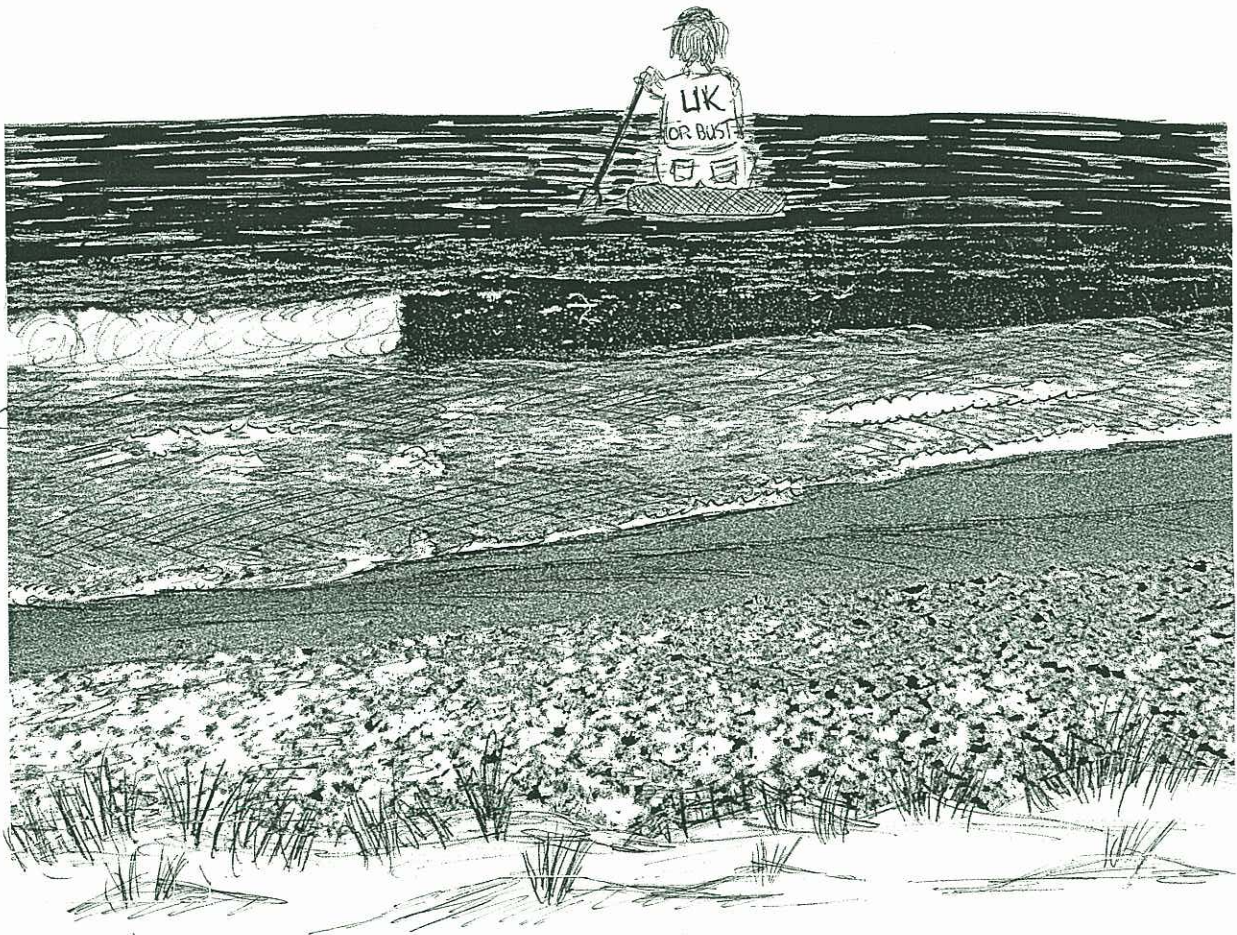


Capital Flight

The USA Has Lost its stature
As the Financial

Capitol of the World



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

A C K N O W L E D G E M E N T S

I would like to thank the many people who have been writing from around the world. It is encouraging to know that there are so many people who are interested in uncovering the truth. I have also special thanks for so many providing valuable insight into trends around the world from China, Soviet Republics, South Africa, Brazil, Australian, and India. I believe we can survive the folly of governments even if they refuse to listen. The key is understanding the nature of events, and that allows us to correctly make the decision to be on the opposite side.

I would like to also thank all my old friend and former clients for their support and to know that they have continued to gather information that serves us all in times of crisis.

We are standing on the precipice of a new era in global-social-economics. How we enter this new age is of critical importance. Government is incapable to doing anything for any reform of its own abuse of power is not up for negotiation. We must weather the storm, and to do so we need to understand its nature. Just as the 1930s Great Depression set in motion profound changes that were even manifest in geopolitical confrontations, we have now reached such a crossroads. A debt crisis has its tentacles deeply embedded into every sector right into government. This is the distinction from a mere stock market crash that never alters the economy long-term. We are seriously still over-leveraged and some banks are still trying to be hedge funds and have to speculate to make a profit. That is a key warning sign that the worse is yet to come.

Comments, Suggestions & Questions

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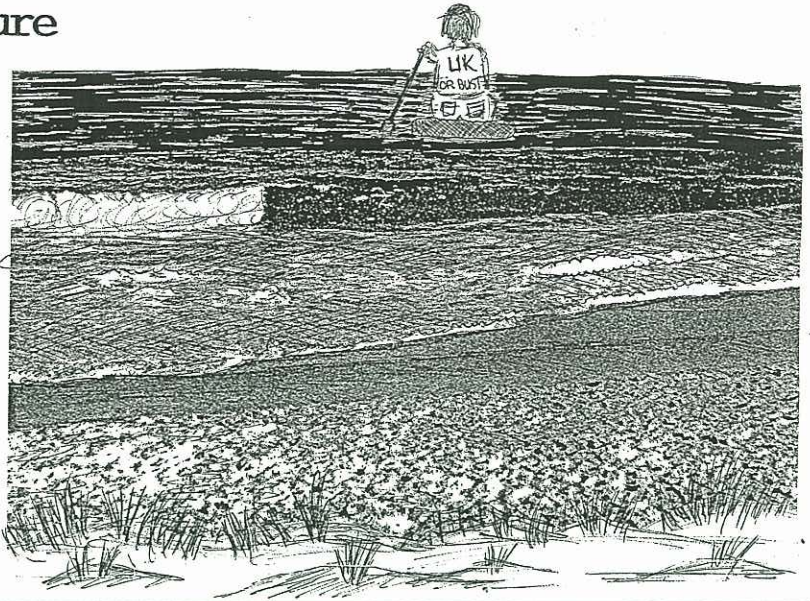
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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future date, a new edition of the 1986 The Greatest Bull Market In History will be released and a new book will soon be published on the model itself - The Geometry of Time. It is vital that we do not forget this is a world economy and the arrogance that any nation can dictate to the world is just insanity. Every nation effects all others no different than if one nation were to pour all its toxic waste into the ocean. Everything is interlinked and solutions are never isolated events.

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by: Martin A. Armstrong

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WHERE HAS ALL THE MONEY GONE? IT TOOK A LONG TIME TO MAKE IT. WHERE HAS ALL THE MONEY GONE? TAKING JOBS ALONG WITH IT. WHERE HAS ALL THE MONEY GONE? NEVER TO COME BACK HERE AGAIN. WHEN WILL WE EVER LEARN?

The New York Times published a piece in 2007 written by Daniel Gross entitled "The Capital of Capital No More?" The report collected several studies and even groups that were forming to try to stop the flight of capital from New York and this was BEFORE the Crash. The New York Times reported that the **Committee on Capital Markets Regulation** noted that "the U.S. share of global initial public offerings - those outside the company's home country - fell from 50 percent in 2000 to 5 percent in 2005." The United States is hemorrhaging so bad, no one is noticing until it is going to be too late for government will not reverse its course and will only attempt to crush people even more.

Every nation in history has defaulted upon its debt as **Adam Smith** (1723-1790) in his 1776 **Wealth of Nations** made very clear. Indeed, since its publication, there is no government that has ever survived. Just as I explained with the slavery model, what happens is the population growth diminishes the value per slave on a supply and demand basis. But the cost to feed the rising number of slaves becomes self-defeating that drives the cost of production higher. What happens is an economic implosion.

Debt functions in the same manner. It grows exponentially doubling in less than 8 years. But the cost in interest rises for the pre-existing debt must be serviced. In time, the cost to service the debt rising steadily until it consumes the entire production. This is the future we face right now!

The more aggressive the government gets to hunt down its citizens to imprison them under the pretense of criminal law for tax evasion or failure to file, the more we will see capital become (1) hoarded, and (2) just pick-up and leave.

Marx in his absurd rantings had honestly focused upon only production. What he indeed failed to factor in was consumption. Like our politicians, he looked primarily at one side. He looked at the exploitation of labor, yet missed the whole point that if you raised wages, you raise the cost of living and then reduce consumption. These are balanced in a closed **Fish Bowl Economy**. Yet, companies are faced by consumer demands for lower prices and thus ship jobs overseas. The people are not willing to pay more just to support a union and thus the whole idea failed.

Karl Marx (1818-1883) I believe killed more people with his ideas than Hitler and Stalin combined. His model, if you can even call it that, was purely based upon hatred and presumptions that all workers are indeed exploited to only serve the rich as if this were still some sort of Egyptian monarchy. There are not enough "rich" among the common ranks of the population to exploit labor by consuming all that it produces. Just like taxes, all that is nonsense, for the greatest productive consumption remains the masses of the working people. How many TVs can the so called "rich" buy? Surely not enough to keep all the exploited workers employed.

Marx failed to produce any model that was useful, or could even be rationally tested once. The assumptions of class subordination were just not there. The biggest market was in fact the working people, not building pyramids for the rich while being exploited and whipped into submission.

It has always been the greed of the politicians, ministers, and kings throughout history that has exploited mankind and done far more damage to the pursuit of progress than anything else in the system.

In New Jersey, the democrat lost the election replaced by Christi the Republican ex-prosecutor who gave kick-backs to his old boss when he left office - Mr. Ashcroft by declining to criminally prosecute firms if the hired Mr. Ashcroft's firm at 10s of millions of dollars to monitor their behavior. No doubt he will go to Ashcroft for a job when he loses office. But that is the real game, and the people who rush out to vote and cheer and argue why their candidate is going to make it all better, to me is like watching a bunch of people high on drugs at some gathering like Woodstock. If they in fact honestly believe all the bullshit, they are no different than the Jews in Germany who kept arguing this will pass. Sometimes things blow out to the extreme and the flame dies.

Yet, the New Jersey election has shown the underlying discontent of Marxism. We are in a economic collapse with real estate the primary focus. Housing values collapsed and unemployment has been approaching a 26 year high on the bogus index at that. Still, the raw power of the state is being exposed. In every other industry wages are cut as well as

jobs. However, in the government, nothing has taken place and to make up for the decline in sales tax revenue, they have been raising property taxes. The politicians are just stupid for they cannot see that they are themselves destroying society. They will not reform and reorganize as they have even instructed General Motors and the banks to do. They will not reduce the size of the government and will never see that they are part of the problem. They are blinded by their own power.

While the new Republican Governor ran on lowering taxes, I seriously doubt that we will see any reversal in trend. This was a lawyer, turned prosecutor to get famous, so he could become Governor and hopefully run for President. What qualifications do any of these type of people have to solve the economic crisis? Absolutely none! I am no more qualified to be a doctor, so why pretend?

People are being driven from their homes because of taxes. On a million dollar home, the taxes are \$40,000-\$75,000 annually. Just where is all this money going? The lessor common housing still has people paying on average about \$10,000 in the middle class. This is the issue that turned the election. People cannot afford the tax rates and they are being driven from the homes. This is the real reason the Republican won. If it were a monkey, they would have voted for the opposite ticket. Enough is enough!

What **Marx** did was screw up the future and destroyed our posterity because he gave power to the politicians and they use brut force to ensure they retain power. There is nobody who has not been robbed of their full liberty thanks to **Marx**, who never even had a coherent plan - just hatred and words. Yet, **Marx** was elevated to a genius because of who he advocated handing power to - Government!

Marxism is largely behind the **Decline and Fall of the United States**. Capital has been pouring out of the country to such an extent, that the **Financial Capital of the World** is no longer New York City. Additionally it is the **Collapse in the Rule of Law** for the courts have been stacked with prosecutors who have never been on the other side and could never understand the scope of the full economic damage they have caused.