



## Answering Your Questions

July 15<sup>th</sup>, 2011  
By Martin A. Armstrong

# Clarification

Sometimes I forget that my readership is substantially different today from what it was before. At **Princeton Economics**, we always had a network of contacts that wanted the truth out. During the whole Euro negotiations, there were those in central banks who were very concerned what the politicians were creating and were leaking to us the details knowing they would get to the right ears. Those in central banks understood my deep concern that they were about to revalue the debts higher that would one day result in their collapse as we are seeing today. When governments wanted to get particular info out that they could not be seen as taking such a position, they would leak the info to us for strategic release. What we wrote was not for the general newspapers and public consumption, but was limited to the institutional/corporate niche. Thus, there would not be the blow-back from the general media. When I write "*Speaking to people on Capitol Hill reveals a tremendous impasse*" it is not something in passing. I am not reporting my opinion or my belief. I am reporting fact based upon conversation with contacts.

The conspiracy theory advocates do themselves a disservice by assuming everyone in Congress is in on the act. That is not the case. There are people who are lining their pockets and are out to grab everything on their way out the door. There are those linked into the investment banks and do their bidding because they are in key positions. Then there is the core body who really believe they have made it to the promised land of prestige and do not see themselves as the problem, but truly believe in the dogma they preach. This leaves a very few who see the cliff and are trying to yell fire, but they are largely ignored and some may avoid them altogether.

It is **WRONG** to believe that everyone is part of the grand conspiracy of the **Investment Bankers** who are far too smart to bring everyone into the fold. They have the **UNELECTED COURTS** and **EXECUTIVE** in their pocket and they can control the prosecutions and secure their safety which is self-evident given that not a single top exec in the banks has been charged. Read the Greatest Bill Market in History that I wrote in 1986 about the Great Depression. They were after everybody.

The legislature is really the third branch and the ugly step sister. You can count on both hands the number of judges ever investigated by Congress since the birth of this nation. They are a symbol of democracy, but outside of that function of voting for spending, what else do they really accomplish? **NOTHING!** They are someone to placate the pretense of a democracy, but there is no respect for Congress and they have little practical real power. The bureaucracy runs the government and even if Congress passes a law, the courts say what it means and the **EXECUTIVE** has the discretion to enforce it. So there is **NO** democracy and there is no **REAL** republic. That is the show. I have tried to help. I have answered questions even during the crisis for them. Given where I was, why would some write to me asking for help? Because they knew there were no straight answers coming from the so called experts among the banks. But let's be practical. Congress is not going to save the nation. Like the Roman Senate that became just a hollow symbol of the Republic during Imperial Times, our "elected" officials have no real power. The **EXECUTIVE** wrote the Patriot Act. They signed it. The **EXECUTIVE** wrote Tarp and asked for total discretion. They just signed it. Other than money, what real purpose does Congress serve? It has allowed itself to become the ugly step sister that dresses up and struts around, but as soon as the mother comes home, she scatters to fall in line. **Congress** has been reduced to an irrelevant branch by the **EXECUTIVE** and **JUDICIARY**. This prevents the people from taking control of their fate and the party bosses are the control over those members who are again **UNELECTED**. So where is the Democracy? I have walked the halls on Capitol Hill and have yet to find it. Those who have protected the **EXECUTIVE** and Investment Banks have been in office as long as Mohammar **Quaddafi**.

It is a mistake to assume the **Investment Banks** are in control instead of Congress. They **DID NOT** expect the economic meltdown that took place. Even Goldman had to be bailed out. They were trading as usual looking for the guaranteed trade, but once **AIG** went off the cliff, nobody thought through to the next logical step. It was all about instant gratification not even the next quarter. There is **NO** secret commission that controls the world. There are those who would like to. However, the system is far too dynamic and the best efforts or aspirations cannot control what they do not understand. By trying to create the **PERFECT TRADE** with no risk, they are themselves creating a very of Marxism in the private sector that is opposed to free markets. That is my **BEEF** with the Investment Bankers. I see them as evil and they hate my guts because they think they are entitled to rig the game.

Those who think most of these people in Congress are smart are dead wrong. **THEY ARE NOT!** Most are lawyers or doctors who have no experience in the subject matter of finance and economics. People who really smart are out making the big bucks; they are not out feeding the ego. People who have REALLY made it and are smart, have the self-confidence and do not need to be told they are smart. Those who inherited their wealth, are the ones who flaunt it because they know deep inside they did not create it. Look closely and you will see these are the people hanging their name on everything. The real movers and shakers don't have to prove a damn thing to anybody! Most politicians are vested insofar as they have attained power, and they are high on themselves for achieving that. Their job creates their self-worth. They are proud of that accomplishment. You are not then going to convince these people they are the problem. Nor is an Investment Banker going to step out of the shadows and tell them what to do. That is what rank and file party bosses do. With time and boredom, they become for sale and that is when they become the hand of special interest because they need vast amounts of money to keep running for election to sustain that personal image of worth.

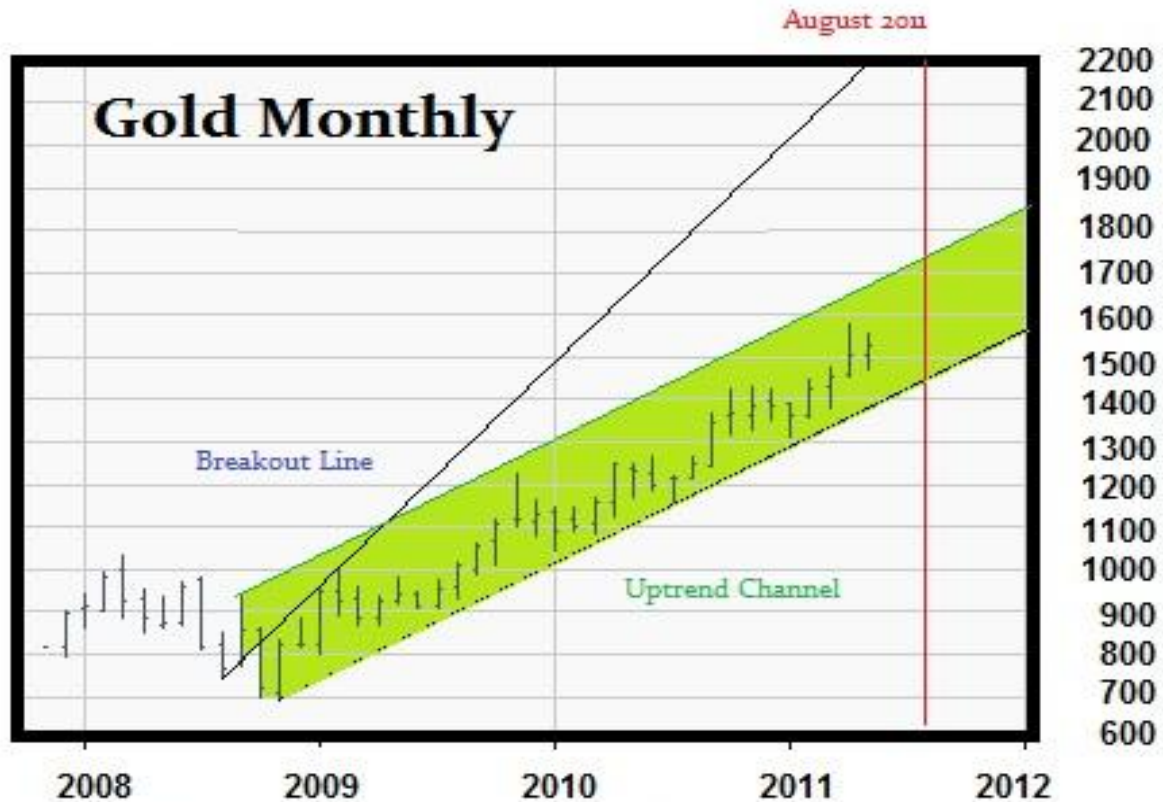
You cannot paint everyone with the same brush. I hate the corruption more than anyone. I have been behind that curtain and seen it all. But I cannot subscribe to the fact that everyone is part of the corruption. Most are not and do not dare want to even look very close because they are afraid of what they might discover. They really do not understand the economy or how anything functions, just politics.

That does not excuse them. The Investment Bankers know the game. Goldman is the top political contributor to BOTH sides. They will never investigate the people they need to run for reelection. These people do not understand what is going on so they are out of the loop perhaps out of deliberately looking the other way. They do not see the crisis coming and honestly believe government is the exception to all common sense. There are a precious few who honestly are trying to convince others to open their eyes, but to no avail.

What I am reporting is **NOT** my opinion or my belief. I am reporting something garnered from my contacts who would like the truth out there but cannot speak to the press who is not always interested in reporting details lacking the understanding themselves except precious few. This impasse of which I am reporting is the **REAL** beliefs of the two camps regardless of what any of us believe to the contrary. One sees they have not spent enough and the other wrongly thinks the economy did not recover because of too much spending. There is no talk of economic reform of the system, so even if they kick the can down the road for another two years, the same crisis repeats with the debt ceiling again. **NOBODY** is looking at the **SYSTEM** and is this even working!

**DO I THINK I COULD FIX THE SYSTEM?** Yes. The solutions are very easy. Getting there is the problem. You have to stop the borrowing and that means you have to get rid of the whole concept of investment banks controlling Congress. This why they hate my guts and have been so desperate to discredit me any way possible collaterally for they cannot address the solution head-on. **I DO NOT BELIEVE IN MANIPULATING MARKETS TO MAKE MONEY.** Forecasting the future is a challenge. If you rig the game, where's the fun? A woman is usually more sexy dressed than naked because imagination is always better than reality. The same is true with markets. That is why we buy the rumor, but sell the news. The imagination and anticipation of something is usually better than the end result. This is why the booms are led by anticipation of future profits as it was in the Tec Dot.COM bubble, Russia, China, or the Mississippi Bubble of 1720. The dream became reality. It just took 200 years. The Investment Bankers just want the naked women stripped as a prostitute. They are not interested in a relationship and prefer to leave the money on the dresser.

The old-guard Republicans are having difficulty controlling the party for the first time. The newly elected freshmen are still caught up in just **BEING** there and they lack the knowledge of how the economy works and thus they were elected to stop the spending of Obama as they see it. So, there is no hope of a solution and these freshmen are likely to push it all the way and the Republicans are **NOT** as united as people think. The old and the new have their own battle lines drawn. The new republicans who came with an agenda are not compromising as party politics normally did over the years. They may refuse to raise the debt ceiling and do not wish to compromise because they really see this as a spending problem. During the Great Depression, that thinking also won and it was impressed upon Hoover that the budget had to be balanced to boost confidence. This is the central theme of Keynes to allow **DEFICIT** spending to stimulate **DEMAND** in a Depression. So the thinking process **CURRENTLY** has been there before. This is typical and will rise to the surface in economic hard times creating the impasse is the glass half full or half empty. I disagree with both camps. But this is not about my opinion. It is about what the hell is going on down there!



Copyright 2011 Martin A. Armstrong all rights reserved

So, all I can do is report what is taking place. I believe this is why the chart on gold I just published has a tremendous gap between the trading channel and the breakout line. I have never seen such a disparity. That gap will be filled - a thrust will take place big time and that will coincide with an Economic crisis event. Perhaps that is the shocker we are waiting for. But trading is like anything else. Sometimes you have to step back before you can go forward. I do not see a major correction in gold because support is too solid in the 1000-1300 level. It is the top of these **Primary** and **Uptrend Channels** that we need to watch. Moving above that could cause a spike panic to the upside to test the Breakout Line. Then there would be a mini crash, rebuilt support, and then get ready for the moon shot. So yes, buying option well out of the money but below the Breakout line could prove to be a home run. But with options, it is always about time.

Perhaps I am a fool for caring about the future. Maybe I should just shut up and go live on a remote island and wait for the orange glow and the mushroom cloud to appear on the horizon and I will know then that it is all clear and at last and safe to emerge. I do think it is hopeless to prevent what will be from being. That is the cycle. The collective fate of the nation is decided and there is no stopping that. This is the cycle of life. Everything is born, it lives, and then it dies. This applies to mankind, plant life, animals, and government/collective groups. The best we can hope is to survive individually. The torch will pass from west to the east and it will be their 309 years in the spotlight. Thank God we are not immortal. For hell would be having to stay here in such a corrupt world with no hope of changing the tide. So perhaps it is Frank Sinatra's song after all that is the greatest philosophical statement of all time, ***Send in the Clowns***, where he concludes, ***don't bother, they're here.***