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**NOTHING IS CERATIN EXCEPT
DEATH, TAXES AND THE
OTHER SIDE OF
INFLATION**

会長
マーティン・A・アームストロング

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NOTHING IS CERTAIN, EXCEPT DEATH, TAXES, AND THE OTHERSIDE OF INFLATION

By: Martin A. Armstrong

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Ben Franklin once said that “*Nothing is certain except death and taxes.*” There is no question that **Ben Franklin** is one of the top 100 men in history whom I admire the most. He was put on trial at the **Privy Council** in England and the venom of the prosecutor left such a bad taste in his mouth, **Ben**, who had supported the King, now supported revolution. **Ben** got that firsthand look into the eyes of tyranny where corruption abuses power. But **Ben** did not understand the historical ravages of inflation and what happens when you reach the other side. **Ben** was not the historian. That role was filled by **Thomas Jefferson** who gathered all the knowledge he could find in Europe and sent every book back in a trunk to America to aid in the drafting of the Constitution. **Ben** was the scientist. He was renowned in Europe for his invention of the Lightning Rod that protected buildings. The other side of inflation he did not study.

If **Ben** had been that historian, he would have realized that his statement was not entirely complete. Yes, death is certain as is government’s desire to exploit its people with taxes. But this certainty also leads to tax reforms, revolutions, or civil unrest. Then you reach the **Other Side Of Inflation**. That is where tyranny takes on a whole new meaning.

It is normal for history to be generally ignored. This has been so because mankind is just arrogant, and mostcertainly stupid enough to believe that somehow we are more sophisticated today than our ancestors ever were centuries ago, so history offers nothing.



Niccolò di Bernardo dei Machiavelli
(1469–1527)

It was **Machiavelli** who had the insightful talent to see why history repeats. He summed up the problem better than anyone else. He said history repeats because man’s **PASSIONS** never change with time. So the greed for power always unfolds with the same result. Those who seize power directly or indirectly, refuse to see the consequences of their self-interests.



**ROMAN EMPEROR HADRIAN (117-138AD) BRONZE SESTERIUS
SHOWING THE BURNING OF TAX RECORDS**

The Roman Emperor **Hadrian** was a remarkably effective as a statesman, but some argued he was also a distastefully inconstant man in his private life at the time. Edward Gibbon in his *Decline and Fall of the Roman Empire*, lamented of this Golden Age of Rome, that there had not been a stronger will to return to the Republican form of government: "***The ideal restraints of the senate and the laws might serve to display the virtues, but could never correct the vices, of the emperor.***" There was a tradeoff between the corruptions of the Oligarchy under a Republic as we have today where special interests control the government. A Republic is NOT a Democracy where the people truly control the state. We have professional politicians who are in office as long as Qaddafi. That's no DEMOCRACY!

It is true that the pleasure of an emperor varied greatly based upon his character, and the dynastic-hereditary process to the throne was often chaotic. Yet today, there are Marxist goals that dominate the Democrats and the right wing religious agenda that dominates the Republicans that see Constitutional rights as evil LIBERAL doctrine. But when the mind of the emperor was not demented and honor blended

with power, there were brief and shining moments of greatness in Imperial Rome. Under a Republic, there was only corruption dominated by the Oligarchy.



Hadrian, whose tomb is known as the **Castel Sant'Angelo** featured in the movie *Angels and Demons*, was indeed an interesting statesman. There were economic booms and busts that resulted in numerous tax reforms, debt forgiveness by the state, and legal reforms. Even in times of peace, there were still economic cycles. *Historia Augusta*, tells us that during **Hadrian's** reign "***there were famines,***

pestilence, and earthquakes ... There was also an overflow of the Tiber." We think that it is a modern social benefit that the state rushes in to help. You may be surprised, but even emperors did the same thing. **Hadrian** responded back then as we respond today with state aid and emergency relief. He did a much better job than the US did in the Katrina disaster.

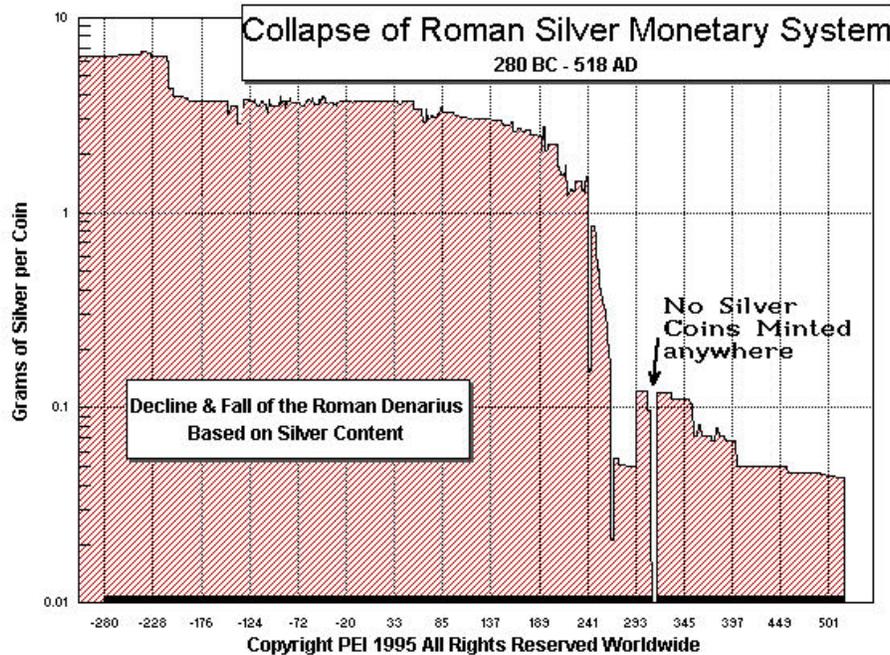
Hadrian faced the same debate that has existed in modern times. The Republicans are against bankruptcy reforms that help debtors and see them as LIBERAL and evil whenever the people benefit rather than the Oligarchy. Hadrian was not LIBERAL in a Marxist way, but he assisted those ruined by nature and he changed the law so that a bankrupt would be flogged in the amphitheater, but then released. He opposed debtor's prison or turning people into indentured servants. The right wing seeks to protect the bankers against the people and this is being ANTI-LIBERAL. But there are basic society demands that are the very purpose for coming together in the first place. Laws must be fair and impartial respecting that the debtor is not alone in his responsibility for the lender must also share the blame as well.

Hadrian was not LIBERAL in the evil way that term is used today. He was simultaneously conservative making the baths separate for men and women. He restored many buildings, including the Pantheon, and moved **Nero's** colossus -- he also removed **Nero's** image from the enormous statue. When **Hadrian** traveled to other cities, he implemented public works projects. **Hadrian** created the position of *Treasury Counsel*; we might call *Secretary of the Treasury*. He granted Latin rights to many communities and took away their obligation to pay tribute. This was ECONOMIC reform.

Hadrian's biggest contribution was the reform of the **Praetor's Edict**. Praetors were senatorial magistrates in Rome who originally had the authority to settle civil disputes. The **Praetor's Edict** was just an unofficial handbook praetors had been using for guidance. **Hadrian** had one of his jurists (Julianus) codify and edit the

Praetor's Edict. He promoted this as official civil law for Roman citizens. Law had fallen into the grips of practice so that when people stood in a court, there was no real law, but **DISCRETION** of the Praetor. Thus, **Hadrian** realized that the corruption was always a cancer that feeds on the people and the only way to protect the economy is to keep a watchful eye over the Judiciary. For once the courts become corrupt, as we have again today; the economy suffers for CAPITAL is no longer safe. How can money be invested when the **Rule of Law** is nothing more than the **DISCRETION** of the judge?

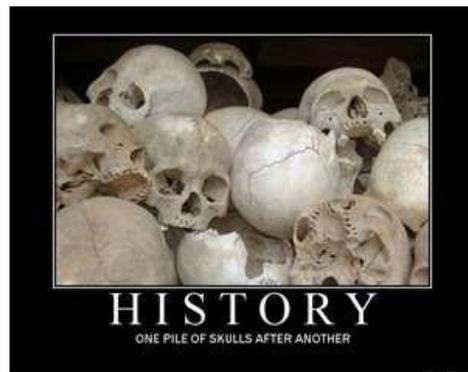
Today's battle that rages over the Supreme Court is all over "discretion" to change whether or not abortion is legal. In this current budget crisis, again it is social politics dominating fiscal responsibility for the Republicans want to shut down Planned Parenthood because of abortion, not to balance the budget. This proves the point that **LAW** is nothing more than **DISCRETION** of the judge; hence the battle over the Supreme Court. It is not really what the law **IS**, but what one judge **IS WILLING** to say it is over another. In this legal atmosphere, capital is NOT safe! Judges are not there to defend us or the Constitution, but whatever agenda that the political party might be who appointed them. In times of economic distress as we currently face, we are in serious trouble. The courts no longer provide a check and balance against the Executive or Legislative branches. The entire tripartite form of government has been usurped by politics. This is a CRITICAL prerequisite to the economic collapse. Once capital is no longer truly safe, it migrates and investment that creates economic growth declines as capital is driven to speculation and self-preservation. **Hadrian's** legal reforms saved the day. The growing corruption in Rome suffered a setback and the Decline and Fall was postponed until the death of **Marcus Aurelius** on March 17th, 180AD. After those 42 years, the corruption resurfaced and upon the death of **Aurelius'** son, **Commodus** in 192AD, the Praetorian Guard, auctioned off the throne to the highest bidder. The Decline and Fall was then in full swing.



While I have shown this chart on many occasions regarding the collapse of the silver content within the Roman Monetary System, offered here on the next page is the chart showing what took place with the gold coinage. Where the silver was debased (purity reduced) representing the everyday money used within society, gold retained its purity for the most part, but it was the weight of the coins that declined. What truly destroys the economy is the collapse in the **Rule of Law**. This opens the door to the decline and fall of a nation for once the **Rule of Law** is silenced; then tyranny can truly blossom. Politicians are free to pursue self-interest even if that brings down the entire nation and creating inflation is debasing law.

Why do so many ignore history? Perhaps it is because it will warn that the antics of today are like a T-shirt that says: **BEEN THERE - DONE THAT!** When one goes rummaging through the past, you stumble upon interesting realizations that whatever solution is being bantered about today, you can usually find where it has been tried before and what the result was.

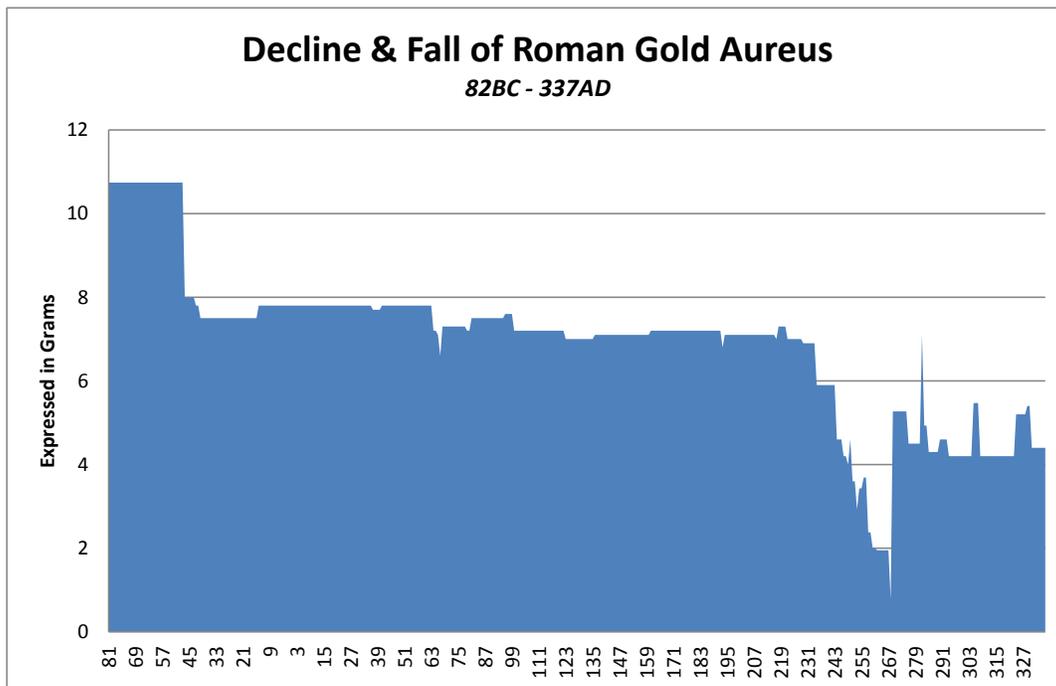
History is merely a catalogue of solutions. It is not some worthless collection of a pile of skulls. We become trapped because we approach every event as if it were the first time in history this has ever taken place. When it comes to managing our economy, we are as dumb as the medieval forager who sees a mushroom, eats it and dies, and his friend pays no attention to the possibility the mushroom was poison.



The skulls have not lost their voice, if we are willing to listen. Those who champion a return to the gold standard are ignoring history. Gold



GALLIENUS (253-268AD)



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is not the answer and it would never prevent the Decline and Fall of a Nation. As we can see from the above chart, while gold was not debased, the gold aureus declined from the time of **Sulla** 81BC until it collapse during the reign of **Gallienus** (253-268AD). The aureus of **Sulla** being 10.5 grams fell to 0.77 grams. Gold did nothing to save the economy. Throughout history, gold rarely provided any standard. Gold WAS the alternative to government. It was the store of wealth, independent of government. For the problem historically has NEVER been what money is. The problem has been who decrees artificially what is money within government and controls its supply.

Yet, there can be no dispute as to these facts. Unfortunately, those crying for a gold standard are just barking up the wrong tree. Gold is the hedge against government. It is NOT what money is, but who controls its supply that is the real issue. Even if we got rid of paper money, we are still left with politicians who will return to debasement or weight reductions. It is the government that must be tempered and controlled. Not what is money or not.

The real unasked question is what exists on the **Other Side of Inflation?** As you can see from these charts, there was a rebound. To some extent it was a dead-cat-bounce. Still, there is



Roman Gold Tax Collector Bar of Valentinian I (364-375AD)

something that follows the economic storm. The **Other Side Of Inflation** is when it comes back and bites the government square in the ass. Everything is well and good as government induces inflation to pay its debts. In a modern paper money system, they print more than they should. Under a gold and silver standard, they accomplish the same goal by debasing the coinage (reducing its purity) or reducing the weight. At the time of **Sulla's** dictatorship (81-78BC), the gold aureus was 10.5 grams. By the time of **Augustus** (27BC-14AD), it has fallen thanks to the civil war reaching a weight of 7.9 grams. By the time of **Nero** (64-68AD) it had fallen to 6.68-7.3 grams. And by the time we reach the nadir under Emperor **Gallienus** (253-268AD), a Double Aureus at the start of his reign was 5.3 grams (making an aureus 2.65 grams) to the end of his reign the aureus fell to 0.77 grams. This was a decline of about 99.9%. **Gresham's Law** prevailed back then as well. Bad money drove the good money out of circulation. Much of the supplies of Roman coins that exist today are because of the pervasive decline in the quality of money that led to massive hoarding. Thus, despite several major reform efforts after **Gallienus**, about 100 years later the state of the money supply was so deplorable, that the government WOULD NOT ACCEPT ITS OWN COINS IN PAYMENT FOR TAXES!

So what happens when the inflation created by government to increase its spending ability, comes back to haunt them for they are receiving in return the SAME debased currency?

This is when you begin to reach that **Other Side of Inflation**. Holy Hell is unleashed from the dark abyss and the people now pay the price for the sins of their masters.

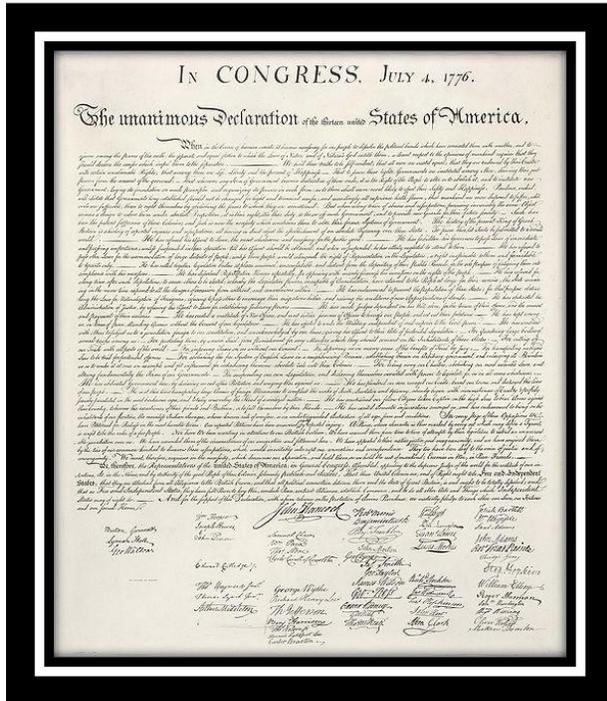


Roman Tax Collector Gold Bars

Taxes were imposed in terms of gold or silver. In other words, the government would cheat the people by paying them in debased coinage, but in taxes, they demanded raw metal. They rigged the game.

The government supporter will instantly attack me and claim that was then, and now is now. The other aspect of our computer model was we not merely input the entire historical

database of the global monetary system, we also input the crisis, cause, and solutions attempted at each juncture. This enabled us to query the computer as to its knowledge base for similar instances in history and to correlate solutions based upon past performance.



Right in the American Declaration of Independence we find a list of the charges against King George III:

He has made Judges dependent on his Will alone, for the tenure of their offices, and the amount and payment of their salaries.

He has erected a multitude of New Offices, and sent hither swarms of Officers to harrass our people, and eat out their substance.

For protecting them, by a mock Trial, from punishment for any Murders which they

should commit on the Inhabitants of these States:

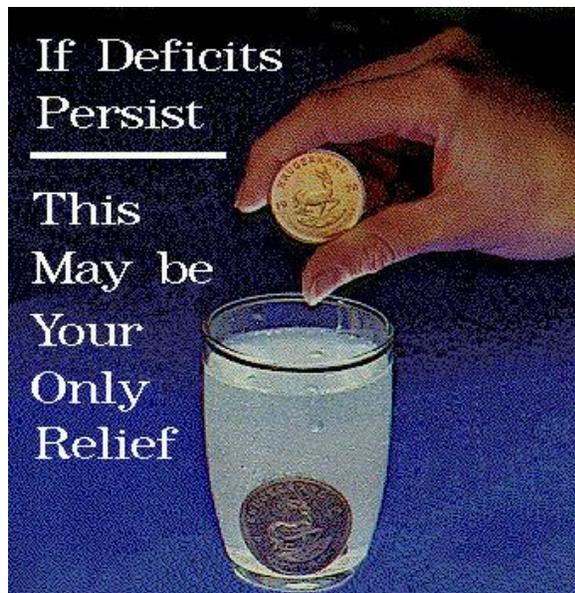
For cutting off our Trade with all parts of the world:

For imposing Taxes on us without our Consent:

These are just a few of the grievances. Safe to say, there is hardly one on that list that has not been reinstated today. In the case of Alan Stanford, the victims sued the SEC for failing to discover the fraud as they did in Madoff. The Government replied that they have sovereign immunity as did the king and it is their discretion to act, they cannot be compelled to act by the people. You cannot sue a judge or a government lawyer. They are just as protected today as were the king's men. The purpose of the revolution was to make the PEOPLE sovereign, not government employees! What was the purpose of the revolution if it was merely to replace the king with government employees who claimed the same powers?



For the Revolution was not just over Taxation. The king paid for all imports from America in copper, but demanded payments for British goods in silver and gold. What he was doing was exploiting the American colonies. Hence, the silver coins in circulation were Spanish 8 reals known as "Pillar Dollars." This is why when America broke away from Britain; it adopted the DOLLAR rather than the pound. Thus, it is always the same result 1-sided exploitation.



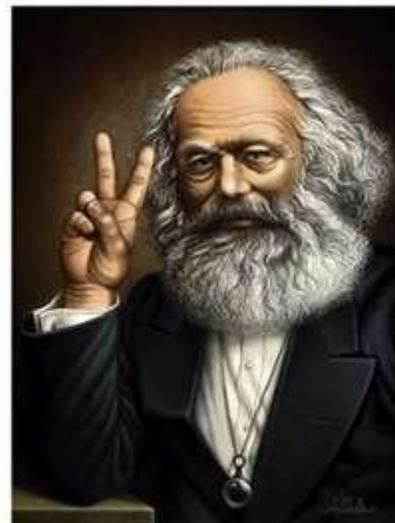
So it is important to pay close attention to history. Gold is **NOT** the Panacea to correct all wrongs. That is simply political reform and nothing short-of-anything. Gold is independent, not the hedge against inflation, but the hedge against government itself. We must never lose sight of this important role. For then the solutions such as a gold standard will do nothing as long as the internal corruption remains in place as was the case in Rome.

We are now embarking on that next path to absurdity coming face to face with the **Other Side of Inflation**. This is where government becomes desperate for money and they will turn toward tyranny before they will ever consider saving our future way of life. That is just the way it is. We will see the imposition of new taxes precisely as **Thomas Jefferson** wrote in the Declaration of Independence. We will see a *"multitude of New Offices, [that will] send hither swarms of Officers to harrass our people, and eat out their substance."*

Municipal governments are raising taxes as are states because their monetary system is closer to that of the old world gold standard. In other words, they cannot **PRINT** money, so they must exploit it from the people any way they can. Only the federal government can print. Hence,

the outcome at the state and local levels must be different than the federal level. They can only borrow, spending far beyond their means turning to people to extort the funds they need.

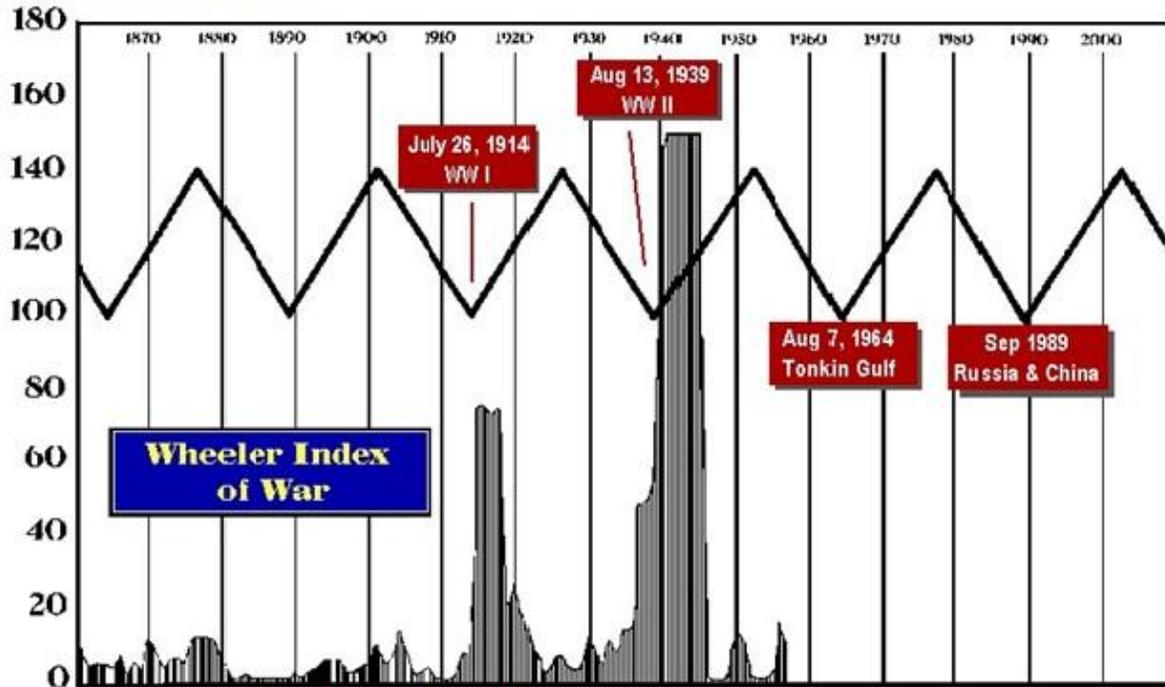
This is where the cost to operate government rises exponentially. They will endeavor to pay their unfunded liabilities by extracting ever increasing levels of taxation. We are entering that next phase in which civil unrest is born.



Karl Marx

Unfortunately, **Karl Marx** won. He misled the people into thinking the problem was **MONEY** and personal greed. Take away all private wealth, and the problem would be solved! But it is **NOT** wealth that is evil. It is not a class issue and it is **NOT** the rich who have caused the problem. It is the greed for **POWER**, not **MONEY**. A billion dollars today will not change your lifestyle more than a \$100 million. The sole difference is **POWER**. You reach a point of diminishing returns insofar as wealth is concerned because it will not buy love, real friends or respect – only envy. It is a Bell Curve in regard to wealth. It is like getting drunk. At some point the more one drinks will not change the outcome. But what **DOES** happen is **POWER** increases. Thus, it becomes the thirst for **POWER** and **CONTROL** that dominates some who then exploit government to gain that security of real **POWER**. It is no longer **MONEY**.

CYCLE OF WAR & POLITICAL CHANGE (25.049 YEARS)



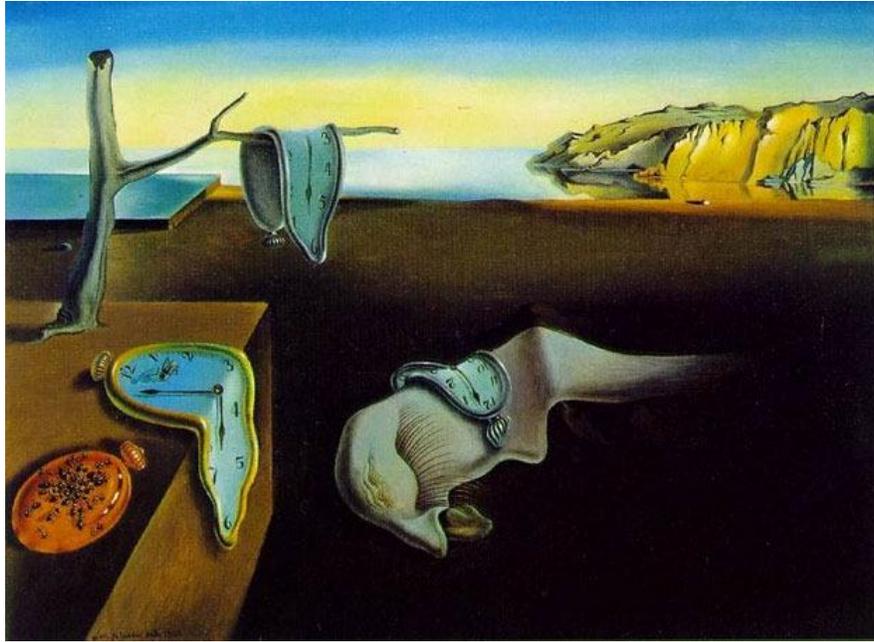
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So where does this leave us for the future? One of the many components that we included in the database available to the computer was natural science. Within that category we input data recording all known earthquakes, volcanoes, and weather. Within that last category was the index of climate changes created by **Professor Raymond Wheeler** (? – 1961), of the University of Kansas. The Great Depression sparked a wealth of observations and quests to try to understand what happened. **Wheeler** concluded that there was about a 100 year cycle in weather and that it impacted human behavior. Indeed, the hotter the temperature, generally the less productive man becomes. He also tends to move away from extreme heat and cold, but mankind appears to become more aggressive with increases in temperature. While **Wheeler's** conclusions and opinions were **NOT** input into our computer, we did include the raw statistical index to allow the computer to make its own findings and correlations.

The interesting results of the computer's correlations were a discovery of a much shorter cycle we called the **Cycle of War & Political Change**. Here is an illustration from the last time we published this correlation in 1998. This discovery created a real tidal wave of interest among our clients and over the past years I have been asked to comment on it again.



The duration was **25.049** years and it had pinpointed quite nicely the start of **World Wars I and II**, the **Tonkin Gulf** issue with the start of Vietnam, and in 1989 the **Tiananmen Square Protest** that began on April 15th followed by the fall of the **Berlin Wall** on November 9th.



Salvador Dalí (May 11, 1904 – January 23, 1989)

Wheeler had developed a theory that the behavior of man could be divided into four phases he characterized in weather terms, **Cold-Dry (Winter)**, **Warm-Wet (Spring)**, **Warm-Dry (Summer)**, and **Cold-Wet (Fall)**. He portrayed the first as marked by good leaders, individualism, and economic prosperity, followed by rising nationalism, then despotism and persecutions, and finally revolution, civil war, and anarchy. While I believe his conclusion was too broad, nevertheless, he captured a glimpse of the rise and fall of nations. **Raymond Wheeler's** work was invaluable. What I have come to understand is that there is NO single cause and effect. What we are dealing with is much like a complex eco-system in a rain forest where each and everything is interconnected. Take away one species and you destroyed the food source for another that sets off a chain reaction so complicated, it is hard to imagine.

What the computer taught me was the incredible depth there was to complexity. The more data series we could input, the more stunning the correlations. It emerged that TIME flowed with a regularity to it that led to history repeating because mankind's passions never changed. No matter what century one looked

at, there was always the individual bent upon seizing power either directly or indirectly. The results were always the same. **Wheeler** was correct in that in the beginning of each society there were periods of great leaders like the Founding Fathers. What we have today is anything but that brand of quality. Even a good man would have to kiss too much ass to get to the position to make a difference. So with all the hope of change with each election, all we get is more of the same – politics as usual.

Oswald Spengler (1880–1936), also had the same structural view of world history. He correctly pinpointed that Europe had reached its zenith and 1914 began the decline and fall with the shift in power to America. Well, the 100 year cycle observed by **Wheeler** if we start it in 1914, is due in 2014. That is the target on the **25.049** year cycle the computer discovered - 2014.763 (October 5th)(last 4 were 1914.567, 1939.616, 1964.665, 1989.714). This is when political change should emerge. The **Economic Confidence Model** peaks 2015.75. It is then when we should begin to see the sovereign debt crisis in full bloom going into 2020.05. History is our road map to the future. It repeats because the passions of man never change.