

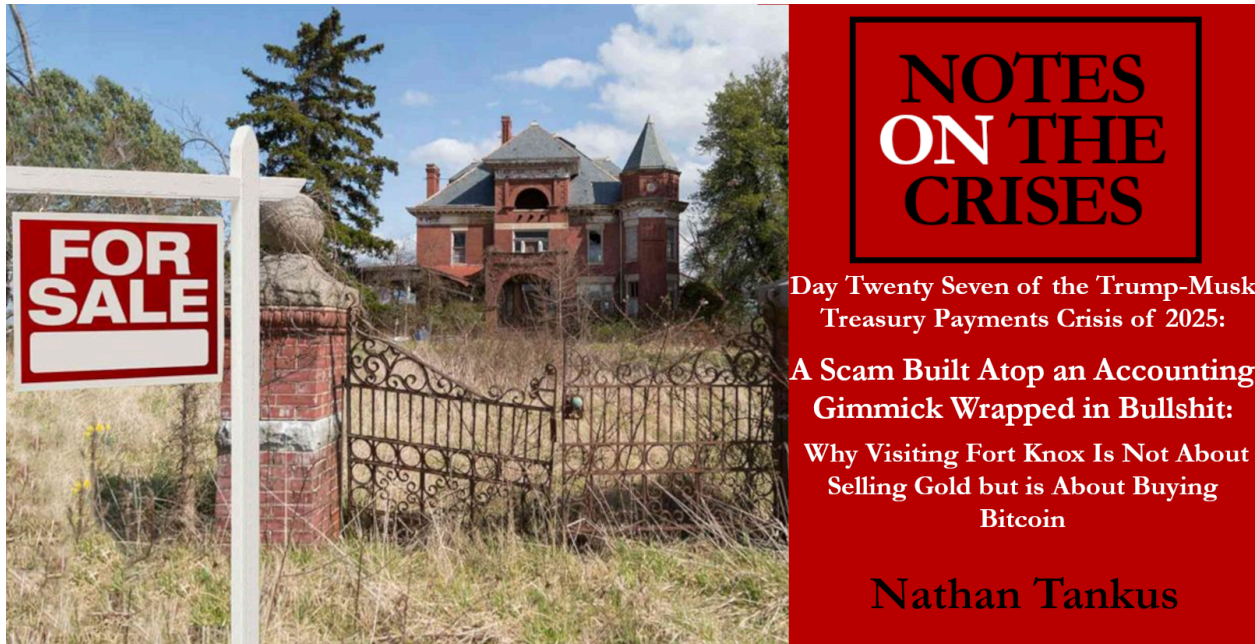
A Scam Built Atop an Accounting Gimmick Wrapped in Bullshit: Why Visiting Fort Knox Is Not About Selling Gold but is About Buying Bitcoin

Notes on the Crises

www.crisisnotes.com/a-scam-built-atop-an-accounting-gimmick-wrapped-in-bullshit-why-visiting-fort-knox-is-not-about-selling-gold-but-is-about-buying-bitcoin/

February 26th 2025 3:35 AM

By Nathan Tankus



Notes on the Crises pivoted on February 1st into around the clock coverage of the Trump-Musk Treasury Payments Crisis of 2025. Today is Day Twenty Two

Read [Part 0](#), [Part 1](#), [Part 2](#), [Part 3](#), [Part 4](#), [Part 5](#), [Part 6](#), [Part 7](#), [Part 8](#), [Part 9](#), [Part 10](#), [Part 11](#) & [Part 12](#)

The extensive “Notes on the Crises Investigative Journalism Source Wish List” [can be found here](#). The highest priority items on my “wish” list are currently Bureau of the Fiscal Service Parkersburg, West Virginia Budget Appropriations and Analysis Section (BAAS) Employees & National Automated Clearing House Association ([NACHA](#)) employees with knowledge of NACHA’s rules and legal standards. All listed items are, however, important

to me. As always, Sources can contact me [over email](#) or over signal (a secure and encrypted text messaging app) — [linked here](#). My Signal username is “NathanTankus.01”. I will speak to sources on whatever terms they require (i.e. Off the Record, Deep Background, On Background etc.)

*This is a free piece of Notes on the Crises. I will not be paywalling any coverage of this crisis for as long as it persists, so please [take out a paid subscription](#) to facilitate performing that public service. You can also [leave a “tip” if you want to support my work](#) but **hate emails cluttering your inbox or recurring payments**. If you're rich, take out the [Trump-Musk Treasury Payments Crisis of 2025 Platinum Tier](#) subscription.*

Note to Readers: I am on [bluesky](#), an alternative to twitter. I have also started an instagram for Notes on the Crises [which is currently being populated with my articles](#).

Finally, [I'm known as a crypto skeptic, and I am](#), but that doesn't mean I won't accept people giving away bitcoin to me. Here's my address: `bc1qegxarzsfga9ycesfa7wm77sqmuqqv7083c6ss6`

The “Bitcoin Strategic Reserve” is something I’ve wanted to write about since before all hell broke loose January 31st. Now that Elon Musk and Donald Trump are set to visit Fort Knox, the famous home of the United States Treasury’s gold stock, it's time to write about it. You might be asking yourself, well wait how do these topics relate? Amazingly, they are intimately and causally connected. Visiting Fort Knox is a **publicity stunt to get Congress to back an accounting gimmick that will fund the Bitcoin reserve**. It is, as the title of this piece says, **A scam built atop an accounting gimmick wrapped in bullshit**. Now let me explain how.

The stated reason Musk and Trump are visiting Fort Knox is to “make sure the gold is still there”. Trump, for example, [has said in a speech](#) (and really more than one speech) “We're going to open up the doors. I'm going to see we have gold there. We want to find out, did anybody steal the gold in Fort Knox?” This, of course, originated with Musk who has been tweeting about this nonstop. Take, for example, a [tweet from last week](#) where he says “Looking for the gold at Fort Knox ...” and includes an image of a meme based on a scene in a South Park episode where a character says “Annd It's Gone”.



While visiting Fort Knox is likely meant to boost Musk's twitter by livestreaming the visit on the platform and plays to conspiracy minded Trump supporters who have theories about Fort Knox's gold, these are not the substantive underlying reasons. The underlying reason is most likely the Bitcoin Strategic Reserve proposal. We'll get to what this proposal is later, for now we'll start with the gold connection. For new readers this will be an introduction to a [major theme of this newsletter- the surprisingly important but neglected field we might label](#) the "Law and Political Economy of Governmental Accounting Gimmicks"

In fact, during the summer of 2023 I started working on an extremely long and exhaustive history entitled "The Treasury and Federal Reserve's 70 Year History of 'Accounting Gimmicks' and 'Legal Tricks' to Avoid the Debt Ceiling and Default.". In subsequent research that fall I updated it to an "85 year history" when I came across a fascinating episode during Roosevelt's administration where he wanted to use a wide array of accounting gimmicks to avoid raising the debt ceiling in 1939- right at the beginning of the modern debt ceiling. That history was so long and sprawling I got pulled away from finishing it and publishing it. I hope to get it done in the next couple of months during a period where things hopefully are a little less hectic in *Notes on the Crises*. A part of that article is about gold and how in the current organization of our legal system, **the Treasury's gold holdings are not actually about the gold market at all- they are about intragovernmental accounting.**

Readers of my colleague and friend, economist Stephanie Kelton, will have already gotten a preview of my research in [her article on Monday](#) on the Trump-Musk Fort Knox visit. Here's what I wrote on this basic gimmick two years ago in that unpublished manuscript:

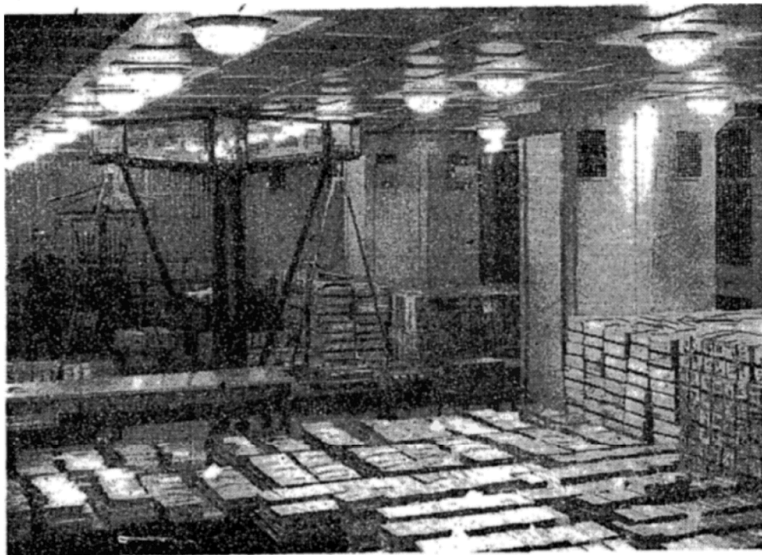
First up, we have the oldest example I will discuss today: “monetizing” gold. The history of the U.S. holdings of gold is long, complex and beyond the scope of this piece. For today's purposes, the main thing that matters is that the United States government has lots of gold and the Treasury has a handy way of filling up its bank account based on that gold without changing anything at all. Instead of having to actually physically transfer gold, the Treasury can issue “gold certificates” based on its gold holdings. Even better, it doesn't have to sell those gold certificates on the private market. It can just sell them directly to the Federal Reserve.

The New York Times.

by The New York Times Company.

SUNDAY, NOVEMBER 15, 1953.

U. S. Reduces Debt With 'Found' Gold



Gold bars in vaults of the Federal Reserve Bank of New York being prepared for weighing. The gold was received by the bank for storage under “ earmark ” for the account of a foreign government. The gold bars shown have a value of \$14,000 each.

*Half of Billion Dollars
in Bookkeeping Item
Retires Securities*

<https://timesmachine.nytimes.com/timesmachine/1953/11/15/issue.html>

As the New York Federal Reserve's longtime “in house” historian [Kenneth Garbade put it](#): “The action did not affect monetary policy—it merely replaced one asset (the Treasury notes) with another (the gold certificates) on the Fed's books”. You could replace “gold certificates” with [“platinum coins”](#) and nothing would be fundamentally different. What matters is that this is an intragovernmental accounting change which changes nothing of

substance for the rest of the economy- except avoiding government default as a result of the debt ceiling.

The key to understanding this is the Federal Reserve is not going to be selling these gold certificates to the private sector. Nor is it, or anyone else, going to “cash them in” for the gold.

So if the certificates are just a book entry in some accounting ledger, why does it matter that they are “gold” certificates? Couldn’t you just sell a “avoiding the debt ceiling” certificate which promised redemption in “avoiding-the-debt-ceiling brownie points”? The answer is- yes. The Treasury would just need legal authorization to issue “avoiding the debt ceiling” certificates. This only sounds sillier than gold certificates because it's more honest. **The key to bullshit is it sounds good to the uninitiated** and nothing sounds better to those who don’t know much about finance than gold.

In this sense, using the legal authority to mint a Trillion Dollar Platinum coin is the opposite of bullshit. Those of us who long advocated using this legal authority to avoid default frankly acknowledge that it's an accounting gimmick and use the opportunity to [educate the public about money, rather than dupe it](#). Just last month I released a 2013 Federal Reserve memo I got through FOIA about what the Fed would do in case of a debt ceiling driven default. In that article I provided a refresher [that linked to myriad pieces](#) I’ve written on this topic the past five years, so please check that out if you’re unfamiliar with what I am referencing.

Which brings us back to the Bitcoin Strategic Reserve. This legislation takes advantage of just how good gold sounds to the laymen (emphasis on “men”...) to propose funding the “Bitcoin Purchase Program” with Gold Certificates. Bitcoin acquired in the “Bitcoin Purchase Program” goes into the Bitcoin Strategic Reserve that will [involve “cold storage” of bitcoin](#). Yes really. The legislation actually goes further and has the Federal Reserve hand over its existing gold certificates and **buy them back** at a new “fair market value price”. The Federal Reserve would be ordered by the legislation, if signed into law, to simply send the Treasury the difference between the old price and the new price to the Treasury General Account (TGA) ([see Monday’s piece](#)).

Here’s the relevant section of the [“BITCOIN Act of 2024” whose purpose](#) is described as “To establish a Strategic Bitcoin Reserve and other programs to ensure the transparent management of Bitcoin holdings of the Federal Government, **to offset costs utilizing certain resources of the Federal Reserve System**, and for other purposes.”:

(c) FEDERAL RESERVE SYSTEM GOLD CERTIFICATES.—Not later than 180 days after the date of enactment of this Act, the Federal reserve banks shall tender all outstanding gold certificates in their custody to the Secretary. Not later than 90 days after the tender of the last such certificate, the Secretary shall issue new gold certificates to the Federal reserve banks that reflect the fair market value price of the gold held against such certificates by the Treasury, as of the date specified by the Secretary on each new gold certificate. Upon issue by the Secretary, each Federal reserve bank that receives a new

gold certificate shall remit the difference in cash value between the old and new gold certificates to the Secretary for deposit in the general fund within 90 days.

(d) CONFORMING AMENDMENT.—Section 5117(b) of title 31, United States Code, is amended by striking “(for the purpose of issuing those certificates, of 42 and two-ninths dollars a fine troy ounce)”.

That last part is crucial too. Current legislation sets the price that the gold certificates can be issued at (and thus the current “official Federal Government price” of Gold).

This is returning to the president’s ability to freely set the price of gold that Roosevelt was granted 90 years ago and which we [discussed last Friday](#). Let’s recap this mind bending house of mirrors: this legislation is aimed at resetting the government’s official gold price to “fair market value” so that they can sell 100s of billions of dollars of “gold certificates” they did not have the legal authority to issue before. The purpose of doing this is to take the supposed “proceeds” of writing in an accounting system that the Fed has “purchased” more gold certificates and deposit them into the Treasury’s bank account while scribbling (in COBOL) in another accounting system that the “Bitcoin Purchase program” **can now buy billions of dollars worth of bitcoin**. If you feel like you’re playing three card monte with a huckster who has you confused about which direction to look, **that’s because you are**.

Amazingly, this legislation **also** dips into the Federal Reserve in yet more ways. It does so by reducing the Federal Reserve’s System’s official net worth (its “surplus funds”) and consequently claiming more for the Treasury, to be swept into the Bitcoin Strategic Reserve **at the same time** it puts a kind of “first lien” on the remittances the Federal Reserve System pays to the Treasury for the Bitcoin Strategic Reserve. This “first lien” even applies over and above the [Fed’s “deferred asset”](#) which is an accounting gimmick already used by the Federal Reserve to avoid negative income from impacting its official net worth.

That sounds complicated but what it is is mind-repelling in its simplicity. The Federal Reserve treats its obligation to pay the vast majority of its net income to the Treasury as a liability. So what the Federal Reserve says in its accounting rules is that a Federal Reserve Bank which has negative net income consequently sees its obligation to pay remittances go negative i.e. its a “negative liability”. In other words its obligation to pay net income to the treasury... becomes an asset. Under the Fed’s current approach, this “deferred asset” must be shrunk by net income flows before remittances resume. You can read about the Fed’s internal thinking about “deferred assets” in this [2013 memo declassified in 2020](#). What the BITCOIN Act of 2024 is saying is “we don’t care about covering the Fed’s past losses, give us our cut first”.

This legislation is, in spades, what long-time [Cato Institute scholar George Selgin](#) calls “The Menace of Fiscal QE”. As George explains at the end of one chapter in this book (based on my feedback to

his manuscript), Modern Monetary Theory's view (and mine) is congress should explicitly use congressional legislation to straightforwardly appropriate money:

To their credit, Modern Monetary Theorists see little virtue in backdoor spending (or the “political lightning”) of expensive government programs such as the Green New Deal. In an op-ed warning against attempts to mask the “burden of the GND on government balance sheets” by resorting to offbudget financing, Nathan Tankus, Andrés Bernal, and Raúl Carrillo (2019) insist that, if a program is considered “necessary for the collective good . . . Congress *should appropriate* as much public money as necessary” to pay for it (emphasis added). Thus, the MMT view that the Fed is bound to supply the government with all the money the government needs [directly or indirectly] to fund whatever level of spending it chooses **is not itself an argument for having the Fed directly fund particular government programs.**

If this proposal comes close to becoming reality you will hear it referred to as “Doing MMT for Bitcoin”. George Selgin and I disagree on a lot, but I commend him for acknowledging to Cato Institute readers that that would be a false characterization. I will be honest though, it's hard not to read this legislation and feel like the person who wrote it reads *Notes on the Crises*. To me reading this legislation is like admiring the architecture of a beautiful building that is designed exactly how you'd want to design it if your goal was to collapse it upon its occupants at a precise date in the future. I have grudging respect for the handiwork that went into designing this ~~scam~~ legislation

Whatever your thoughts about [the merits of bitcoin](#), what is so striking about this proposal-- and its popularity among so many bitcoin supporters-- is that it fully turns the original motivation of Bitcoin on its head. The mysterious creator of bitcoin constantly inveighed against Bank- and State-money creation. For example in a [forum post in 2009](#) “Satoshi Nakamoto” said “Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve”. Now the big thing in bitcoin is mobilizing the government's power to create money to buy bitcoin and cash out its biggest holders. Bitcoin still promises you nothing but is now getting the same backing of public money that sustains the functioning of our payments system, and ultimately our monetary system. I respect the bitcoin advocates who have the intellectual honesty to be appalled by this (for bigger picture thoughts on bitcoin, you can read this [four year old piece here](#))

Will this proposal happen? I do not know but the Fort Knox visit suggests to me they are going to push hard. I can also exclusively update here [my original reporting February 3rd](#). In that piece I relayed explosive information about Treasury secretary Bessent. Information so explosive no one has been able to get two independent sources to conform it and thus no mainstream journalist will even mention I've reported it:

However, this is consistent with internal conversations among those in the president's orbit. I can exclusively report here for the first time that Scott Bessent was advised that **what Donald Trump wanted in a Treasury Secretary was a person who would have the credibility Steve Mnuchin had with Wall Street but who would be loyal to Trump**

above all other considerations, according to two sources familiar with the situation.

This included, but was not limited to, unconditionally agreeing to work with whomever Trump sent over to the Treasury Department and helping go after Donald Trump's enemies. In the context of Bessent's actions this week, and what Elon Musk and DOGE want from the Bureau of the Fiscal Service, these commitments take on a dark new meaning.

What I can add to what I've reported on February 3rd is **that my two anonymous sources also communicated to me that one of the other things Bessent was told was a non-negotiable part of going along with being Trump's Treasury Secretary was fully backing and advocating for the Bitcoin Strategic Reserve idea.**

To be clear, these two anonymous sources can't confirm to me that the person or persons who told Treasury Secretary Bessent this were speaking on behalf of Donald Trump's thinking at the time. But they do know that this is the advice Bessent was given in preparation of "auditioning" for the role. I have yet to have reason to doubt that Bessent has been following this advice. Indeed many people believed that Bessent was moving in this direction when he referenced on February 3rd his goal to "monetize the asset side of the U.S. balance sheet." With the Trump-Musk visit to Fort Knox I see this as certainly what they will try to do. Whether they'll succeed is another question. Sometime in the future, I'll write about the possible further accounting gimmicks they might pursue in connection with "capital gains" on the Bitcoin Strategic Reserve's Bitcoin holdings. Have a good day readers; I should be back talking about more Trump-Musk scams on Friday.