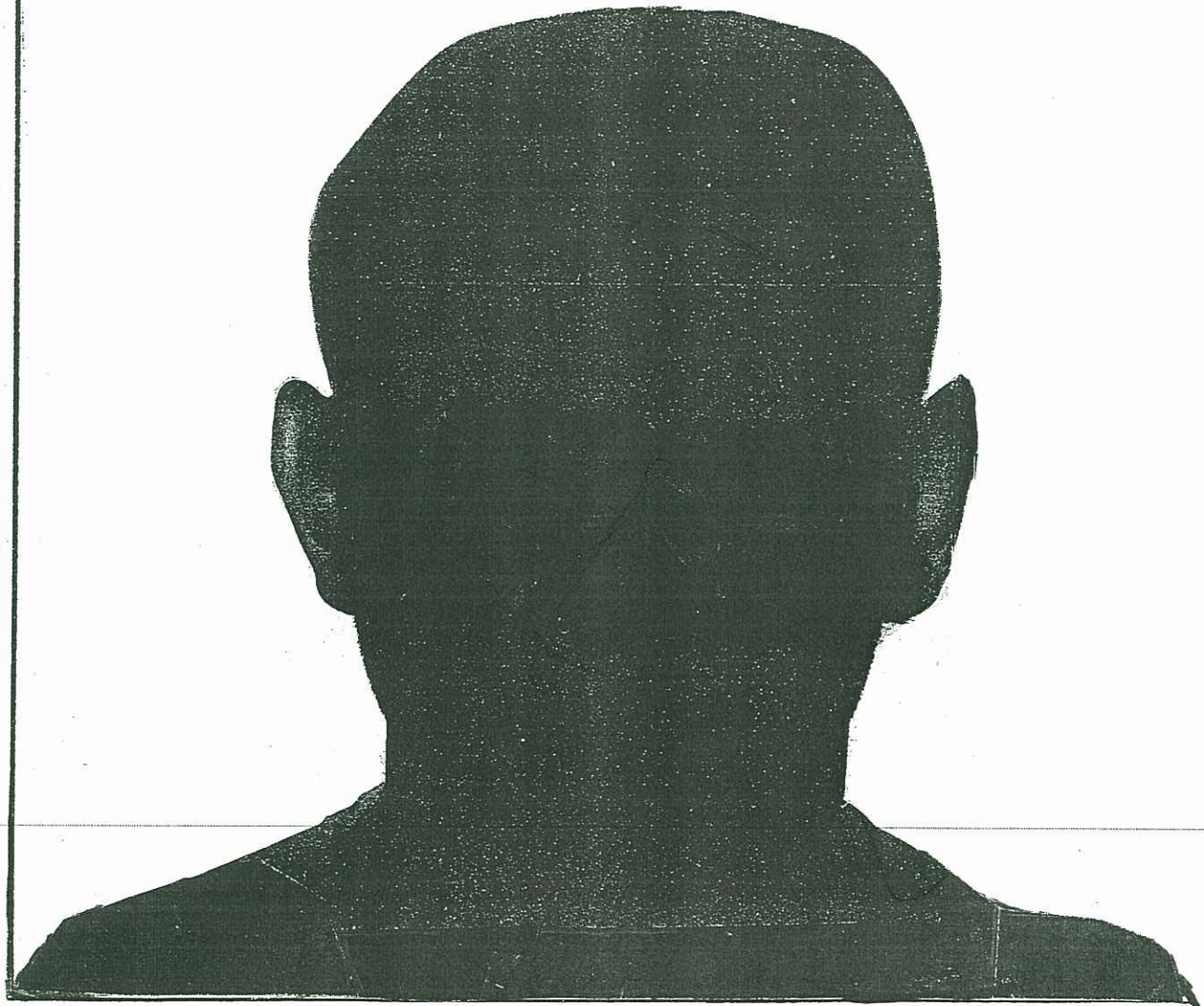

Armstrong Economics™

Conspiracy Theories Cloaking Reality

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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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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 affects 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.

Conspiracy Theories Cloaking Reality



by Martin A. Armstrong

Former Chairman of Princeton Economics International, Ltd.
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WHY Conspiracy Theories about the world economy are dead wrong, can be summoned up very neatly - They are based upon the presumption of knowledge, strategy, and the ability to actually organize. When it comes to some of these outlandish theories, they are doing more harm than good, because they allow real dangerous activity to ferment. Those who see conspiracies behind every tree, are going over the top. I have been behind "The Curtain" and seen first hand what really is going on. I believe the need to create these broad conspiracy theories lies in the same root need for man to believe in God. They assume they do not understand what is going on, but obviously someone does. God is portrayed as all knowing and all powerful. The core assumption is that he cares about each and every person's life. This egocentric idea thus presumes that everything that happens is "God's Will." We affix the same traits to people, groups, and organizations, assuming someone is in charge. Who = Conspiracy.

I do not believe that Goldman Sachs is behind some world conspiracy to manipulate the world economy, create major collapses or with forethought, to eliminate their competition in a single bound. All of these events can be strung together to make a monstrous plot to rule the world. But when people go ahead and string these together, they are in fact masking the real issues.

After 5 years of not allowing the press to interview me denying anyone the access to prison, suddenly the New Yorker Magazine was allowed in. I was shocked to say the least. Friends and family were curious, warning me something was strange. Yes, one could come up with a conspiracy theory that Goldman Sachs was behind this to try to discredit me. Then, New York Magazine in its October 5th 2009 edition painted "ZERO HEDGE" blog as one of those conspiracy generators.

I took the position that it did not matter if I talked to the New Yorker or not for they would write the story anyway. But no doubt, there are those who would string this together just as the attempt on my life and attribute that also to Goldman Sachs. Granted, I find it strange that no one was charged with attempted murder when inmates who told the story informed me that the officer would not enter the cell and had waited for Mr. George to come out and then proudly announced he had killed me. There is no way for me to verify if he was paid or not. So yes I concede it is possible. I remain unconvinced that it was such a plot even though my own lawyers warned me that such things take place in prison. The day before the Boston Strangler was to get a day in court, he was killed. Oswald and the Jack Ruby event. It is true dead men don't talk. Perhaps I am a fool and will wait for proof. But I like facts.

There is no conspiracy that I have ever seen among corporations to somehow oppress the little guy, nor among central banks to control the world economy. I have personally worked with central bankers around the globe. I even gave a lecture at the BIS meeting in Paris and sat at the head table with the main central banks of Europe. I have sat between the banks and they do not agree. We had one of the big central European banks feeding us information that they wanted out in the real world, but they themselves could not release the information, that was anti-Euro prior to the formation.

I was, I believe, the first Westerner invited to Beijing during the Asian Currency Crisis. We were pointing to a change in the global capital flows back to rush into Europe prior to the Euro. This was causing a net capital outflow from Asia, causing the bubble to burst. Central banks have to be politically correct. They cannot be seen publicly blaming each other. So Princeton Economics often was the middle man, knowing that most of the big institutions were clients. Handing us info they wanted out, strategically placed that info in the hands of the professional world community. We were not the general media - we were the source in the institutional market.

Nevertheless, the real problem has been not the conspiracy theories to destroy the world economy. That benefits nobody! The only issue has been the manipulation of government in order to manipulate the law, markets, and obtain that "riskless" trade.

The old movie *Wall Street* with Michael Douglas has some great lines. The character Gordon Gekko remarks that he is not interested in throwing darts. He wants sure bets. This is the real issue. It is rigging the markets, not permanently, just long enough to make fortunes.

I do believe that the "club" has managed to usurp government like never before. In my last writing of 10/2/09, I addressed the events of the 1930s and how the Roosevelt Administration embarked on a personal quest to abuse the law to criminally prosecute Andrew Mellon and Sam Insull as well as the head of J.P.Morgan at the time, Thomas Lamont. The abuse of the law was to retroactively redefine events that were legal when done, and convert them into crimes in current time. The ruthless Henry Morgenthau acted with total disregard for the Constitution.

It was the vicious and relentless acts of Morgenthau during his personal battle to criminally prosecute and imprison Andrew Mellon on tax evasion, that created the problem we now have. The amount for prosecution was about \$3 million, when Mellon previously arranged to build the National Gallery in Washington and donate his art collection costing \$75 million. The legal abuse of Morgenthau is standard today.

Even Hoover began a relentless investigation of the "rich" for which he apologized in his memoirs simply saying:

**When a government gets enraged,
sometimes it burns down the barn,
to get the rat.**

Hoover admitted this was an un-American and disgraceful display of power. He summoned everyone to appear before the Senate and reveal their personal investments from Rockefeller on down precisely because of a telephone call he received claiming there was a conspiracy to collapse the economy to ruin his administration. They put Mr. Fox on trial (20th Cent. Fox) when he was too ill to attend and made so many false allegations, the wave of lawsuits that followed destroyed him. Willie Durant who created General Motors ended working in a bowling alley setting up pins. This was the blood-bath from which the SEC was born. America had devoured its best and brightest destroying investment in the process. This was no different than the Athenian trial of Socrates, his death sentence, that even Plato fled viewing Athens was no longer safe. Once it took place, this became standard practice.

Hoover scared the hell out of people and on such a conspiracy theory, short selling dried up. The reason shorts are so vital to a market, is that when a crash unfolds, only the short player has the courage to buy when all others are in a state of panic. The short is the person who enables a market to function. This is the primary reason the Dow fell by about 90%. There were no buyers and no shorts to cover their short positions.

Conspiracy Theories can be very dangerous. The Senate investigations only showed that the famous names from Rockefeller on down, were not short, but long, and lost a fortune along with everyone else. Morgenthau tried to convert any trading done by the "rich" into a crime just to punish them for what he saw was caused by them entirely.

THE BIRTH OF THE "CLUB"

Goldman Sachs was really a major trader in commodities. The birth of the "club" had really began with deliberate organization in the early 1970s. The origins can be traced to the Agricultural markets. There were only a small number of warehouses to store the physical commodity trading on the exchange. The exchanges would then publish the supply in the warehouses they recognized. This had opened the door to manipulation of information to manipulate prices.

Where in the movie *Trading Places* we watched Eddie Murphy be raised from a street bum to a commodity trader, all on a bet of \$1. Ironically, among the so called "rich" there would be a bet for \$1. It was not the money, it was the game. I may have made a few of those bets myself, but it was never over someone's life or altering that as was the theme in the movie. Yet the way Murphy gets back is manipulating the information. The commodity brothers are relying on that guaranteed trade with the report of crops and they too are seeking that "riskless" trade.

There is a underlying core of truth to both *Wall Street* and *Trading Places*. Do not think that these movie ideas come from no place. They are based upon real events, but the plots are exaggerated for the pure entertainment value.

The manipulation of markets was always the key objective. Not on a daily basis. Just to create short-term booms, or a crash. There were firms outside the "club" centered in New York such as Drexel Burnham, First Boston and Prudential to just mention a few.

I had dealing lines at most of the big houses. What did not come out in the papers when my case began since they were repeating only the government version and would never print what I had to say (except Gretchen Morgenson at the NY Times), omitted the facts that I did manage 3 hedge funds, (2) for Deutsche Bank and (1) for Magnum. There was no problem at any other institution with whom we had dealing lines, only Republic. In 1998, I was even named Fund Manager of the Year and that was based upon audited public funds. So there was a huge inconsistency that the good old USA prosecutors would not address. It did not support their case.

Because of my dealing lines around the world, my personal contacts were vast. There were many who were outside the "club" and monitored what they were up to this time. We shared information, and when I spoke to some desks, there were tapes on both sides. So there was plenty of evidence that would have exposed the network of firms who were monitoring the "club" and the government could have made their case then and there. Instead, the Securities & Exchange Commission, Commodity Futures Trading Commission, the Department of Justice, and the receiver Alan Cohen with his lawyers O'Melveny & Myers, LLP including Tancred Shiavoni, all conspired I believe to seize all those tapes from my lawyers threatening Richard Altman with being thrown in contempt himself if he did not turnover all this evidence.

There was a hearing on February 7th, 2000 where I stood up and told the court that this was an ongoing investigation that probably exposed a number of the big houses to criminal prosecution. The Assistant US Attorney Richard Owens, personally told me the government had no interest in prosecuting them, offered me a deal to just plead guilty and they would release me with no jail time, and since the owner of Republic National Bank, Edmond Safra was killed, I didn't even have to testify. I refused the offer. This was in about April of 2000.

So the government (SEC, CFTC & DOJ) all had the info that led right to AIG and Goldman with recorded conversations of many who were contributing to monitor their activity. I did warn clients, but I never revealed who was behind a particular move.

The head trader of AIG managed to sneak in to see me. Margaret Thatcher's former chief economic advisor became a board member of AIG in London. He called me saying he was coming to the US and asked if he could stop by to see me. I naturally said yes. I was surprised it included the head trader from AIG asking me to stop talking about manipulating markets.

This is when Philip Brothers got their flunkie pretend independent forecaster to get the Wall Street Journal after me. They then thought to smear me as the source of these manipulations. As I said before, the WSJ called, accused me of this nonsense, and it got heated. He insisted I tell him who was behind it. I told him he would never publish