

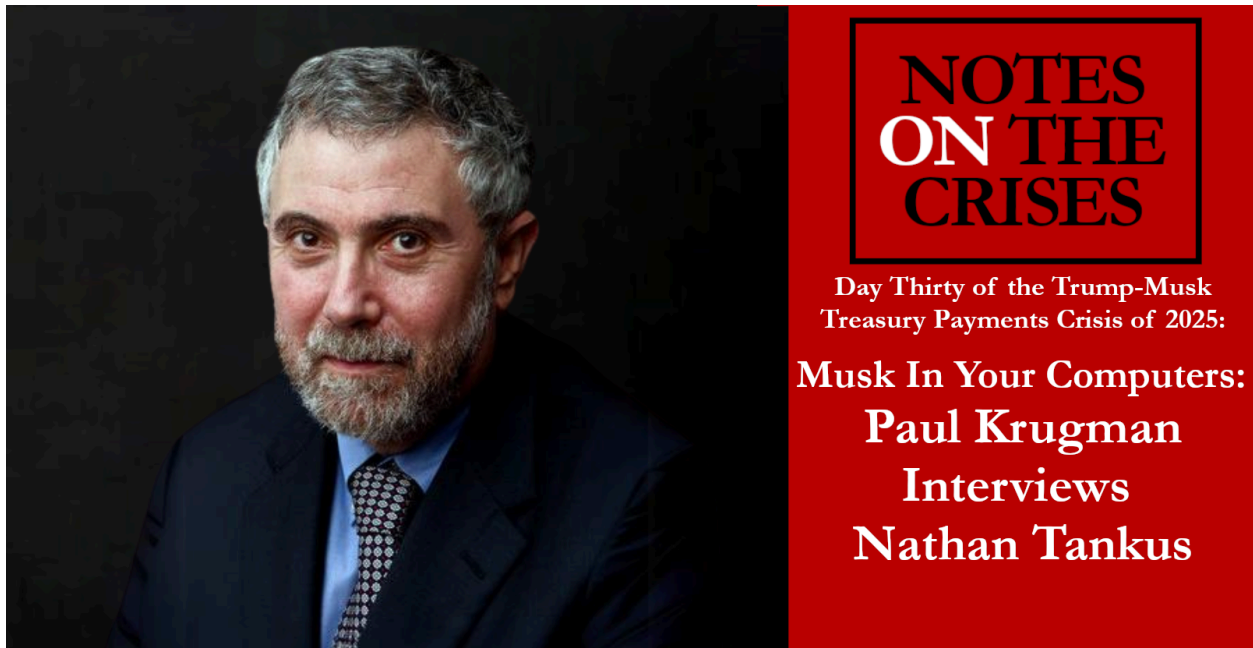
## Musk In Your Computers: Paul Krugman Interviews Nathan Tankus

Notes on the Crises

[www.crisisnotes.com/musk-in-your-computers-paul-krugman-interviews-nathan-tankus/](http://www.crisisnotes.com/musk-in-your-computers-paul-krugman-interviews-nathan-tankus/)

March 1st 2025 1:00 PM

By Nathan Tankus

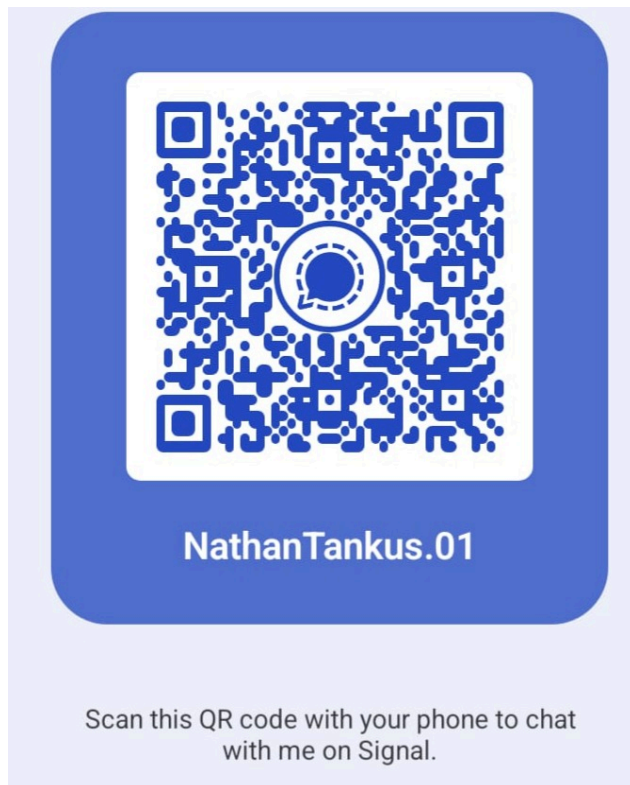


Notes on the Crises pivoted on February 1st into around the clock coverage of the Trump-Musk Treasury Payments Crisis of 2025. Today is Day Thirty

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](#) & [Part 13](#)

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) at my Signal username “NathanTankus.01” or with the QR code below.

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](#) and, for this Interview, [I’ve finally created a youtube channel](#)

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**

I don’t really know what to say. I’ll figure out what to say another time. Paul Krugman, who recently left the New York Times, interviewed me [for his newsletter](#) and the transcript of the conversation, as well as the video, are being posted in both of our newsletters.

I'll find words to assess the meaning of this happening another time. In the meantime, I'll leave readers with this:

**If you want to take on Krugman's concern** about what happens **“if you get hit by a truck”** and my answer “If someone out there who's watching this or reading the transcript wants to put up a budget, \$500,000 or a million to train up people and, you know, make me replaceable, I'm more than eager to train up my redundancies.” You are more than welcome to email me at [Crisesnotes@gmail.com](mailto:Crisesnotes@gmail.com) or contact me on signal at NathanTankus.01

For now, thank you Paul. Just, thank you.

### **Paul Krugman's Introduction:**

Like most people paying attention, I was and remain terrified by the predictable power grab by the Musk/Trump administration. But it never occurred to me that Musk's people would try to seize control of the computer systems that, in effect, cut all the checks the federal government sends out. In fact, very few people realized it was happening.

One person who did realize it, however, was Nathan Tankus — an independent expert on the financial “plumbing” at the Federal Reserve and the Treasury Department. So Nathan suddenly became the man of the moment. His blog [Notes on the Crises](#) has become crucial reading — and he may have helped steer us, temporarily at least, away from the edge of the abyss.

So I interviewed him a few days ago. Below you'll find a slightly edited version of the video and a *very* slightly cleaned-up version of the transcript. It seems to me that getting the information out is more important than having slick production values.

Also, no paywall on this one; it was a lot of work, but it's too important to shut off anyone's access. And here we go:

# TRANSCRIPT

**Krugman:** Hi, I'm Paul Krugman. This is the latest in my series of videos. I thought it would be really interesting to talk to Nathan Tankus, who has ended up playing a really remarkable role in helping to at least make us aware of and possibly take some precautions against what looks like a kind of digital takeover by Elon Musk's people. And we'll get into all of that. But I first want to ask, Nathan, if you could talk a little bit about your background and how you came to be in this position. As I understand it, you're kind of a financial plumbing expert, if we could say that. Would that be a fair description?

**Tankus:** Yeah, absolutely.

**Krugman:** Were you at the Fed or at the Treasury?

**Tankus:** No, I'm a pure outsider.

**Krugman:** An outsider but you've paid a lot of attention to what they do. We think that management says 'send money there' and it just happens but it's actually a very elaborate process, right?

**Tankus:** Absolutely. You asked about my background, how I came to this. So I feel like that's an opportunity to go way back in my history. And for me, this all started in January 2009. I'm 33 so in January 2009 I was still in high school and I went to a kind of small alternative public high school called Urban Academy and I had two teachers who just taught a class called Show Me the Money where we read selections of the newspaper each week. We read, I don't know, probably a dozen Paul Krugman blog posts or columns and I started reading your blog every day, among a whole bunch of other blogs, and I just became obsessed. So I'm one of these people who was really kind of woken up by the Great Financial Crisis and it captured their imagination and just rolled with that. I've kind of bounced around a lot of different things since then, but in meantime, picked up a lot of knowledge where I got to the point where I was actually asking such kind of interesting detailed questions where people, even former treasury or federal reserve people, would be willing to talk to me because I was asking the kind of questions that no one else was asking. And so that 15 year journey, which involved, like, a big success during the beginning of coronavirus, has kind of brought me to this place, this unique position to be able to write about these kinds of things.

**Krugman:** Just tell me what was the success with coronavirus?

**Tankus:** I started my newsletter Notes on the Crises on March 19th, 2020, because it was clear to me that there was going to be a lot of economic impacts. There already were at that point, but there were going to be a lot more and they weren't very well understood. And anyone who had any sort of expertise or knowledge with what the Federal Reserve was doing, what were called “crisis facilities,” where they launched these suites of programs that were going to support the financial system, support municipalities, state and local government, support the corporate sector, and that anyone who had detailed knowledge of those programs was either in government, at a think tank (and thus had to be doing all sorts of things assigned by their bosses), a journalist who was too busy covering the big picture stuff to get into the details, or was a professor who was trying to figure out how to teach on Zoom suddenly in the middle of a semester. And so I had a unique opportunity as someone who was kind of a total outsider, did not have a nine to five job that made me commit to doing some other set of activities. So I could just devote all my time to writing about it. That first four months, I wrote a piece every other day, including weekends on average. Just, you know, that first month I put out 21 pieces and that sort of big rush is what made my career. Bloomberg Business Week did a profile on me. So in a strange way, I've kind of already had this experience that I've been having for the past month, but obviously this month has been much more intense and much more dramatic.

**Krugman:** OK, we stepped up to help people through this—what I was calling a ‘medically induced coma for the economy’ during Covid. But that involved trying to get money out in unusual, unprecedented ways and presumably was technically very demanding. And you were writing about that then.

**Tankus:** Absolutely. I was largely focused on the Federal Reserve, but I had interest in other things, including state unemployment insurance and actually how, as we'll get to in a bit, related to this, how their COBOL systems made updating them very technically complex. So for example, why the unemployment insurance checks were an additional \$600 a week, rather than say, “We're going to replace 80% of your income.” It was just too technically complicated in the time available to program 80% or replacement rates. And so they just slapped on adding \$600 a week to everyone's check because that was technically easier.

**Krugman:** That's interesting. I knew that the number 600 was based on average earnings. But I didn't think about why it was a fixed number... But yeah, I do remember the state of New Jersey,

which is where I was at the time, putting out a desperate appeal for people who knew how to program in COBOL. Because basically nobody knows how to do that anymore.

**Tankus:** Yeah. I desperately tried to get my dad to take up New Jersey's call, but he had just retired December 2019 and he had no interest whatsoever.

**Krugman:** So you were looking at the Fed's efforts. I know that obviously the Fed has to have been doing extraordinary stuff to maintain liquidity, but I wasn't really paying attention to that side of it. Just a word or two, maybe too technical for a lot of people, but just what were they doing that was especially unusual and difficult?

**Tankus:** The vast majority of the programs that they launched were similar to programs that they had launched in 2008 in response to the great financial crisis. And so these were a suite of programs that were designed to do what worked in normal times: preserve liquidity to the banking system and wider financial markets. Normally you just rely on financial market participants to do that and the Fed is operating quietly in the background as a backstop, and they had to take on that explicitly. So, normally you provide liquidity to the banking system. The banking system makes sure that wider financial market participants have liquidity. They make sure that say, you know, corporate bonds are liquid and that, you know, corporations can borrow at a pretty reasonable rate or rather a rate that is in line with the Fed's broader monetary policy. But all of the sort of creaking conditions of financial markets breaking down in response to the disruptions expected by COVID meant that what the Fed usually does implicitly, it felt like it had to do explicitly. So it launched a primary corporate credit market facility and a secondary corporate credit market facility, which is really just a fancy way of saying they directly lent to corporations or they bought corporate debt off of financial market participants who had this corporate debt, or anyone who really needed to sell it. And they launched those kind of programs for state and local governments all across the board.

They just made sure that anyone who needed liquidity essentially had it and that if things were going to break down, they were going to break down by COVID's direct effects and not by not being able to borrow money.

**Krugman:** For listeners, I know a little bit, but only a little bit about this. In normal times, certainly the way that textbooks teach it, the Fed buys treasury bills from banks. That's how the Fed gets money out into the economy, which is straightforward. But when everything is breaking down, they can't count on the money actually getting out there to where it's needed. I knew people who worked

on their commercial paper facility in 2009, which was basically, roughly speaking, small business lending. Normally the Fed would just put money into the banks and expect it to find its way, but the market wasn't working. So the Fed was doing this on a much wider scale. And you were tracking how they were actually doing this, so, paying attention to the specific programs.

**Tankus:** Absolutely. I wrote this big seven part series on all the details where, literally, I went through every press release that the Federal Reserve released since the beginning of February, 2020, and just tried to provide a simple-as-possible explanation of every single press release. And that kind of comprehensive detailed painstaking work got a lot of attention.

**Krugman:** That's really interesting. Last week I did a conversation with Jim Chanos, the famous short seller, and he would base his research, not on having spies, but on actually just taking stuff that was in the public domain, but actually reading it. It sounds like that's what you were doing.

**Tankus:** Absolutely. That is definitely the kind of approach that I've developed to understanding things. And I've kind of reached the point of reading whatever's in the public domain in detail enough that people want to talk to me. I've now reached the point where I've read so much of that stuff that the bankers and former Fed and Treasury and maybe current people want to talk to me.

**Krugman:** Okay. Is there something else you want to tell us about the background before we move up to the current crisis?

**Tankus:** I think that is it. I think the one thing I would say is, I'm known as a Federal Reserve person because I did that big thing during coronavirus. I'm known as a Fed person. And so to some people, it's a little strange getting into what we're going to talk about, where it seems kind of the Fed's there, but it's in the background. It's a side detail in this story, which maybe will unfortunately become more important in the coming months. And so people are kind of like, well, what is this? And I kind of have a general interest in payment systems, in the monetary system, in the financial system, how Congress's budgetary process works, you know, kind of all of these things in all of their complex interrelations. And that's a lot of what my colleagues and I do at the Modern Money Network, where I'm a research director.

**Krugman:** Okay. You were doing the Fed back then, but Treasury also has a part. Obviously, there's a lot of plumbing involved. If the Secretary of the Treasury says issue checks to a bunch of people and Treasury Secretary says 'make it so,' what I hadn't realized was there is basically an agency, an office, there's a particular relatively small unit in Treasury that makes that happen. What's that? A

bureau. The bureau of the treasury, which is actually kind of what for normal, inaccurate language, kind of cuts the checks, right? Is that a fair description?

**Tankus:** Absolutely. That's a fair description, Paul.

**Krugman:** And their normal role is simple. They don't verify whether something is a good policy. That's not their job. They don't verify whether the people are deserving. They just sort of verify whether this has been authorized. Is that right?

**Tankus:** Yeah, that's exactly correct. You can kind of think about it with your bank. If you write a check and say, 'I've got to pay this bill, I've got to pay my utility bill,' maybe they can tell from the name of the company that it's your utility company. But they don't say, 'hey, what type of thing are you spending on? Is this for alcohol? I don't think that is good for you. We're going to have this check bounce. You're going to have to pay a whole bunch of fees because you're not supposed to be buying that.' That's exactly what we generally don't want a payment system to do. We don't want there to be like a Payments Big Brother that tells us 'you can have this, but you can't have that.' The example I used in one of my articles is, conservatives don't want there to be some liberal person in the payment system limiting how much meat you can buy in a month.

**Krugman:** If you are using a debit card, they do have fraud algorithms, departments, that will flag a transaction as looking like the kind of thing you usually don't buy or doesn't look like your spending. So I'll get a text and say, 'respond yes or no,' which is, I guess, a protection. But anyway, there may be a little bit of that going on here as well but basically, 'does it look like a properly authorized payment,' right?

**Tankus:** Yeah, that's a great example, actually, because, you know, we'll get into more of the details in a second of the various other systems. But when this bureau, the Bureau of the Fiscal Service, sends out payments, it doesn't just actually [just] send out a payment. It checks a payment. It does a final check. You know, there's supposed to be other processes that check, but they do a last check against a system which is called officially the Do Not Pay system. And there's various parts of this system which flags if, you know, 'is the person getting this check dead,' that kind of thing. But, if you get flagged by Do Not Pay, they don't then say, 'Well, alright, this payment's not going out.' All that is just a check, and then they send it back to the agency. The same way that you get that text message that says, 'hey, did you really mean to make this payment?' They send it back to the agency and say, 'hey, did you really mean to make this payment?' Or maybe there's an issue with this payment. 'Look



further into it.' But if the agency comes back and goes, 'Hey. No, this payment is legit. Send this payment.' They're not going to overrule them. And so this system does it in a more complicated way but does the same thing as your bank, saying, 'hey, did you really mean to make that debit card transaction?'

**Krugman:** Okay. And by the way, sometimes it works, you know? There was somebody ordering basically from the equivalent of Uber Eats, but in Britain and was ordering Indian food in a suburb of London on my card. That was not me.

But, okay, how big is the Bureau of the Fiscal Service? How many people are we talking about roughly? It's quite tiny, right?

**Tankus:** I don't have the employment right off the top of my head, but I would guess, like, let's call it 2,000 - 3,000 people [Editorial note, I was close. They had nearly 2000 "Full Time Equivalent" employees in Fiscal Year 2020 & 2021 and 1826 in Fiscal Year 2024] and it handles around \$5 trillion of payments.

**Krugman:** So this is really quite a small agency, but its job is not to decide what's a good payment. Okay, so you became aware that some of Elon Musk's people were getting access to this Bureau. Tell me what was... it was actually just news stories, right? So, what did Nathan Tankus know and how did he know it?

**Tankus:** Friday, January 31st, I had just put out a big piece about how we already were in a constitutional crisis. I described a five alarm fire constitutional crisis. There had just been this implementation memo from the Office of Management and Budget directing a sweeping freezing of spending across the federal government until the Trump administration could review it. This caused immediate chaos. The Medicaid portals to send payments out through Medicaid went down. This had caused such an immediate disruption that they had to rescind the memo, but they hadn't rescinded the executive orders that were driving this memo. And so I wrote a long piece about why this is a big deal. Why, what's called impoundment, which is not spending what Congress directs or appropriates to be spent, is a big deal, why it's a constitutional crisis, why it is like a fundamental demotion of Congress's role in our constitutional system. So I was already focused on this issue and I was already pretty concerned.

You know, my newsletter is called Notes on the Crises. So, I'm paying attention to crisis. Crisis is, you know, when people are really reading my articles and when you're really getting a lot of them,

that's when you know something's really, really wrong, you know? So I was already focused on this. And in an article in the Washington Post I had seen a headline about how a high level person in the Treasury had resigned in protest or is on leave or something, but related to the treasury's payment system. And as a payments expert, that headline was incredibly alarming. So alarming, in fact, that I put it aside and I couldn't get myself to read it for a few hours. I had gotten caught up with promoting my piece that day, so I hadn't eaten that day. So I was like, 'I'm gonna go get something to eat.'

And my friend, colleague, the economist Stephanie Kelton at Stony Brook, when I told her that, she had already read the article and was already alarmed. She said, 'I don't think that's the right order.' But nevertheless, I hadn't eaten that day. So I went to go eat, and then I went to go read it. I mean, literally, four paragraphs into this article, I had a panic attack. It was possibly the scariest or one of the scariest moments of my life when I read that article. And it was so scary to me because what the article said was that the Fiscal Assistant Secretary, who's the highest civil servant in the treasury, where everyone above him are political appointees. You know, there's that top layer of every agency which are political appointees that, you might fire the old people, you fire the Biden administration or the Trump people, and you bring in your people. That's a normal expected part of government. But everyone below them are supposed to be professional civil servants who were doing the job regardless of the partisan status of the executive branch, regardless of who is president. And the fact that this person had been pushed out because DOGE and Elon Musk in the Department of Government Efficiency were asking to have access to the Treasury and this guy, a long time official, someone who'd been in the government since 1989, had been in this highest status position since 10 years ago had been widely credited as the person who has expertly managed the treasury and payments throughout the various debt ceiling crises where you're trying to squeeze every dollar and make sure payments go out without breaching the debt ceiling. I immediately understood how desperately serious and what the worst case scenarios could be and was overwhelmed by it. And I was also overwhelmed and alarmed as an expert in this area that so few people understood how serious this was that it was, and that it was going to be, that it's not just that this was so dangerous, but that there was very few people who were in a position to really say anything about this. And to be frank, my newsletter is called Notes on the Crises. I have 50,000 people on my email list, some already very high-powered, powerful people who—I'm not going to name names—but I know that

they're there. And it might seem a little strange, absent context, but I knew immediately that this was basically up to me.

**Krugman:** Right.

**Tankus:**

So, you know, more or less, to get the word out there and to race against the clock of whatever DOGE was gonna do and before they actually could get in there, you know? And so taking the opportunity of what I hoped gave me the weekend, like literally just the time of the weekend, hopefully the DOGE kids were going out, you know, doing drugs somewhere else and not actually at the Treasury, and take that opportunity to write as fast as I could, research as fast as I could to have a piece out Monday morning. I successfully accomplished that. I also managed to concurrently have a simpler version of my piece run in Rolling Stone at the same time and, you know, then hit the ground running, made sure to get a haircut Sunday night, had the, you know, brain space to do that because I knew I was going to be doing video interviews the next day.

**Krugman:** Just to be clear, impoundment is like the director of the Office of Small Animals gets a memo saying no money for rabbits, even though Congress has allocated it. But this is some guy, some 19-year-old or whatever from DOGE gets into the computers and possibly, and we need to talk about this, possibly alters the code so that no money goes out for rabbits or possibly just doesn't know what the hell he's doing and just crashes the system. Is that a fair characterization?

**Tankus:** Exactly. There's one person in Marko Elez, a 25 year old who used to work at SpaceX. He's, you know—as we'll get to—he's out of the Bureau of the Fiscal Service now, but he's just been sent over to the Social Security Administration.

**Krugman:** Which is wonderful. I'm actually getting checks from the SSA myself now, although it's not important for me, but it's absolutely critical for like 80% of people my age. Before we get a little nonlinear here, but kids. Elez would be like almost the oldest of this team, right? These were real kids. And I've been seeing some theorizing about why are we getting really such young people with often with very questionable things in their backgrounds. What's your take on that? And I'll give you the one I've heard from other people.

**Tankus:** So it's not something I've looked into a ton, but my impression is these are people who adore Elon Musk, are very personally loyal to him, are willing to do some very unusual things because they do not have a professional background. "This is cool and awesome and the internet

and, you know, I'm a Reddit kid who gets to screw with the federal government in real life.' I also think these kids are expendable. And also, I think the fact that these kids are kind of racist kids from chat lines who tweet like Marko Elez did to 'normalize Indian hate', these things are useful because it means that if things get too hot there's a reason you can get rid of one of these kids. You can cite racist posts which, as we'll get into, is what happened with Marko Elez even though that's not actually why they're getting kicked out of the government, and so it's a perfect shield to make sure that there's as much confusion and obfuscation about just how serious what Musk is doing on behalf of the Trump administration.

**Krugman:** Yeah, that's not too different. The theory that I heard, Josh Marshall (TalkingPointsMemo.com), has a post on all that, and has said that these guys are being asked to do things that are quite likely illegal and that if you're a 35 year old experienced guy with a background and a career, you could blow up your life. But these are twenty-something-at-most guys who don't have that, who don't themselves have much to lose.

**Tankus:**

Yeah.

**Krugman:**

I don't know if you've seen it, but there's this point in *Oppenheimer* where's he's dealing with General Groves, who pretends to be a dumb general, but is actually not. And he suddenly realizes, 'you didn't hire me despite my communist connections. You hired me because of them, because that means that you can get rid of me whenever you want.' Ok, so these kids come in. And what are they doing?

**Tankus:**

Well, first I would just say overwhelmingly, we don't really know. I mean, the full scope of what these people are doing is not very clear. It's, of course, under very unclear authority, likely illegal in so many cases. And so the most dangerous thing is just how little we know. In this case, with Marko Elez getting in there, it seems to be downloading data. For a time, I had sources right in the Bureau of the Fiscal Service office or building where he was bouncing around looking at all these very sensitive systems and my sources could see him download data. But the systems are so sensitive that even senior IT people in these places could see that Marko Elez was downloading data but couldn't see what the data was because these systems are so sensitive, even they don't have access to them.

**Krugman:** Okay, this downloaded data could be personal information, could be business information, it could be, I mean, the federal government has, you know, as you say, five trillion in spending, so it's got fingers in all kinds of areas, it has information on all kinds of things, so this could be just downloading information that could be used to Elon Musk's business advantage, could be used in various ways to pressure people. So one possibility was simply that they were getting access to data that is supposed to be very carefully protected. As you say, even senior people don't have that kind of access. There was also the question about whether he or some other people were able to—and I understand it's not that clear a distinction—but were able to actually rewrite some of the code. Can you explain to me what we're all talking about there and what the concerns are?

**Tankus:** Yeah, so this is still kind of shrouded in confusion. There should be an independent investigation of what exactly Marko Elez was doing. For a time the Fiscal Service people seemed to be investigating and were very upset about him bouncing around after he was out and were literally treating it like it was a cyber security incident, like it was. Like they had been hacked because in a certain sense they had been. But obviously, the pressure from high up, from Treasury Secretary Bessent kind of squashed that. Even a subcontractor from Booz Allen, who wrote a memo about the cyber security risks, the huge cyber security risk, the dangers of having Marko Elez around, was fired for writing that report. Now there's a court case where people have been testifying under oath about what was going on. So it's still not exactly clear what is happening.

What I would emphasize about this, like literally Marko Elez rewriting the code, is in a certain sense, you know, this was important, it was dramatic, it was something that both Wired and I were breaking stories about that was bringing attention and seriousness to it. But at a larger policy level, that kind of thing is kind of a sideshow. I followed along with it to keep attention on the story and to keep the pressure on, but the policy conclusion from my point of view was the same regardless of any of the stories that I broke or not. Because the point of looking at data, even if you only have read access where you can look at the data, is to propose changes. The purpose of even just gaining enough control where you can tell the civil service people what to do, even if they're the ones actually looking at the code, is to get them to do things. One explosive court filing is that already by the time that I had come to find out about this on January 31st, they had been at the payments level of blocking payments, which, what I mean is there's literally these payment files written basically the same way they would be written in the 1970s that get processed through these systems and get sent

on to the Federal Reserve to be processed by ACH, Automated Clearing House, which is how any sort of small or medium-sized value payment works. You get a payment from Social Security and it's a direct deposit to your account, it is an ACH payment. That's the system.

And they were literally just taking the files and going, 'we're not handing those over. We're not processing this because we're shutting down USAID.' And as we know, they've now taken over the building and shut down USAID, but they were also doing that at the payments level. And so with the Hamilton Projects tracker, you can see the payments from USAID go to zero, literally zero January 28th. So they were literally doing this.

**Krugman:** So that's before they actually seized the building and told everybody to go home. They actually just stopped the payments. Wow. So I was going to offer a hypothetical, but I don't need to. That's an actual case. They just sort of made the judgment, decided we don't like USAID and without even telling the officials at USAID to stop paying the money or before we get around to that, we just tell the computer to stop making the payments.

**Tankus:** Exactly. And there is an even further incident that the court filings reveal that I reported on last week [two weeks ago] that really flagged the importance that no one had really caught, something even more dramatic and eye opening. Something I would have felt would be too out there for me to have speculated on when I was writing about the worst case scenarios. They had been using these payment codes, what are called treasury account symbols, which is complicated, but basically what it means is you're associating a specific type of payment with a specific type of appropriations, the type of legislation from Congress that authorizes spending. And they figured out what codes related to money for refugees. And they flagged three payments, three appropriations for three payment files related to refugees, funding the administrative expenses of programs to bring literally refugee aid to women and children in other countries, and then a couple others of a similar tenor, and flagged them.

**Krugman:** Wow.

**Tankus:** Which, you know, sounds technical. But to me, what's extremely dramatic, is that this spending was not USAID spending. This spending was Health and Human Services Department spending. And so they flagged the payments, the payment files, and sent them back to review. But they did not send them back to Health and Human Services. They've sent them to the State Department for the State Department to look over whether they were consistent with Trump's

executive orders. So to really break that down, they were talking to one agency, which maybe they feel like they've already gotten their favorite people in there. 'You look over and tell us whether we should stop these payments and completely cut out the agency that that spending is, the agency that sent the payment files over.' So they were already going so far as basically just, 'we're gonna have essentially our favorite people look and pick and choose what type of appropriations, what type of specific type of spending is gonna go out.' Now, that spending ultimately did go out according to court documents, but this happened even faster than I thought it had or could have when I was writing about this at the beginning when I was already very, very alarmed about what was going on. And now there are court injunctions against all this stuff, but who knows really where this goes.

**Krugman:** Okay, and so this is impoundment of anything that, you know, looks like DEI to these guys or whatever. I'm told that even in the military, people who are doing things like transnational cooperation have been renaming it because they're afraid that the word trans will be flagged. But this is whole categories of spending, and it's not even a person who has to say stop it or at some point it has to be reviewed but they're just mucking with the file and stopping payments and no attention to what legislation may say or whatever. That's amazing.

**Tankus:** Yeah, it's truly remarkable. And I really want to emphasize how dramatic this is. I talked about how I wrote about impoundment, what I've been calling 'part zero' on January 31st, and talked about the huge disruption of, say, payment portals going down in all 50 states for Medicaid. And that already was extremely serious. But what became clear, and what I wrote about in my Monday article after that Friday, is that was in some sense kind of the OK situation. Because even those 50 state payment portals that went down for a day, they went down because either Health and Human Services could just shut down the portal while they figured out how to comply with the executive orders temporarily, or they directed the bureau, the fiscal service to do it. They didn't just do it from one central point. It was agencies in a confusion figuring out how they could comply and a court can issue a court order and the people at Health and Human Services can choose to follow the court order, follow the law over just what the Trump administration says. You know, in a constitutional crisis, this is the typical thing. You are fighting what I've called bureaucratic trench warfare, agency to agency.

And that's why they're sending all these people to physically take over the buildings, to shut off people's emails, all that stuff. And that stuff is hard. It's a pain. It's annoying to have to actually go to

try to take control of the federal government. It would be a lot easier if you could just flip a switch and it doesn't matter what those people are doing. And hey, maybe we can flip a switch and get those people to stop being paid. And with those people stop being paid, then they're going to have to quit and go somewhere else. Because they have to live. And it'll be a lot easier to take over the federal government that way. And that is what they were trying to do. You know, what I've called the payments heart of the federal government is the Bureau of the Fiscal Service. And they were trying to grab ahold of the payments heart and shut things down. And it seems like for now they are respecting court injunctions. But, you know, for example, the federal judiciary is paid through the Bureau of the Fiscal Service. Hypothetically, they could just shut down the federal judiciary from getting paid. And then what happens from there? No expert has an answer for you about what happens from there.

**Krugman:** Yeah. Okay, we could go further, but I think I want to touch on one last subject, which is the risk of kind of a crack up. You've been talking about that quite a lot. I'll give you my version and then tell me what I've got wrong.

The Federal government isn't all slick, state-of-the-art computers and hyper-sophisticated. It's legacy systems and old software, and it's held together with scotch tape and rubber bands. And then you get a bunch of people who weren't born when these things were put in place, and there's a real risk that payment systems just sort of collapse. Have I got that right, kind of?

**Tankus:** Yeah, there is that risk. I think we're past that risk. I think the reaction was dramatic enough. [Wired's reporting](#), [my reporting](#), [Josh Marshall at Talking Points Memo's reporting](#), and sort of just a wider outrage, the lawsuits. I think they didn't know what they were playing with, and then they really were kind of taken aback by the strong reaction. And I think they're backing away from that.

**Krugman:** That's good.

**Tankus:** But in a certain sense, saying 'OK, the payment system isn't just going to break because Marko Elez decided to hit the wrong button' is kind of papering over the fact that this constitutional crisis is still extraordinarily serious. And they got even much further quicker than I thought they would be able to. Things are kind of hanging by a thread with them continuing to respect court injunctions. And of course, on an hour to hour basis, on a day to day basis, we don't know how



much or whether they're still respecting the court injunctions. And I just hope, I'm really hoping that my sources reach out or more sources reach out if that situation changes.

**Krugman:** OK, that's slightly, slightly reassuring that at least the immediate risk that some 19-year-old misspells a line of code and Fedwire goes down or something. Does Fedwire still exist? I'm probably showing my age.

**Tankus:** Yes, Fedwire still exists. There's the small, medium-sized payment to the ACH, and then there's Fedwire.

**Krugman:** Okay, but that the mechanism essentially for doing what you describe, which is just plain cutting off spending on things that, not even necessarily things they don't like, but things that based upon their identifying code might be things they don't like, that that is still there, that there have been court injunctions, but we don't know, and we might not know. How would we? What would be the early warning signs that something really major is happening?

**Tankus:** The early warning signs—and this kind of is really getting into the weeds. You can kind of think of this in a basic way. The Treasury's sending out payments. And so if the Treasury's sending out payments, someone's receiving those payments. And ultimately, if you are getting a social security check, your bank also is getting a payment, and then it follows on and credits your account. Their account is also credited. So there's more of these balances. We can call them settlement balances, or the typical term is reserves, and more of those are sloshing around the banking system. If those payments aren't going out, then they're not sloshing around the banking system. And so every day, banks have access to what are called daylight overdrafts, which is just a fancy way of saying, you can borrow money for 12 hours until, 5 PM or 6 PM that night, or whatever it is. And you know, according to my reporting, talking to former high level Federal Reserve or Treasury officials, our kind of group consensus is that these daylight overdrafts across the banking system would go up a lot. And the issue is, we don't have that data. It's not reported on an everyday basis. So essentially, I'm hoping, you know, some people are keeping an eye on that, whether they're at the Fed, whether they're banks that notice their own daylight overdrafts going up a lot or even just saying, 'hey, we've gotten a lot less government ACH payments than we usually do. And someone leaks that information to me or a reporter.

**Krugman:** Yeah, I was actually wondering who they'd leak it to if not you. I mean, if you get hit by a truck, how do we know if this has happened?

**Tankus:** Well, I'll put this pitch out there. If someone out there who's watching this or reading the transcript wants to put up a budget, \$500,000 or a million to train up people and, you know, make me replaceable, I'm more than eager to train up my redundancies. [email me at [Crisisnotes@gmail.com](mailto:Crisisnotes@gmail.com) or contact me on signal at NathanTankus.01]

**Krugman:** This will be in the transcript. That's actually, it is scary.

**Nathan Tankus:**

But I do want to say on that, to your point, I had read your piece about leaving the New York Times. And when I read your piece, and that was before all this broke out, I found reading your piece kind of alarming. Because as you say, newspapers don't really have someone with chops who can know how to read a government report and putting it out there. And you're interviewing *me*. The stuff I'm talking about is so technical and abstruse and is not something that you can catch on to.

**Krugman:** There's a kind of middle ground. I'm probably going to be talking about this with some other people as well. There's straight '*a man bit a dog on Fifth Avenue*' reporting, which still needs to be done. And then there's the, 'I was having dinner with some friends and they all said...', and the middle ground is analysis, which inevitably has to have a point of view. I'm not sure it was ever really there, but we really need it now and they don't have it. Well, this is not about me. But...

**Tankus:** Well, but it's important because, you know, there's a reason that I'm doing this interview and it's not just because, it's going to be great to have Paul Krugman, you know, a Nobel Memorial Prize winner interview. Obviously, you know, that's meaningful and significant career-wise. But you're exactly the kind of person who serves that role of taking content from what I do and making it even more accessible. And it would be nice if this was, say, in the New York Times or the Washington Post rather than in your own personal newsletter.

**Krugman:**

Well, newsletters are becoming really critical. Have you read Henry Farrell and Abe Newman's book, *Underground Empire*? if you haven't then you should. They talk a lot about how much hidden power the United States has because of its control of things like, above all, the global banking system and its ability to disrupt payments when it chooses. And their latest update is, now we're doing it to ourselves. Some pretty amazing stuff.

**Tankus:** Yeah, I think that's absolutely true. I do want to plug that one of the reasons why I was so sensitive to this issue and able to kind of quickly jump on it is that my colleague, a law professor at Willamette University, Rohan Grey, had actually written a draft of a law review article all about making the federal government's internal payment system secure using our updated technologies, what are typically associated with what is now called central bank digital currency. But central banking is not really the essential place we need this. We need this in the Treasury. We need a Treasury issued digital fiat currency. And one of the essential really important things it would do is you could put a secure server in every agency. And so they could send payments directly out to people's wallets that would then get onto the whole banking system without having one bottleneck, the Bureau of the Fiscal Service or the Federal Reserve that could choke off payments and not be able to get payments out of there. And that seemed frankly like an obscure, abstruse idea. Like, OK, maybe that's a good idea. And now it's one of the most important discussions about a reform proposal if we get out of this. And so I do want to plug that Rohan is fixing up that paper to put it out for late submission, this law review cycle. And I think it's a very important piece to get published.

**Krugman:** Have him send me a working paper version. I may not be able to understand it all but I usually think I know what actual expertise looks like even if I don't have it myself so...

Okay, this has been fascinating, mostly terrifying, though I guess the shutting down tomorrow by accident appears to be at least somewhat receded. But wow. Thank you so much for talking with me and we'll get this up for the public quite soon. Thanks so much.

**Tankus:** Absolutely. Yeah, thank you.