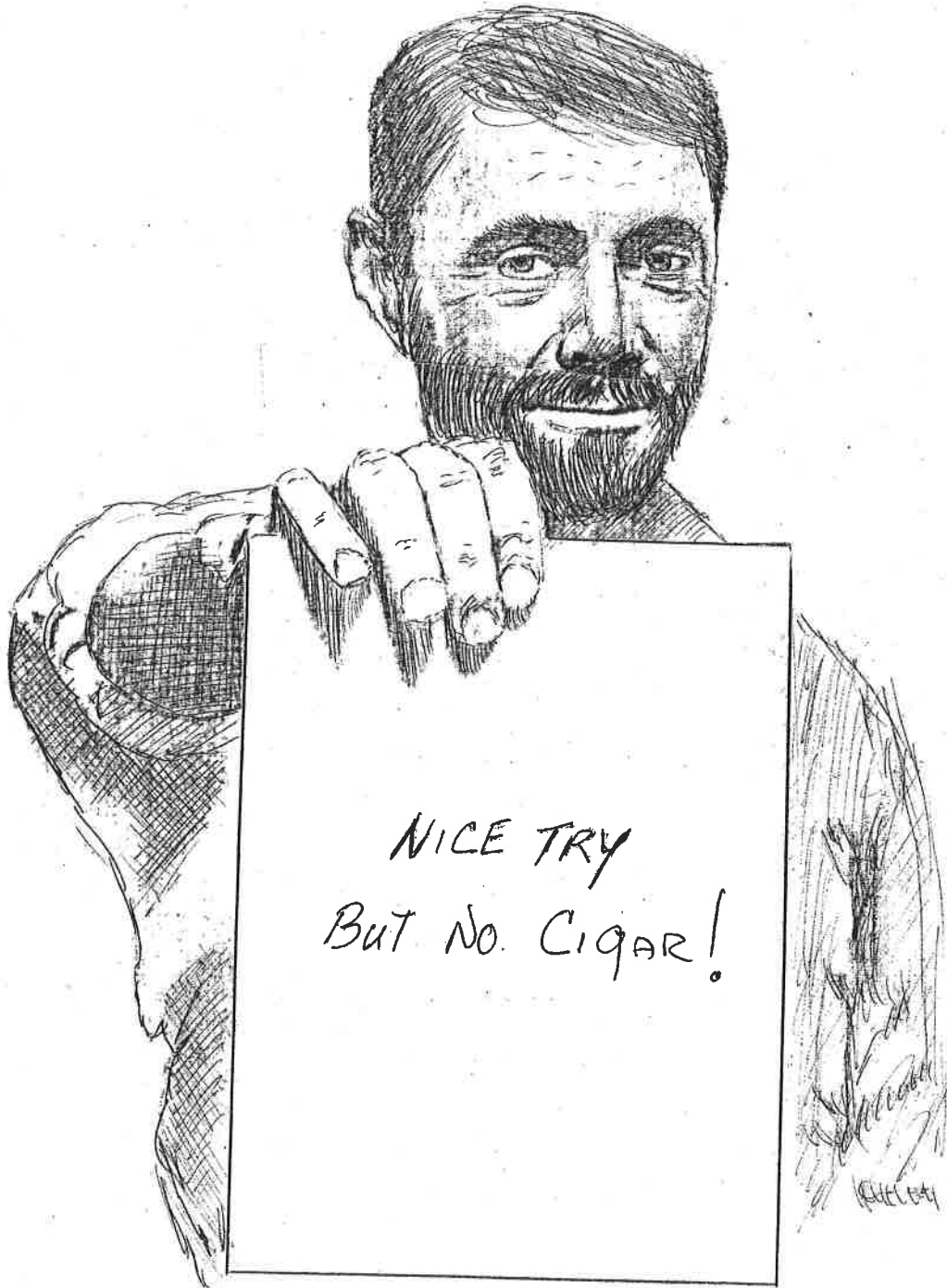


Armstrong Economics 阿姆斯特朗 经济

Forecasting the World



Martin A. Armstrong  
Former Chairman of Princeton Economics International, Ltd.

By: Martin A. Armstrong Copyright All Rights Reserved October 9th, 2010  
Please Register For Special Updates At [ArmstrongEconomics.COM](http://ArmstrongEconomics.COM)



By: Martin A. Armstrong

---

Former Chairman of Princeton Economics International, Ltd.  
and the Foundation For The Study of Cycles

---

**N**ICE TRY - BUT NO CIGAR! While everyone has become exceptionally bearish touting the end is near, how and why markets move is something that is consistently overlooked. This is a battle to the death between government and the people. It has been going on ever since man began to gather in groups creating urbanization and the first individual put something on his head and told everyone he was king and this object somehow proved his divine right to rule over everyone else. Government will investigate and imprison anyone who dares to disagree with it merely changing the pretense for why they have acted as they have. Yet, the bottom line is always the same no matter what century, what country, or what group gains the crown of power. Government is simply a living, breathing allegory of desire for wealth and power at the suppression of the people. It wants everything at all times and it will justify its actions as its true intent to somehow protect the people from themselves. Right after the Iranian protests with the youth using the internet to ban together, the US Congress claimed government needed the power to unplug the internet in case of a cyber-attack. You do not need to unplug the entire internet if someone is trying to break into the CIA. You unplug the internet as a whole only to prevent the people from organizing. But the Free Press has surrendered their independence and defend nothing sacred to our free society. Common sense has vanished and the majority of Americans can rattle off their sports heroes or the latest plot in a soapopera, but they cannot tell you who their Congressmen is or what they voted for and why.

This historical battle between Public and Private interests has indeed been going on since man first put something on his head and decreed God anointed him to rule over all others. Those who constantly preach the doom and gloom that the Dow Jones will fall to 10¢ on the dollar because that is what took place in the 1930s, just don't get it and never will.

I have warned numerous times that the low is in place and that we will see new highs in the Dow Jones Industrials long before we see a new low. I have warned that gold will rise to the \$5,000 level and that it will rise WITH STOCKS! These are trends that appear when there is a major crisis in Public Confidence - the shift from Public to Private investments.

# Clinton's interest gimmick to make debt much worse

By MARTIN A. ARMSTRONG  
Guest Columnist

Reprinted with permission of The Wall Street Journal.  
© 1996 Dow Jones & Company. All rights reserved.

**W**HEN BILL CLINTON announced that he would cut the deficit by a projected \$500 billion over five years, there was no screaming or cries of pain. Lobbyists were not weeping in the streets and nobody in the media claimed that children would starve. This miracle of miracles was accomplished in part by raising taxes \$250 billion, but also via a parlor trick—shifting the funding of the national debt toward short-term maturities to save on interest expenditures.

In 1990, 68 percent of the national debt was funded at five years or less. In 1994, 74 percent of the debt was funded at that term, with nearly 33 percent funded at one year or less. This manipulation created nearly \$50 billion in savings on interest payments, since, at the end of 1993, 30-year bond rates stood at about twice that of one-year rates.

Multiply that by five years and you come up with a projected budget savings of \$250 billion (assuming no change in interest rates). Add the tax hike and you get a projected deficit reduction of \$500 billion over five years. This sleight of hand allowed Mr. Clinton to look like he was reducing government while in fact doing nothing of the sort.

The problem we now face is quite simple. Until the Clinton years, every administration since World War II tried to extend the national debt for as long as possible. This protected the budget from wild swings in interest rates while tending to reduce volatility as a whole. When the Fed sought to fight inflation, it had a two-to-four-year window before any interest-rate hike would cause a surge in the nation's deficit from interest expenditures. The Clinton debt manipulation has now endangered our economy, and the dramatic decline in bond prices last year is just the first warning sign.

WITH ABOUT 33 percent of the national debt now funded one year or less, and with short-term rates double those of a year ago, the deficit will rise far faster than anyone in Washington is prepared to forecast. The rise in interest expenditures could easily outpace the government's ability to reduce spending. For every one-percentage-point rise in short-term rates, another \$200 billion or more could be added to the debt by 1998. The immediate crisis in the dollar began when the balanced-budget amendment

The immediate crisis in the dollar began when the balanced-budget amendment failed. The real international crisis is not currency, but debt.

failed. The real international crisis is not currency, but debt. The widening deficit will once again become an issue for the capital markets.

To see the debt crisis in action, we need only look north to Canada, one of countless nations that have so squandered their national wealth that dramatic political change is forced upon them by the capital markets. Last year, 40 percent of every dollar the Canadian government spent went to interest. With virtually 40 percent of the entire national debt coming due by 1995 and short-term rates double those of a year ago, Canada's interest expenditures will soar to 50 percent of total spending or higher, joining the ranks of Italy, Sweden and Mexico.

The concern over government debt is building world-wide as all industrialized nations continue to run bigger deficits. The old maxim that a national debt is merely a borrowing from ourselves died when holders of the debt ceased exclusively to be a nation's own citizens. Interest expenditures of this magnitude are nothing more than a wholesale license to export the national wealth of a nation where government spending no longer stimulates the domestic economy.

DEBT BY ITSELF is not necessarily bad, and it certainly does not cause a financial disaster alone. What is most important is how the debt is being used. The governments that are failing first are those where the greatest amount of spending has gone to social programs. If government spending fails to create good-paying jobs, the net effect is not a stimulus but a drain on the economy. Welfare recipients do not receive enough in transfer payments to buy a new home, automobile or other higher-end durable goods that create jobs. Combine this with the vast expansion of government itself (to 33 percent of the civilian work force), and you have the real reason for political unrest in America.

How can we get out of this mess? The U.S. must:

- Make a concerted effort to shift the national debt back toward a long-term focus.

- Place an immediate freeze on government employment at all levels and start taking an honest approach to reducing the government work force.

- Implement a tax amnesty, with the proceeds used to retire the national debt.

And, finally, the long-term goal should be to abolish the income tax and replace it with a national sales tax—not a VAT—that is capable of extracting revenues from the underground economy, including illegal aliens. Under such a system, the upper class will naturally pay more, and exemptions for food and housing will protect the poor. This must be done with a simultaneous repeal of the 16th Amendment, which authorized the income tax.

SINCE THE MARKETPLACE will not allow the U.S. to shift its debt back toward long-term bonds without paying sharply higher interest rates, we must use another approach. Government bonds were always tax-free prior to World War II, save for partial taxation during World War I. To reverse the damage done by the Clinton administration, the Treasury should issue 10-to-30-year tax-free bonds in denominations as low as \$1,000. Foreign holders of debt pay next to nothing in taxes on the interest derived in the U.S. It is about time the American people had the same privilege.

These should be nonmarketable zero coupon issues. This would not only extend the national debt but also help to bring the debt home and slash the deficit in the current fiscal year. A portion of the savings in interest expenditures should then be used to retire short-term debt. This program would have the same net effect as a company buying back its own stock. The price of bonds would rise and interest rates would fall. A separate gold-backed bond could be offered at half the normal yield. Those who remain gold bugs would find this a reasonable way to own gold and earn interest, too.

The Clinton debt crisis is real. This year, alone, interest expenditures may rise more than \$60 billion—far outpacing any spending reductions the Republicans have in mind. Government taxation on all levels has been growing faster than the economy itself. If we do not start managing our debt in a professional manner, the capital markets will do the job for us—and the entire public-debt sector of the world will be thrown into chaos as we go into the end of this century. †

Martin A. Armstrong is chairman of Pinchuk & Economic Institute.

Governments have been playing games for a very long time. The tricks they play have so confused the public and even academics that what is real and what is not becomes a battle that just cannot be won. Above, is an article I wrote for the Wall Street Journal back in 1996. It simply never changes. The statistics are revised and manipulated in so many ways trying desperately to influence the people and markets, that I seriously now question whether the people who even calculate the numbers realize what the truth even is behind the nonsense.

This is one reason I am so hated in bureaucratic circles for I have dared to look behind the curtain like in the Wizard of Oz and seen who is really pulling the levers coming to the realization that they have lied so much for so long, they believe their own bullshit. The odd thing is that those who work for government fail to see that they have so misinformed the people to preserve the government power, but that too is collapsing and they will find themselves without pensions just as those in Greece.

I have had a front-row seat now for several decades running around the globe and being called in on so many economic disaster scenarios, I am tired and have no desire to watch the world commit suicide. I have given up on any altruistic goals of changing the course of government hoping that they will wake up before they drive us over the cliff. They are addicted to power and will never listen, no less see what they are doing is the problem when they blame everyone else and have removed all the mirrors on capital hill.

The markets are the only truth and yet there are so many who want to claim they are wrong because they do not reflect what they want to see. In reality, the markets are in fact never wrong, only our interpretations. We have to watch and listen to the markets if you expect to survive. For what is coming is the worst of all evils.

A classic example of this is the coming CURRENCY WAR. The Japanese yen will rise to new highs above those of 1995 against the dollar. This will put significant economic pressure upon Japan and force it into its final low for its Great Depression due in 2015.

The EURO is rising because of a unique problem of a single currency combined with independent states. The EURO is not like the dollar in the least. Each country retained their identity, but abandoned their currency without realizing they were in fact surrendering economic sovereignty. Yes, they did agree to run their deficits within a group GDP percentage. But they surrendered the ability to DEVALUE their currency as an option to DEFAULT. Yet, because each nation issues its own debt, capital can still buy only German and French debt. Diversifying a portfolio away from a dollar base bias in fact necessitates buying European debt. Yet capital can be picky and buy German debt in EUROS forcing that currency higher while in fact making repayment for the weaker nations even worse. Instead of devaluing the debt, the debt is appreciating in real terms when the economy is declining. When everyone has to come back to borrow more next year, the stress will become a crisis. The real value of debt is rising in terms of the pay-off and that is pushing further the weaker states in Europe closer to DEFAULT.

Insofar as China is concerned, the rise in the currency is NOT all about trade. We are in a giant vortex of public debt going down the drain. Since China has no massive public debt, capital does not park there as it is in the USA, Japan, Europe, Britain, and Switzerland. The amount of capital in government debt vs private equity is 10:1. Thus, Congress is just stupid for they do not comprehend that with more than a \$10 trillion national debt, there is far more capital forced into the dollar than there is any imbalance in trade. Congress thinks that floating the currency in China will somehow magically create jobs in America with no change in tax policy. This is why there are no mirrors in Washington so they don't have to look at themselves when they make such absurd statements.

Trade is a small fraction of capital flows. With national debts at such record highs globally, this is a debt bubble that is not going away. The amount of capital in government debt is staggering. If that was invested in the private sector, the Dow would be at least 50,000 if not perhaps 100,000 on spike highs. If capital had no place to go BUT the private sector, there would be no unemployment and the standard of living would rise because we would not be burdened with debt that produces nothing and transfers untold amounts of wealth out of the country.

The very socialists who want high taxes and claim to be helping the average person have reduced the standard of living for all. The interest paid to support the debt is the single greatest transfer of wealth to the so called rich than anything else. The whole idea was the capitalists were exploiting the workingman. Now that is government exploiting the workingclass while claiming to care about them. The income tax was ONLY to get the rich in 1913. By World War II, the payroll tax was passed and now the average taxpayer thanks the government for their refunds that amount to forced loans as cities did in the medieval days for they are borrowing from the poor and not even paying them for the use of their money all year. This is the real face of our Marxist socialism. The total amount of interest paid on the national debt starting with 1940 is \$6,834.3 as of 2006 with a total debt of \$8,507 bil. More than 80% of the debt we owe is because of interest. Where does this socialism even come close to working?

# The Great Revolt of ?

Throughout history there have been so many collapses, revolts, revolutions, and upheavals that emerge everytime government becomes oppressive and turns against its own people. Often, such revolts have been put down with utter cruelty such as the Great Revolt of 1381 in England led by Wat Tyler when taxation reached the excessive stage. The king sent out the troops and massacred the people and then confiscated all of their property.

Remember the American Revolution and the whole "No Taxation without Representation" battle cry? How about the French Revolution where they killed all the bondholders of French debt while defaulting on those they could not execute. How about China and of course Russia? Both revolted against the bondholders and defaulted upon everyone.

The list extends back to ancient times and one of the first major government debt defaults took place in 1788BC. So we are by no means dealing with a modern invention. Debt has been around since at least 5000BC and the results are always the same. There is no such thing that this time it will be different.

It has been a Nice Try - But No Cigar! Marx's dream has turned into a nightmare. Both China and Russia collapsed in 1989 for Marxism is contrary to humanity. Socialism as practiced in America and Europe is one giant joke and only because it supports the government power structure, they will not let it slip between their fingers without a fight.

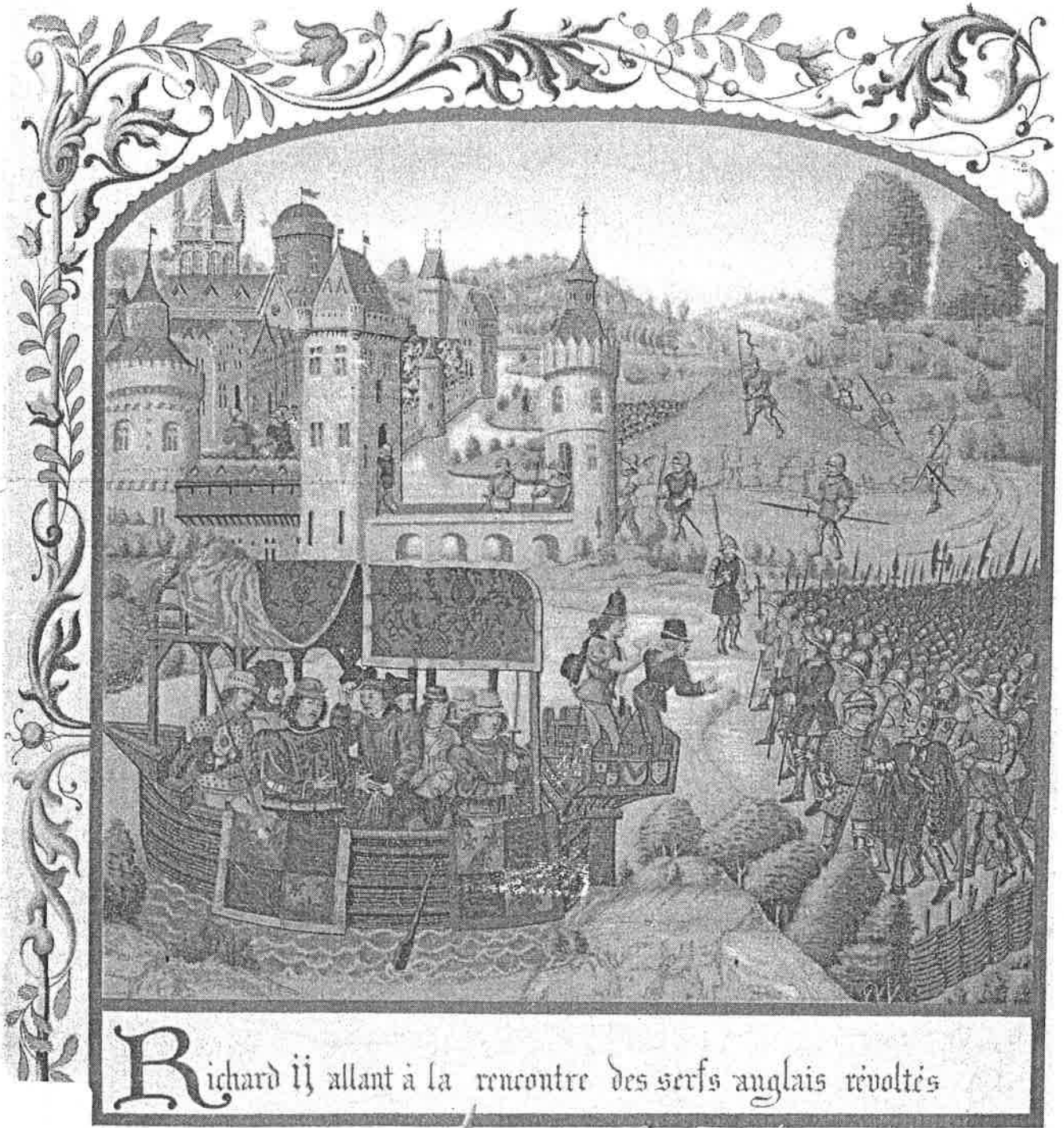
Government knows the risk. This is why they passed the law to unplug the internet. Instead of stopping and really looking at how do we save our future for ourselves and our children, this is all about raw power and nothing else. We could save the system and our way of life, but government has to stop this nonsense and give up power it has usurped. That is just not going to happen. When the shit-hits-the-fan, I want to be as far away as I can get. Sometimes there is no bloodshed as in Russia 1989. But at other times the streets are painted with blood.

When the government is desperate, they will go after anyone and anybody and their cousin fourteen times removed. They went after Abbot and Costello just as they went after Al Capone and Wesley Snipes who they just sentenced to 3 years in prison for tax evasion. Even under Biblical Law, the eye for an eye standard is a prohibition against punishing people beyond the harm that they caused. Tax crimes were NEVER accompanied with jail time even under the worst tyrants in history. America sentences everyone to jail regardless of the crime. There are people in prison for shooting a moose with the wrong gun. Drive with a revoked license on federal property and it is a jail sentence. No matter what the charge, federal judges impose jail for EVERYTHING. Ascroft made it that prosecutors get no credit in their career unless you go to jail no matter what the allegation. This is the same man who put a robe around the statute of Justice in Washington because her breasts were showing. Personally, I think if a pair of bronze breasts get you excited, it is not the statue that is the problem - ITS YOU!

The ELECTIONS are showing another very dangerous side-effect of this collapse in SOLICIALISM that will prove to be a NICE TRY BUT NO CIGAR! Toward the end of the Roman Empire, the dissatisfaction with the emperor rose sharply. Between 161 and 268AD there were 21 emperors averaging 5.09 years each. The worse the economy became, the shorter the reigns.

THIS IS WHY I WARNED THAT OBAMA MAY BE A ONE TIME PRESIDENT. I do not say that as a Republican, for I fail to see where that party will do anything different. The public is dissatisfied with the Democrats as we may see the Senate flip to Republican control. They will cheer but miss the point. Americans are fed-up with both parties for neither one will do what is right. Both parties are only about furthering government power. Thanks to the Republicans, we have a police state and lost all our human rights. The Democrats are no better and prosecute anyone with money to grab what they can. Neither party is about helping us survive the coming debt crisis.





Richard II allant à la rencontre des serfs anglais révoltés

The Great Revolt of 1381 was preceded by the Black Death that hit England 1348-49 that was followed by three after-shocks so to speak in 1361, 1369, and 1375. This had changed the relationship of labor and caused wages to rise after 1348. In 1349 there was the Ordinance of Labourers, which attempted to freeze wages at pre-plague levels. In 1351 it was supplemented with a statute a vigorously enforced. In 1351, 7,500 people were then fined for breaches of the labour laws. This was about one-eighth of all adults in the country.

Between 1377 and 1379 in Essex, 70% of all those indicted were for violating these laws. Studies have shown that more than 50% of those indicted in Norfolk between 1375 and 1379, were also for any violation of these laws. As B.H. Putnam wrote, "the area of the greatest intensity of the revolt coincides with the area for which there is definite evidence of the greatest efforts at enforcement of the labour laws." Government passes laws and always attaches criminal penalties so they can oppress the people who resist.

The government clearly sought to then prevent the shortage in labor from resulting in a rise in wages. Some were imprisoned for years under these laws. After the Archbishop Offord died of the plague in 1349, a temporary royal custodian laid claims against various manorial officials who had been unable to pay due to the plague. In 1353-1355, they began to imprison those who were unable to pay.

Two centers of the revolt were Charing and Maidstone. Here, the liabilities of the manorial officials was then extended to the people (tenants). After 1349, much land was vacant and labourers were in short supply.

The government refused to see reality. Instead of bowing to the market forces, they turned against the people with ruthless and vindictive oppression. Parliament in 1377 all but accused the peasants of forming confederacies to prepare for rebellion. It was authorized that lords could arrest any person they called a villein and they could be imprisoned at the mere pleasure of the lord. In the House of Commons, they tried to pass legislation that anyone claiming to be a tradesman could be ordered at the pleasure of a judge to work the land at the request of a lord. That one did not pass. Nevertheless, this was a period of great turmoil and a confrontation between the people and the government that would not bow to the reality of market forces.

The economic collapse due to the great Black Death, wiped out revenues. If land could not be put to use, the landlords could not pay taxes. The tax revenues had collapsed and government could not pay its bills and refused to understand the crisis. Instead of dealing with the crisis, then as now, government raised taxes. Beginning in 1377, they imposed three POLL-TAXES that were placed upon each individual regardless of their income. With the so called "rich" dead broke, they turned to tax the peasant. The third POLL-TAX was passed in December 1380.

A Justice of the Peace John Bampton was to judge in South-West Essex widespread tax evasion. His ruthless tactics won his name being added to a list on June 12th, 1381 demanding his death by the rebels. He died a few days later most likely murdered.

The government responded then as they would do today. They immediately sent Chief Justice Belknap to indict those who dared resist any taxation. His party was overwhelmed and Belknap was allowed to leave with his life if he swore he would hold no further inquiries. As always, in the final analysis, the government executed all those inhabitants of Fobbing who they even suspected of being involved. They even executed the richest man of Fobbing, William Gildeborn who owned 40 acres at the time. The government confiscated all his property.

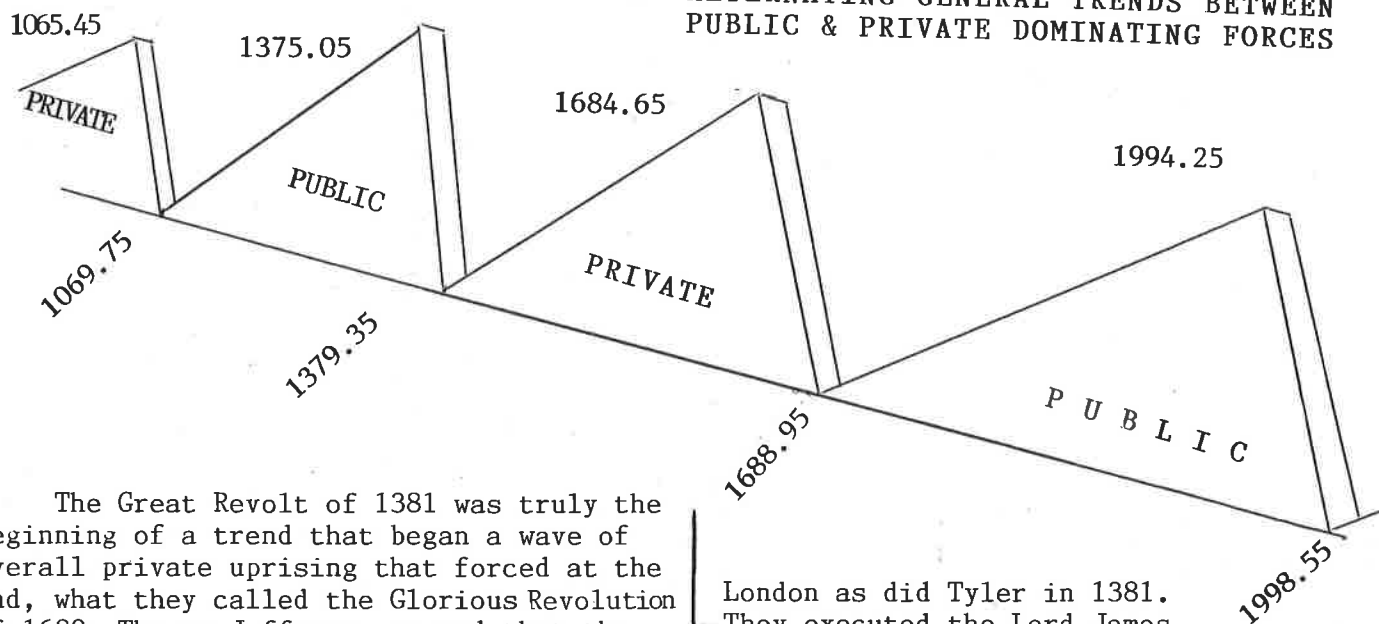
The demand for taxation in the face of economic declines and attempting to freeze wages to prevent the decline in net income to those who paid taxes (landlords). The uprising of 1381 was a profound confrontation between the government and the people. In the end, the government won and executed everyone it could get their hands on.

Today, we have the same crisis. We have unreasonable taxation exploiting the average person beyond reason. Home prices have now declined sharply, but property taxes have risen. Just as in the 14th Century the state only looks at its own income and not those who it is exploiting.

Today, it takes two incomes to support a family. Once upon a time, the wife raised the kids. Women have lost that option and have to work whether or not that is their desire. The family unit has suffered by the economic tension of trying to survive. The home is no longer the store of value for retirement and those who do retire are being forced out by rising taxes.

This entire Marxist model is collapsing and government is refusing to listen today as they have always done even back in the 14th Century. This idea that borrowing will somehow make things better, is just nuts. We are losing everything we were promised and like Saint Jerome said of Rome, When Rome fell, the Romans were still laughing. No doubt, we are in the same boat. While everyone is focused on the latest season of sports, we too are cheering as everything we thought we had is crumbling at the very core. There is NO plan to pay off any debt. And there is no way to pay the pensions of government employees without exploiting the people even further.

THE 309.6 YEAR CYCLE  
OF ALTERNATING GENERAL TRENDS BETWEEN  
PUBLIC & PRIVATE DOMINATING FORCES



The Great Revolt of 1381 was truly the beginning of a trend that began a wave of overall private uprising that forced at the end, what they called the Glorious Revolution of 1689. Thomas Jefferson warned that the dissolution of the United States would be caused by the Judiciary. He knew his history well for this was also the main target of the beginning of that Major Private Wave. The judges were perhaps the most hated in government for they would twist the law to ensure the king always won.

The rebels led by Wat Tyler produced a list of traitors, who they viewed had to be executed. There were two Chief Justices and the Chief Baron of the Exchequer who were listed. They also listed Sir John Cavendish who was the highest judicial officer in the nation - the Chief Justice of the King's Bench. Cavendish was surrounded by a large mob and executed by the people.

In October 1383, Sir Michael de la Pole spoke at the opening of Parliament and then described the Great Revolt as having begun with "acts of disobedience and rebellion towards the lesser servants of the king, such as the sheriffs, escheators, collectors of the subsidies" and expanded "against the great officers of the kingdom and finally against the king himself."

While the Great Revolt of 1381 was indeed ruthlessly put down by government to preserve its power, this was just the beginning. From 1381 to 1405, there were at least 5 revolts. In May 1450, William (Jack) Cade led another rebellion issuing a manifesto demanding the removal of the king's ministers. After then defeating the Royal Army, they too occupied

London as did Tyler in 1381. They executed the Lord James Fiennes who was the treasurer for once again it was unreasonable taxation that sparked the rebellion. Where Tyler had been wounded and was in hospital and the government sent men there to kill him, they did the same with Cade murdering him on the way to hospital. In 1497, Cornish rebels traversed all of southern England. The royal army slaughtered all the taxpayers without the blink of an eye. The sea of discontent kept rising. The more the people fought for rights, the more oppressive the government became. The last of the peasant rebellion was that led by the Duke of Monmouth in 1685. The most ruthless judge of Anglo-American Jurisprudence was Lord Chief Justice George Jeffreys who executed all rebels in what became known as the "Bloody Assizes" of 1685. Finally, the tide turned and revolution was born. Jeffreys was seized and he himself was thrown into prison. He was the worst of all judges and the Cruel & Unusual Punishment Clause was inspired by this ruthless man. The writ of Habeas Corpus was born because of the struggle that was to secure human rights that have once again been forgotten.

The collapse in the Rule of Law is the most dangerous of all actions. Once that takes place, there is no alternative but force. This is what Thomas Jefferson understood. Once more, the latest focus of criminal prosecutions is taxes. The government again is desperate for money and it is using its corrupt judges to abuse the people. Instead of solving the real debt crisis, the government is turning against the people. It is even trying to bullshit corporations to bring back cash promising amnesty.



# Justices question DA's liability for misconduct

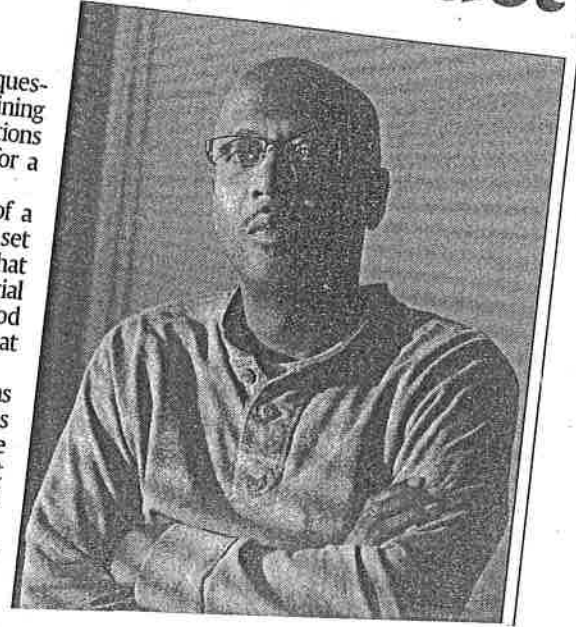
By Brad Heath  
USA TODAY

WASHINGTON — Supreme Court justices questioned Wednesday whether additional training would have prevented the constitutional violations that put a New Orleans man on death row for a murder he didn't commit.

The man, John Thompson, was convicted of a 1984 murder and a separate carjacking. He was set free 18 years later after his lawyers discovered that the New Orleans prosecutors who put him on trial had deliberately concealed evidence — a blood sample taken at the scene of the carjacking — that could have proved his innocence.

Once he was free, Thompson sued the Orleans Parish district attorney's office, alleging that his rights were violated because prosecutors were poorly trained. He won a \$14 million judgment from a jury. The district attorney's office appealed to the Supreme Court.

During oral arguments, several of the justices questioned Thompson's lawyer about exactly what former district attorney Harry Connick Sr. — father of singer Harry Connick Jr. — should have done to



USA Today October 7th, 2010

It is nice to claim that that was the medieval times and we are civilized now. The passions of man never change no matter what the century. During the Great Depression, veterans had marched on Washington. They were demanding their promised bonus. There and then, just as China sent tanks against its students in 1989, the US sent tanks against unarmed veterans with their women and children. The troops were led by General MacArthur and his aid was Dwight Eisenhower. They justified their actions as did the kings in medieval days. They called them criminals that in their mind now justifies killing the people at their pleasure. For as much as things seem to change, power is always the elixir of absolute tyranny.

The Supreme Court is hearing a case where a jury awarded a man \$14 million for 18 years of imprisonment sentenced to death. His investigators discovered that there had been DNA evidence that proved the government was prosecuting and demanding the execution of the wrong man. The Supreme Court held years ago that prosecutors have ABSOLUTE immunity against lawsuits like judges for without such protection they might be afraid to prosecute people. This is contrary to the Constitution that states in Article II, §3 that all prosecutors "shall take Care that the Laws be faithfully executed." Yet the Supreme Court has held that prosecutors who even KNOWINGLY prosecute the wrong people cannot be sued for anything at anytime. That means you have NO RIGHTS AT ALL and they can withhold all evidence that proves your innocence. This is somehow in the PUBLIC interest. In reality, it is only in the interest of government, certainly NOT the people. Do we not all have the right to EQUAL PROTECTION OF THE LAW? The Judicial branch is above the law at all times.

As reported by USA Today, the Supreme Court is listening to another case where the victim of KNOWINGLY prosecuting the wrong man and seeking his death warrants suing the prosecutor's supervisors. The Supreme Court will most likely rule against the people and hold that this attempted murder by prosecutors is above the law. The case was in 1963 Brady v Maryland that held prosecutors must turnover exculpatory evidence. But if you can't sue for DELIBERATE violation of that law, then Brady has no real effect.

This is indicative of how the government is above the law and can knowingly execute the wrong man pretending he committed some crime when all the time it is just a political execution no different than China or Saddam in Iraq. This is how far government has crossed that road and become a new age tyranny. There is no right left by any citizen that has any force in any court when most judges are in fact former prosecutors. This is a conflict of interest no judge will recognize without having to rule against himself.

We may think we have a democracy, but we have nothing that remotely resembles what we were trying to create. The flaw in our political system is the lack of term limits. This has enabled the legislative branch to become part of the bureaucracy against the people as the Executive and the Judiciary. We lost the check and balance intended to prevent tyranny that is always economic based. The Senate Judicial Committee will NEVER investigate judges nor the prosecutors. So there is no check and balance to protect liberty.

Once the "elected" representatives became professional career politicians, they forgot what side they were suppose to be on and support the unelected Executive and Judicial branches. The laws they pass reflect the same attitudes of medieval days for there is NO regulation that takes place without a criminal penalty. This is why people are in prison for shooting a moose the wrong gun because they regulate everything. Even the healthcare act carried a fine and term of imprisonment for up to one year for resistance. The solution to all things is to imprison citizens. ARE AMERICAN CITIZENS 10 TIMES MORE CRIMINAL THAN THOSE OF EVERY OTHER NATION - OR HAVE OUR ELECTED OFFICIALS CROSSED OVER TO TYRANT?

The elected branch was suppose to be the people's check and balance against the inherent tyranny of the Executive. Yet, if the elected politicians are career, they are voting in support of the Executive. That is why they have appointed former prosecutors as judges to ensure that they will bend the Rule of Law always to the government favor. This is why the conviction rate has soared from 72% during the 1970s to 99% today and virtually everything is now criminal (see Three Felonies a Day explaining how every American commits three crimes each day so the government could imprison anyone at any time they desire).

Because the "elected" branch crossed over to join with the "unelected" branches, we have lost all hope. All three branches are now supporting each other and this is why there can be no solution. Congress will never vote for anything that reduces the power of government and this seals our fate to suffer the pains of economic collapse. We lost the very thing that was suppose to protect us.

Europe is much the same. The rise of professional politicians has been our downfall just as it was in Rome. The Roman Senate collapsed into utter corruption and was then controlled by an Oligarchy. Today, the NY banks so control the Executive and in turn control the politicians by throwing money at them for reelection, keeping their influence ensuring there will be an Oligarchy control of society.

Yet, those who spin vast webs of conspiracies that control the world read way too much into the Oligarchy. Yes, they no doubt control Congress. However, they are not planning long-term trends. They are in this for the immediate gratification. When it comes to long-term, they are about as blind as a bat. That is why we are collapsing. If they really could control the long-term, they would not sow the seeds of their own destruction. This is all about profits for the next quarter - THAT IS IT!

The bankers that are into every crack from politics to the press are trying to ensure guaranteed control and trades. They have no patience to wait for long-term results. It is now or nothing.

To a large extent, this is why we are doomed. There is nobody driving the cab and it has the gas peddle stuck to the floor. A professional politician has no concept of what is happening for they have no experience in economics or trading. They would not know why the Dow rises and falls any more than someone else listening to the same scripted talking heads.

The NY Bankers sell the US debt. They need the new issues and will NEVER warn the government this is not working. What banker is going to put himself out of business? So we cannot count on the advice from any of the major banks who are PRIMARY DEALERS and depend upon selling that crap to their clients who are stuffing your pension into those quality government bonds.

Since the NY Bankers fund the elections, no politician will kill the goose that lays the golden egg. So there we are. Going to hell and we can no longer afford the hand basket. The markets are speaking clear. We better start to listen for we are on our own at the end of the day.



# Has the dollar peaked and gold bottomed at last?

For the past 5 years everyone has been saying that the dollar has peaked and that gold had bottomed. They have cited interest rates as the fundamental factor and once the rates began to decline so would the dollar, and of course gold would soar to new heights. But the reality of life is not always what it appears to be. Interest rates are a factor of inflation. The higher they move, the more inflation will be generated. We have seen everyone's fundamental explanations for the dollar's advances crumble before our eyes leaving in its path nothing but confusion.

Princeton Economics International Ltd is the only firm which has stood by its forecasts never wavering back and forth from one week to the next. Our models employed for financial and economic forecasting have been unsurpassed by anyone or any firm in the world. In 1979 we stated quite emphatically that the interest rates would rise above 20% and peak precisely during April 1981. We forecasted that a deflationary mode would then engulf the world and the dollar would rise to new record highs. We gave our target for the next turn in the economy as July 1985. Now that our target has arrived, we will begin to see a new trend back to inflation develop within the next 6 months just when the majority expect disinflation to continue.

In gold we forecasted the precise day on which gold peaked in New York, at \$875. We then projected the 1982 low with a strong rally into the precise week of February 14, 1983. We took out full page advertisements in Barrons and warned that gold would collapse. We have stated many times that gold would fall to new lows moving into 1985.

Princeton Economics International is the largest international consulting firm in the financial and economic arena. Our models and forecasts are employed by some of the largest corporations in the world along with banks, individuals and government authorities themselves. In fact, our models are presently under consideration by a few governments simply due to their amazing accuracy.

We specialize in large scale and difficult hedging projects as well as speculation. We provide forecasting in many base metals as well as currencies from 35 different nations. Our models have forecasted the Australian Dollar virtually perfectly along with the Lebanese Pound, Saudi Riyal, Turkish Lira, and of course, all the major European currencies along with the Yen, US Dollar and Canadian Dollar. Our projection for the Pound to fall to test the par level in 1980 was thought to be absurd but in the end our extreme projections were proved to be correct.

Many firms and individuals cannot afford our hourly rate of \$4,000, and for this reason we offer our research through a much more reasonable medium. Princeton Economics International is the publisher of the Armstrong Report. Here we offer a service that includes our printed publications which are comprised of our long-term as well as near-term forecasts along with technical, cyclical and fundamental analysis. Charts

are provided which clearly illustrate what we project on a day to day basis. A weekly telephone or telex report is made available with specific recommendations. This is our first level of service which is provided in the metals, options on metals, currencies and gold stocks. Each report is available at the annual rate of \$1,200.

For individuals who trade the markets from a near-term perspective, we provide a service which is available by telephone recordings as well as telex, updating three times each day. This is available in the metals, covering gold, silver and platinum. The currency report includes the British Pound, Japanese Yen, Swiss Franc, Deutsche Mark and Canadian Dollar. Each service is available at an annual rate of \$3,500.

Additional services are available which include our international edition of the metals and currency reports. Each covers the U.S. markets, London, and Hong Kong providing the only such service in the world. Updates are provided only via telex at an annual rate of \$12,000.

Our institutional report is provided at an annual rate of \$50,000. This includes the metals and 21 currencies along with the bonds, the Dow, and the S & P. Updates are made 3 to 5 times daily only via telex.

If you are confused and tired of reading about forecasts that never come true, we suggest that you contact us as soon as possible. There is nothing in this world which remains constant. Everything has been reduced to a mere commodity and a refusal to hedge or to protect your assets is in itself speculation. We guarantee that you will find our forecasts the MOST reliable in the financial world.

\* Quarterly trial service is available at 30% of the annual rate. Current sample copy \$100 per report.



**PRINCETON  
ECONOMICS  
INTERNATIONAL LTD.**

Plantation House, Ground Floor, Section E,  
10-15 Mincing Lane, London EC3M 3DX.  
Telephone: (44) 01-283 6771

Princeton • London • Geneva

It is critical to understand that all throughout history there has been this shift in confidence. CNBC just did a show on the firm Goldman Sachs Power and Peril. They in fact gave results of a poll showing that Goldman has a lower approval rating among the American people than BP. That is pretty bad. Goldman is widely seen as a corrupt super-hedge fund masquerading as a bank. It claims to embrace its conflicts and CNBC asked clients about Goldman who responded that Goldman always puts its own interests first, but because of who there are, they still had to deal with them. How can a firm be an advisor to governments and at the same time be trading on that inside information?

Just as public opinion is against Goldman, this is wrapped up in the whole thing about the corruption in government. This is the swing between PUBLIC and PRIVATE sectors that has been going on for a very long time. How the markets swing reflects their true confidence.

Here is illustrated the advertisement we ran on the back-cover of the Economist in July 1985. We took the back cover for three weeks that month because it was the turning point where we left a PUBLIC Wave that followed the PRIVATE Wave that peaked in 1929. The confidence shifted overall to one of a PUBLIC sector. People then trusted the government rather than corporations.

The PUBLIC wave peaked in 1981 and then bottomed in July 1985. From that point on, the shift moved from PUBLIC back to PRIVATE. 1985 formed the birth of the G5 (now G20) and government actively began to manipulate markets to create policy. Goldman shifted from being a true Investment Bank helping corporations buying J. Aaron & Co becoming the most aggressive trader in banking history within Western society as a whole. Goldman became the symbol of a PRIVATE Wave to the point that even the government gets down on its knees to worship every word they say.

If we listen and watch the markets very closely, you will begin to see that they are anything BUT what the mainstream analytical choir praise. Interest rates peaked in 1929 and bottomed in 1932. The stock market fell from 386 to 42. Lower interest rates did nothing. Japan lowered interest rates to zero or there about and got a lost decade.

The dollar rose to record highs into '32 which is why Roosevelt confiscated gold and devalued the dollar raising its value from \$20 to \$35 per ounce. Japan is following the same pattern. The worse the economy, the higher the yen moves. The higher the yen, the greater the economic disaster. Japan's Marxist economy is imploding. Japan regulates everything right down to the white gloves worn by taxi drivers. Hand one a tip and he hands it back. Trying to get approval for something often takes 5 to 7 agency approvals. The red tape in Japan was notorious.

The yen is going to well exceed its 1995 high (126.25 futures) and the cash could fall to even 66 to the dollar. This is crushing the economy and it is part of the collapse in Marxist-Socialism.

We are in the final stages of this long and protracted experiment with the nightmare of Marxism. There needs to be humanity in our social structure. But we have replaced the idea of the rich being oppressive with merely government. Marx's take on history is dead wrong for he ignored the fact that the "rich" were those in government power. Marx failed to comprehend as did Aristotle that the economy evolves. Aristotle was concerned about the shift from a Villa Economy of self-sufficient estates to a Market Economy and excess production could now be sold and exported. Marx saw the industrial revolution in the same way as the exploitation of labor taking them from an agrarian society to factories.

Today, the great experiment of Marx has failed. Communism collapsed in 1989. Now it is the West's turn with Socialism that was trying to follow Marx by being just a little bit pregnant. The new economy on the other side of the abyss will be a completely new world. If history repeats, we should see a new age of Enlightenment. It will not come easy. The birth-pains will be tremendous. We are dealing with a political-bureaucracy of truly lethal ruthlessness that will hang on to every last thread of power. But it will nonetheless collapse of its own weight and inefficiency. Those who work for government will lose as they always have. This is just one reason gold and the Dow rise together. Socialism is collapsing as did Communism.  
**NICE TRY - BUT NO CIGAR!**

Sorry Marx!