional investors will then experience significant capital gains when multinational corporations raise the user fees on basic services to Americans by many multiples. This will all be described as a plan to "save America" by recapitalizing it on a sound financial footing. In fact, this process will simply shift more capital continuously from America to other continents and from the lower and middle classes to elites.

This parasitic plan is a criminal leveraged buyout of America -- buying a country for cheap with its own money and then jacking up the rents and fees to steal the rest. It has an infinite rate of return for the folks who are doing the stealing. It shifts equity wealth to a few in a manner that shrinks total wealth. It is the next step of the negative return on investment economy perpetuated by syndicates like the investors, banks, attorneys and senior managers of Enron, DynCorp and groups like them described in my last *Mapping the Real Deal* column, "The American Tapeworm."

### **The Solari Solution -- Debt Down, Equity Up & In**

In contrast, the Solari Solution, suggests that instead the American people should simply seize back stolen federal funds through the power of offsets. These offsets (which could take the form of, for example, the local assumption of a federal obligation) would be applied and managed by a locally created and controlled solari. In fact, the legal construct used by the federal government to try to destroy my company and me creates one of the precedents that can be used to do so (see Appendix I).



One of the many reasons that I am confident that the Solari plan works is the ferocity with which the federal government has tried to prevent me from implementing it. In an effort to destroy my last company, the federal government seized our company funds by "common law offset" whereby, without contract or statutory authority, the government declined to pay contractually-owed funds in the amount of the "offset," leaving

us to file suit to recover the money legitimately owed to us.

In other words, the government shifted the burden of proof so that instead of the government establishing in court that it had a claim to the money (which it could not do), it put the burden on my company to establish that the government had no such claim. If this were not enough, to date, through administrative delaying tactics and arguably illegal pressure through the courts, the Department of Justice has succeeded in preventing any case from going to trial for over five years, during which the government has control and use of our money. I suggest that we adopt this precedent the federal government and judiciary has now created to shut off the American Tapeworm once and for all.

Appendix II links to annual federal individual tax payments as of FY1999 and our resident population. An American resident's pro rata share of \$3.3 trillion of undocumentable adjustments (that is approximately \$11,700 per American) from the Department of Defense (DOD) and the Department of Housing and Urban Development (HUD) is approximately twice your 1999 tax bite.

If you multiply the 1999 individual tax payments in your state times two and compare that to what you are being told about your current state and local deficits you will notice one thing no matter where you live -- if we bring transparency to federal accounts and hold the federal government legally responsible for compliance with the laws that require audited financial statements and reliable financial systems, there will be plenty left over both to fund your state and local deficits and to properly capitalize (through the use of locally controlled solaris) attractive municipal asset privatizations and infrastructure and small business investment.

In addition to reengineering government investment locally and the flow of equity capital to small business and locally controlled privatization transactions, the Solari Solution significantly increases both individual and total wealth and restores the positive return-on-investment economy. This is how we can address our overhang of debt and liabilities. More on how to do that is described in my recent *Mapping the Real Deal* column, "Solari Rising," and the links therein (see Appendix I).

### **The California Example**

Let's look at an example so we can understand the power of the Solari Solution to solve our most pressing problems.

In FY 1999, according to IRS data, California residents and those making individual payments on their behalf paid approximately \$185 billion in individual taxes. That means that Californians citizens' pro rata share of the missing \$3.3 trillion at the Department of Defense and approximately \$59 billion missing at Housing & Urban Development is approximately \$370 billion. According to recent reports, California's deficit is approximately \$35 billion. That means if California simply had access to its share of the missing money (through a solari-type offset or otherwise), it could fund the current state deficit for ten years.

It sounds to me like there ought to be a lot of attorneys in California willing to get together

over at the Chamber of Commerce or the Farm Bureau and figure out how to start a solari and use it to ensure that our tax dollars are managed in accordance with the law in a manner that preserves jobs, pays for health care and builds local equity.

### **Real Cash Flowing Out Through the Tapeworm's Criminal Enterprise**

When discussing this plan, I hear numerous comments as to why we can't do the Solari Solution and should keep sending \$5,000 plus a year per person to the US federal governmental apparatus even though approximately 85% is going to agencies who under corporate guidelines would lose their ability to issue securities as they were deemed not worthy of playing with other people's moneys under the law and stock exchange guidelines.

First, the arguments go, the \$3.3 trillion in undocumented adjustments are accounting adjustments and no cash is necessarily missing. This is good spin -- but it is not true. When a large organization has had all the time and money in the world to comply with basic legal standards of transparency and fiduciary management and has systematically refused to do so and moreover indicates that it is severely troubled and cannot account for its money, we know there is fraud.

It is likewise a form of fraud on Americans for the federal government to tolerate federal financial officers' failure to produce audited financial statements as required by law, to pay billions of dollars to defense contractors for the creation and management of federal financial systems that result in no audit trail, no reliable financial controls, and the continued employment of these same contractors following repeated failures to perform. If the law were applied to these bare facts, this is gross negligence constituting criminal fraud even before exploring the issue of how much cash is missing and where it went.

The \$3.3 trillion of undocumented adjustments surely is an unreliable number, since it is produced by an unreliable source (i.e., the federal financial statement). The federal books have been cooked in a manner that is significantly outside the boundaries of the law. But be assured that when the government makes "undocumented adjustments against Treasury" in the trillions of dollars, this is government-speak for theft of real taxpayer money. As a leader of the movement advocating transparency in federal accounts, I and my company have been systematically targeted for eight years and my company's private software tools designed to bring transparency were seized and, as a practical matter, destroyed by agents of the federal government.

I have documented numerous examples of intentional policies that cause the Federal Housing Administration accounts at HUD to lose billions of fund monies unnecessarily. Why are they doing this? Because the policies they are using make it easier to steal -- that's why! When this much time and money is spent trying to destroy the credibility of the people bringing transparency, it is because transparency is feared greatly.

My worse fears of the illegality of the government financial operations were confirmed when the chief of staff to the chairman of the HUD appropriations committee told me in the summer of 2000 that HUD was being run "as a criminal enterprise." HUD can only be run as a criminal enterprise if the Department of Treasury, the Department of Justice, the NY Fed as depository and a group of contractors like Lockheed, DynCorp, AMS, & JP Morgan

Chase run it as a criminal enterprise.

If the lead attorneys and accountants for the US government are running HUD as a criminal enterprise, that means that the US government is being run as a criminal enterprise. In short, the accounting, finances and the securities issuance operations of the US government are part of a criminal enterprise.

### **The Power of the Federal Credit in the Hands of a Criminal Enterprise**

Another comment that I hear is that \$3.3 trillion is more than could possibly have been stolen in three years, given the flow of taxes and the size of the budgets at the DOD and HUD. This is not correct. The nature of the federal apparatus is such that theft of such an amount can be organized with relatively little cash using the federal credit: through the continuously recycled purchase of federal guaranteed securities such as Treasury debt, Ginnie Mae securities and other federal credit assets.

We have a securities issuance operation not constrained by reliable systems or transparency. We have computer and accounting systems under the control of private corporations and banks with no provision to insure information sovereignty by government employees. We have leading banks like JP Morgan-Chase engaging in alleged fraudulent transactions such as secured debt issuance without perfection of collateral liens and manipulation of the international gold market. In short, we have all the conditions necessary for a financial *coup d'etat*. How do we know how much federal credit has been issued and is trading in the market place?

Without legally required and reliable audited financial statements and systems, we have no way of knowing the true state of federal financial affairs. Without an accurate account and servicing by unbiased and independent professionals, we have no basis to believe that the federal government has not engaged in significant over-issuance of securities and other types of securities fraud. Until we have audited financial statements from reliable auditors produced from systems created, managed and controlled by government employees reasonably protected from covert operations and "control files", America is a financial banana republic whose securities are ripe for de-listing by global investors.

### **Indecent Excuses**

Indeed, the excuses for the failure to provide Americans with the audited financial statements, place-based reporting and intelligible contracting budgets grow ever more offensive.

The reasons given by the Army for the failure to comply with the requirement for audited financial statements in 2001 was due to, "the loss of financial management personnel sustained during the September 11 terrorist attack." Hence, the US military cannot stop terrorist attacks despite prior warnings, then can not protect their own headquarters an hour after the first act of war, but are rewarded with an increase in appropriations of \$48 billion. Despite being flush with so much new cash, they have been so devastated by the impact of 9-11 on their financial operations, which are located in another state, that they can not produce financial statements a year later.

Are you willing to endure further cutbacks in local services and sales of natural resources that our very lives depend on in order to turn over another year of tax payments to a group that comes up with such implausible explanations? Or does this sound like a good time to get with local attorneys about our right as localities to create local federal tax set-asides under common or statutory law. Its time for local management and oversight of local expenses.

How many contractors are earning \$25-250 a hour for jobs we can do excellently in our own community for much less? How about retiring our pro-rata share of the federal debt until the federal government can produce financial statements that account for all the federal cash and credit we have generated since 1995, when federal laws went into effect to require proper financial and accounting disclosure? What would the IRS do to you if *YOU* had refused to produce accurate financial statements to the federal government since 1995? I suspect you would be in jail.

Holding the federal government accountable to obey the law and to obey the most basic principles of fiduciary management and Judeo-Christian stewardship sounds like a better plan to me than cutbacks, issuing IOUs and selling our drinking water and other natural resources.

### **Flushing Out the American Tapeworm**

America does not have deficits -- we have a white-collar crime drain that is a financial tapeworm.

Let's stop the drain and get back the money that has been siphoned off by criminals to offshore and private bank accounts.

Let's not allow more hard earned funds to be drained out of our bank and pension fund accounts and lost through dollar devaluation.

Let us refuse to sell off our water and other precious natural resources to private investors who will jack up our water and utility bills by 1000% the way they have done in Latin America and Eastern Europe as global financial predators move in for their economic warfare kill.

The federal government refuses to obey the law. That is the definition of a criminal. The federal government is engaged in gross negligence and criminal enterprise. My story and the missing \$3.36 trillion proves it. The federal government's criminality is disobedient to all principles of fiduciary soundness and stewardship -- whether under the laws of the United States, the standards of global investment, or the spiritual principles of Judeo-Christian and other world religions.

Tell your Congressional Representatives you are voting for the Solari Solution -- and tell them to get your money back now.

But don't wait for them.

Organize a solari. Find your local attorneys and determine what rights of set-aside and

escrow are appropriate for us as citizens to ensure that our tax money is managed directly by us under local control for proper governmental purposes in compliance with the law.

Vote now for the Solari Solution.

### **APPENDIX I - Related Materials:**

- Solari Rising - An Illumination of Economic Resurrection for My Neighbors at Easter Time, 4/23/03
- Vote online for the Solari Solution
- The American Tapeworm, 4/23/03
- The DynCorp-Enron Economy & the \$3.3 Trillion Missing Money, 4/16/03
- Saving Tennessee There is \$3.3 Trillion Missing From HUD & DOD in FYs 1998-2000, 7/4/02
- Background on Federal Efforts to Stop the Solari Model

### **APPENDIX II - Annual Taxes To Agencies Not In Compliance**

#### **US Citizens have already lost....**

Two of the agencies that cannot produce working financial systems, DOD and HUD, have reported \$3.3 trillion of undocumented adjustments for fiscal 1998, 1999 and 2000. That works out to about \$11,700 per US resident, based on April 2000 census of 281,421,906 Americans.

Every year, approximately 85% of our taxes go to agencies that, according to the most recent reports of the oversight committees, did not have reliable financial systems and audited financial statements.

The list itself is presented in Section 2, a state-by-state listing of "How Much of Our Money Goes to Books 'Cooked' by Federal Agencies & Government Contractors & US Treasury Bank Depositories" from "Saving Tennessee - There is \$3.3 Trillion Missing From HUD & DOD in FYs 1998-2000."

Catherine Austin Fitts is the President of Solari, Inc., a founding member of UnAnsweredQuestions.org and member of the Advisory Board of Sanders Research Associates. Ms. Fitts is former Assistant Secretary of Housing-Federal Housing Commissioner in Bush I and a former managing director and member of the board of directors of Dillon Read & Co. Inc. She is currently litigating with Ervin and Associates (acting on behalf of the US government) and the Department of Housing and Urban Development related to John Ervin's efforts to stop responsible financial management in the US government mortgage insurance portfolios. To support Catherine's litigation efforts: <http://www.solari.com/vote.php>. Ten percent of all donations are tithed to an Independent Media Fund managed by Venture Collective.

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