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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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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.

A Three Year Old With a pocket calculator can figure out

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by: Martin A. Armstrong

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

A THREE YEAR OLD with a pocket calculator can figure out we are totally screwed. This is a Debt Crisis and you can be the optimist who is still talking to himself as you pass the 4th floor after falling off the top of the Empire State Building - "Well so far so good!" But you will hit bottom one day and the fun ride will be over. The federal government is imploding. We are doing the same thing that AIG did, issuing indebtness with not even a plan on how to pay it off no less any such intention. We not only run Social Security and every other pension fund the same way Madoff did by just taking money from one person and handing it to another. This Ponzi Scheme will too blow up. Yet we are so screwed-up in how government has conducted itself, the implosion is unfolding faster than many suspect.

More than 40% of the domestic-held debt is self-funded. That means, brilliant politicians have acted like con-men that has undermined your future and that of the whole world. A sizable chunk of the debt is in fact held by government subdivisions. This is like writing a check for \$1 billion dollars and sticking it in your left pocket and announcing to the world you are now a billionaire because you have a billion in assets. Surely, if you did that, they no doubt would give you 25 years. Of course, our politicians cheat us and our posterity ever day and only care about winning the next election to retain power. They care nothing about our future and will do just nothing to prevent a disaster. That is the next guy's problem after they are gone. Every program is in danger of collapse and nobody seems prepared to do a damn thing about saving the country or the world from a collapse of the debt structure that has always taken civilization down with it.

My mother has been ill. The family doctor had to fight to even get her admitted to a hospital. For you see, MEDICARE now has made hospitals justify not only admitting a citizen, but to keep them. Every three days MEDICARE requires an explanation. They could not find out what was wrong and before the tests were even completed, they were trying to kick her out. It took a fight just to get the tests completed. They still discharged her, and the first day home, she still could not eat. Thank you President Obama for the wonderful healthcare that no longer functions even on what we have now.

For you see. We are broke. They have been watering down every program possible to just pretend they still care, when in all reality, this is a con-game. They refuse to allow me to be released to take care of my family and ensure proper healthcare. I am a political prisoner who they will spare no expense and will prevent you from helping your family all

in the "public interest" that is only their own self-interest. Another inmate's son died and they would not allow him to attend the funeral. There is no morality to government. Just self-interest. It will never admit any mistake but will imprison them like doctors bury their's. The NY Times covered a story of a prisoner held for 10 years for selling arms to Libya. He said he worked for the CIA and they denied that. He was held in what we call the "hole" for the period, no contact with the outside world. This is what they did to me when I refused to plead. When one is tortured no different than Cheney's water-boarding, the oppressor never admits he has crossed that line into inhumanity.



Clarence Darrow (1857-1938)

This man imprisoned as a arms dealer was saved by his daughter. She became a lawyer to help her father because there are no real lawyers anymore for most lawyers are also all about Show Me The Money! The days of Clarence Darrow and Daniel Webster who defended not just their clients, but all of the American people are long gone. Government attorneys lie about everything. The case of Demjanjuk v Petrovsky, 10 F3d 338 (6th Cir 1993) shows how government attorneys knew a citizen was not a war criminal, still tried him as one knowing he could be executed, and lied to cover-up their actions.

In the case of the arms dealer, his daughter uncovered documents proving her father did work for the CIA and again the government lied to cover-up the truth. It is just standard operational procedure. I am far from being the only political prisoner.

Now they are using my case as precedent arguing publicly that corporations have no rights whatsoever. They held I had no such personal rights because I was a director of a foreign corporation. Judge John M. Walker, Jr who was President George W[alker] Bush's cousin, held there was no limit to how long the courts could imprison me on contempt even until death. And he was a Republican who was pro-business and pro-rich? Bullshit! There is no real rich-poor battle. That is for show.

There is only one game. That is government against the people no matter what your class, race, or religion. There is nothing that will stand in their way of absolute power.

Now the Democrats are going after the corporations and using my case to scare the hell out of corporate officers. They will now turn them upside down and argue there are no rights thanks to the Republicans. I see no difference between either party. It just has always boiled down to Show Me The Money!

Over the course of many months this past year I have tried to show that throughout history, it matters not what the form of government ever is, for when their back is against the wall, they will always attack the people to survive. Just look at Stalin in Russia. He killed at least 20 million people and there are no records of his slaughter. It is widely believed that he may have killed as much as 40 million, Kondratieff being one of them. Anyone who could think, he had just killed hoping to prevent a revolution that would rise up against himself.

Hitler enacted in 1933 a criminal law that no German citizen was allowed to even have a bank account outside the country. His attack upon the jews had motive far beyond religious or racial hatred. That is not a profitable venture. However, by targeting the jews, what he was also accomplishing was confiscating their wealth. Since they were dominant in business and banking, persecuting the jews most likely had a monetary motive just as Constantine's conversion to Christianity that allowed him to seize the wealth of the pagan temples, yet he was not baptized until on his death bed.

There is always the public reason for the actions of the state, and then there is the real reason that is always strangely just supported by money. The Drug War is highly profitable to the government with all of the "in rem" seizures of property taking place as recently in the Chicago case with the man merely carrying cash in a brief case, US v Marrocco (US v \$100,120) (7th Circuit 07-3101 8/24/09). If they wanted to stop the crime and violence, legalize drugs as they did with alcohol ending the Mafia's roll in prohibition. There are far more people die from the liver problems and from smoking than from even marijuna, ecstasy, or cocaine. Heroin is a different breed and they can regulate the sale and take the profit out of the business that would end the killings and crime.

NOW we are going to see how the government will eliminate all rights for any corporation and corporate officer in pursuit of money. I have been told I am the "proof" that corporations and their officers can be stripped of all legal rights and that this LEGAL FICTION is now going to be applied by the administration against everyone else they can find in their pursuit of every last loose dime they can find. We are about to see our entire economic infrastructure turned on its head. It is bad enough they are going after everyone offshore as did Hitler and estate taxes. But now the word is they will go after corporations like never before (except Goldman Sachs, J.P.Morgan and the primary dealers they need to sell their debt raisings). The seminal case on corporate law was argued by Daniel Webster. It stood for most of the 19th Century, and is still taught in law school, although why, who knows. When Karl Marx became fashionable in the US, law went out the window. Justice Story thus explained in this case the essence of corporate law.

Unless a power be reserved for this purpose, the crown cannot, in virtue of its prerogative, without the consent of the corporation, alter or amend the charter, or divest the corporation of any of its franchises, or add to them, or add to, or diminish, the number of the trustees, or remove any of the members, or change or control the administration of the charity, or compel the corporation to receive a new charter. This is the uniform language of the authorities, and forms one of the most stubborn, and well settled doctrines of the common law."

Dartmouth College v Woodward, 17 US 518, 615 (1819)

A few years later, Chief Justice John Marshall delivered another decision that had made it very clear regarding the foundation of corporate law.

"No law is necessary to authorize a contract between individuals for concentrating capital to be thus employed; nor does the business itself depend upon any special laws for its creation or existence. An association thus formed, may take to themselves a name, and may establish rules and regulations to govern them in the transaction of their business, and to determine their relative rights and duties among themselves. The general law not only recognises the obligation of this contract between the parties; it recognises also the capacity of the association thus formed, to make contracts in the name they have assumed, and the right of the individuals, as joint partners, or one party to enforce those contracts."

Osborn v Prs, Dirs & Co of Bank of US, 22 US 738, 766-68 (1819)

Corporate law remained intact until the end of the 19th Century when Marxism began to seize the mind of American politics. With

the rise of Marxism that led to false images during the late 1800s of a major crisis. The railroads had sprung up as weeds. There were so many small operations, that what began to emerge was consolidation the same we have seen in computer companies and during the 1920s regarding auto companies.

Railroads were truly the first big boom in corporations. It was the gathering of much capital to start these joint ventures. Yet, we find that the natural trend to consolidate was misunderstood. It was the first time that a merger boom had taken place post-Dark Ages. Politicians saw Marx hiding behind every tree and enacted the Sherman Anti-Trust Act in 1890 to deal with this new corporate merger boom that they did not understand.

With the birth of Anti-Trust laws, the assault upon corporations began. There were arguments from the outset that corporations were outside the constitution because they were not people. Justice Gray held in Ex Parte Shaw, 145 US 44 (1892) that it "is to be deemed to all intents and purposes as a person, although an artificial person" under the Constitution. Justice Day held speaking for a unanimous court, that corporations "shall be deemed citizens of the state in which they are located." Guthrie v Harkness, 3 199 US 148, 152 (1905).

The effort under Marxism to eliminate all corporate rights was a persistent one. Justice Stone had held that a corporation "may claim, as an individual may claim, the protection of ... the due process clause." Connecticut General Life Ins Co v Johnson, 303 US 77, 79-80 (1938). This was supposed to have been settled back in 1896. Yet you see, the Government does not obey the law.

"It is now settled that corporations are persons, within the meaning of the constitutional provisions forbidding the deprivation of property without due process of law, as well as a denial of the equal protection of the laws."

Covington & L. Turnpike Road Co v Sanford,
164 US 578, 592 (1896)

States began to try to tax all property owned by a corporation held in other states as well. Justice Holmes had to strike that one down for every state would be taxing the property all over the place and the economy would simply collapse and interstate commerce would quickly become impossible. He stated very clearly for the Supreme Court.

"[A] state cannot tax property beyond its jurisdiction."

Equitable Life Assurance Society v Pennsylvna.
238 US 143, 145 (1915)

Again they tried to go nuts on the taxes outside of the state and again it was struck down in Hanover Fire Co v Carr, 272 US 494, 507-08 (1926). Justice White held that this entire foundation of law was settled by the "freedom of contract" between people, and that included corporations, NY Life Ins v Head, 234 US 149, 162 (1914). Justice Roberts made it clear that "[a] state may limit or prohibit the making of certain contracts within its own territory, but it cannot extend the effect of its laws beyond its borders so as to destroy or impair the right of citizens of other states to make a contract not operative within its jurisdiction, and lawful where made." Hartford Accident & Idemity Co v Delta & Pineland Co, 292 US 145 (1934)(unanimous). Of course, our contracts were made in Japan between two foreign corporations in Japanese yen. They were usurped by the judges in the US, constructively altered to dollar from yen, and then US law applied creating losses that did not even exist in yen.

For all of this authority, when Marxism took hold in the United States, the effort to strip corporations and their officers of any rights persisted. The first crack came in 1906 in a case Hale v Henkel, 201 US 43 (1906) where effectively the hard fought efforts of Daniel Webster in Dartmouth College were in effect ignored.

Under Chief Justice Fuller and the new emergence of the Religious Right who were then also taking control of the Republican Party calling themselves "Progressives" who were intent upon using the law to (1) fight religious war against the Catholics with prohibition to target the Irish and Italian Catholics who were drinkers, and (2) they were intent to go after corporations that they saw as the new evil rising with the Industrial Revolution that was altering family values of small towns and farmers that were still 40% of the work force.

The Hale decision for the first time had ignored the law of both the US and Britain. Corporations did not have any rights against compeled self-incrimination in England, only because they could not be criminally punished, only their officers and directors. For you see the penalty for felony was death. Therefore, it was not practical to criminally prosecute corporations. The Hale decision thus relied on one half of the doctrine, and ignored the other allowing a corporate officer to be held in contempt for failing to produce corporate books and records that would have incriminated himself criminally.

Then came in 1909, the outrageous decision of New York Central v US, 212 US 481 (1909) that shows how dangerous judges can be. They now arbitrarily held that they saw no problem with allowing corporations to just be charged and prosecuted criminally since the US invented prisons as the alternative to the death penalty as well as fines. So what began out of a true sense of humanity where every crime was death in England, creating prisons to "rehabilitate" offenders believing that no person was just worthless, opened the door for the greatest usurpation of power in the history of the United States.

The New York Central case allowing the criminal prosecution of corporations, was the second decision of the Fuller Supreme Court to strip away the Constitution. Now, we suddenly find a hybrid form of criminal trial where no rights existed corporately.

The Hale decision acknowledges that the long established law for hundreds of years may have been that corporations had no right against illegal seizures or compelled self-incrimination and thus this extended to the corporate officer regarding books and records, the New York Central decision allowed all corporations to be now criminally punished. However, the Constitution provided for rights that applied to all criminal proceedings. The combination of these two decisions created a whole new way to criminally prosecute with no rights, and was never authorized by the only authority, the Constitution.

"we see no good reason why corporations may not be held responsible for and charged with the knowledge and purposes of their agents, acting within the authority conferred upon them. If it were not so, many offenses might go unpunished and acts be committed in violation of law where, as in the present case, the statute requires all personsm corporate or private, to refrain from certain practices, forbidden in the interest of public policy."

New York Central, 212 US at 494-95

The problem this has presented, is that the Supreme Court fundamentally altered the entire Constitution with no authority at all. The only way to make corporations criminally liable, but with none of the rights under equal protection to which all criminal defendants are entitled with no exceptions since it is clear, there is only one system of justice for all, was by amendment. That is reserved purely as a power of the people and in a free democratic state, only the people have that power and it required their assent.

The lower courts were not done with this insane LEGAL FICTION. They had clung to the idea that a corporation was a person, and they then took corporate law to the next absurdity. Now the corporation could be even criminally charged with having "collective knowledge" of all its employees even if two employees committed separate crimes and did not speak to each other. It held a corporation now has "aggregate knowledge of its employees." see US v Bank of New England, 821 F2d 844, 856 1st Cir 1987). The lower courts could now find corporations guilty with a presumption that it knew all things at all times.

This was not good enough. The 4th Circuit held that a corporation could be criminally prosecuted and it was irrelevant that none of its employees were personally convicted of the the same crime, US v Hilton Hotels Corp, 467 F2d 1000, 1008 (9th Cir 1972). The foundation that an individual had personal rights even as a corporate employee established in the landmark case Royd v US, 116 US 616 (1886), was overruled by the Supreme Court in Warden v Hayden, 387 US 294 (1967).

As labor union began to rise, they were aware of the lack of rights of corporations and thus often did not incorporate. If the law prohibits a government act, just change it. The Supreme Court expanded this doctrine to the "collective entity" doctrine meaning when people gathered together, it was the same thing as a corporation, so now group activity has no personal rights and there went the Right to Assemble secured alongside Freedom of Speech & Religion in the First Amendment. This was quickly expanded to now include even a partnership between two lawyers sharing an office. The Supreme Court manipulated the law to aid the government whenever it wanted more power. They did the same with allowing Japanese inturnment camps or blacks have "no rights ... white man need honor.

During the 1970s, there was a brief and fleeting moment where the Supreme Court began to perhaps see what they had done. In the decision of Fisher v US, they began to know-ledge that the act of producing the corporate books and records could be used in a criminal trial against the individual to show he must have personally known what took place. The Court began to respect that was an act-of-production problem that implicated the personal rights of the defendant. The Supreme Court had recognized in US v Dow, 465 US 605, 611 (1984), that a sole proprietor could assert his privilege since there were no other people.

The Government screamed and yelled, and then came Braswell v US, 487 US 99 (1988). Randy Braswell was the sole shareholder of a corporation and he was subpoenaed to turnover records that they would personally incriminate himself. No doubt, if he was not incorporated they could never touch him. The government moved for contempt, the judge granted the motion, but stay the imprisonment while it was taken to the Supreme Court.

The Supreme Court effectively reversed itself again for the government's favor as usual. They now created a watered-down replacement for the Self-Incrimination Clause calling it the new Act-Of-Production-Privilege that in and of itself shows they knew this was illegal and they manufactured a constitutional hybrid that never existed to overcome their LEGAL FICTION. Now, a citizen had no right to remain silent as a corporate officer or anything related to a corporation or collective association, but the government was not allowed to tell the jury that they forced the defendant to produce the very evidence used against him. The whole nonsense came crashing to a head.

The Braswell decision was a 5-4 ruling and the dissent was very clear about what the Court had done to help the government pretending that the need to prosecute any corporations and their officers was greater than the need to comply with the federal constitution.

The dissent was even joined by the newly appointed Justice Scalia. The dissent written by Justice Kennedy illustrates the entire corruption of the Rule of Law that has taken place in the United States particularly in this field of corporate law and the rights of those who work for corporations that is probably greater than 75% of the work force.

"[T]he Court rules that a natural person forfeits the [Fifth Amendment] privilege in a criminal investigation directed against him and that the Government may use compulsion to elicit testimonial assertions from a person who faces the threat of criminal proceedings ... The Court today denies an individual his Fifth Amendment privilege against self-incrimination in order to vindicate the rule that a collective entity which employs him has no such privilege itself."

Braswell v US, 487 US 99, 119 (1988)(Justice Kennedy dissenting)

Justice Kennedy continued:

"The majority's abiding concern is that if a corporate officer who is the target of a subpoena is allowed to assert the privilege, it will impede the Government's power to investigate corporations, unions, and partnerships, to uncover and prosecute white-collar crimes. ... There are at least two answers to this. The first, and most fundamental, is that the text of the Fifth Amendment does not authorize exceptions premised on such rationales. Second, even if it were proper to invent such exceptions, the dangers prohesied by the majority are overstated."

Braswell v US, 487 US 99, 128 (1988)(Justice Kennedy dissenting)

Justice Kennedy's dissent was continued and was joined by Justice Scalia, Brennan & Marshall

"[T]he law is not captive to its own fictions ... that personal incrimination of the employee is neither sought ... nor cognizable by the law ... [is a] conclusion [that] is factually unsound, unnecessary for legitimate regulation and a violation of the self-incrimination clause."

Braswell v US, 487 US 99, 130 (1988)(Justice Kennedy dissenting)

NEVER before in the history of Anglo-American Jurisprudence since the demise of Star Chamber in 1641 in England, has any corporate officer been indicted, and then told by people like Judge John M. Walker, Jr., that a terrorist has the right to remain silent. A murder has that right. A rapist has that right. Every politician or government employee has that right, as does a individual. But if you work for a corporation, you have no rights even post-indictment. The state can torture you and do whatever it damn well pleases. Judge Walker said I have no right to appeal and due proces has no restraint. A corporate officer can be thrown in prison and left to die. You have no rights whatsoever to even a fair trial. As you can see, even Justice Scalia disagrees with what they did to myself. They will now use my case to destroy our future in pursue of every dime.

S O what the hell is going on? Every possible manner to cheat the people out of their money is underway. They will steal from the rich. They will steal from the poor. They will rob those who counted on MEDICARE of their very lives just to save a dime in a desperate hope of hanging onto power just a little while longer. They are attacking small business run by moms & pops and they will go after the offshore and inheritance taxes. They will imprison as many people as they can for that will allow them to confiscate their homes and property under tax law. And if you think they will be fair and not throw your family out on the street like the king

use to do in his forfeitures, you have another thing coming. There is no mercy. There is no real belief in God. And just like the jailer in the Count of Monte Christo, when the prisoner said God sees all. He replied: "I will stop beating you as soon as he shows up!"

We are imploding at all levels federal and state. We are watching our politicians just seek their self-interest and will do whatever it takes to hold those reigns of raw power. They cannot believe in God for they have no limit and no conscience. Some may not even realize what they are doing. They may be playing a role assuming this is the way it is always done.

If we just add up the total interest payments the federal government made from 1986 to 2006, it amounts to \$6,141.1 billion. Now let us just do a simple math.

2006 8,507.0
 1986 2,125.3
 Interest.. -6,141.1

Rise in Debt \$240.6 billion

Has anyone noticed that the increase in the national debt since 1986 has been in fact caused by interest rates and that the interest was in fact 96.2% of the rise in the total national debt over that 20 year period? Am I the only person who even sees this as a huge problem? We are spinning our wheels and we are going down with the ship faster than anyone seems to notice.

Public Debt of the U.S.

Source: Bureau of Public Debt, U.S. Dept. of the Treasury;

Fiscal year	Debt (billions)	Debt per cap. (dollars)	Interest paid (billions)	% of federal outlays	Fiscal year	Debt (billions)	Debt per cap. (dollars)	Interest paid (billions)	% of federal outlays
1870	\$2.4	\$61.06	—	—	1985	\$2,125.3	\$8,774	\$190.2	19.2
1880	2.0	41.60	—	—	1987	2,350.3	9,615	195.4	19.5
1890	1.1	17.80	—	—	1988	2,602.3	10,534	214.1	20.1
1900	1.2	16.60	—	—	1989	2,857.4	11,545	240.9	21.0
1910	1.1	12.41	—	—	1990	3,233.3	13,000	264.8	21.1
1920	24.2	228	—	—	1991	3,665.3	14,436	295.5	21.6
1930	16.1	131	—	—	1992	4,064.6	15,846	292.3	21.2
1940	43.0	325	\$1.0	10.5	1993	4,411.5	17,105	292.5	20.8
1950	256.1	1,688	5.7	13.4	1994	4,692.8	18,025	296.3	20.3
1960	284.1	1,572	9.2	10.0	1996	5,224.8	19,805	344.0	22.0
1970	370.1	1,814	19.3	9.9	1997	5,413.1	20,026	355.8	22.2
1976	620.4	2,852	37.1	10.0	1998	5,526.2	20,443	363.8	22.0
1977	698.8	3,170	41.9	10.2	1999	5,656.3	20,746	353.5	20.7
1978	771.5	3,463	48.7	10.6	2000	5,674.2	20,108	362.0	20.3
1979	826.5	3,669	59.8	11.9	2001	5,807.5	20,370	359.5	19.3
1980	907.7	3,985	74.9	12.7	2002	6,228.2	21,598	332.5	16.5
1981	997.9	4,338	95.6	14.1	2003	6,783.2	23,325	318.1	14.7
1982	1,142.0	4,913	117.4	15.7	2004	7,379.1	25,182	321.6	14.0
1983	1,377.2	5,870	128.8	15.9	2005	7,932.7	26,763	352.4	14.3
1984	1,572.3	6,640	153.8	18.1	2006 ¹	8,507.0	28,504	405.9	15.0

Note: As of end of fiscal year. Through 1976, the fiscal year ended June 30. From 1977 on, the fiscal year ends Sept. 30. (1) Estimated.

Summary of Receipts, Outlays, and Surpluses or Deficits, 1936-2006

Source: Financial Management Service, U.S. Dept. of the Treasury; Congressional Budget Office (millions of current dollars)

Fiscal Year ¹	Receipts	Outlays	Surplus or Deficit (-) ²	Fiscal Year ¹	Receipts	Outlays	Surplus or Deficit (-) ²
1936	\$3,923	\$8,228	\$-4,304	1972	\$207,309	\$230,681	\$-23,373
1937	5,387	7,580	-2,193	1973	230,799	245,707	-14,908
1938	6,751	6,840	-89	1974	263,224	269,359	-6,135
1939	6,295	9,141	-2,846	1975	279,090	332,332	-53,242
1940	6,548	9,468	-2,920	1976	298,060	371,792	-73,732
1941	8,712	13,653	-4,941	Transition quarter ³	81,232	95,975	-14,744
1942	14,634	35,137	-20,503	1977	355,559	409,218	-53,659
1943	24,001	78,555	-54,554	1978	399,561	458,746	-59,185
1944	43,747	91,304	-47,557	1979	463,302	504,028	-40,726
1945	45,159	92,712	-47,553	1980	517,112	590,941	-73,830
1946	39,296	55,232	-15,936	1981	599,272	678,241	-78,968
1947	38,514	34,496	4,018	1982	617,766	745,743	-127,977
1948	41,560	29,764	11,796	1983	600,562	808,364	-207,802
1949	39,415	38,835	580	1984	666,486	851,853	-185,367
1950	39,443	42,562	-3,119	1985	734,088	946,396	-212,308
1951	51,616	45,514	6,102	1986	769,215	990,441	-221,227
1952	66,167	67,686	-1,519	1987	854,353	1,004,083	-149,730
1953	69,608	76,101	-6,493	1988	909,303	1,064,481	-155,178
1954	69,701	70,855	-1,154	1989	991,190	1,143,829	-152,639
1955	65,451	68,444	-2,993	1990	1,032,094	1,253,130	-221,036
1956	74,587	70,640	3,947	1991	1,055,093	1,324,331	-269,238
1957	79,990	76,578	3,412	1992	1,091,328	1,381,649	-290,321
1958	79,636	82,405	-2,769	1993	1,154,471	1,409,522	-255,051
1959	79,249	92,098	-12,849	1994	1,258,721	1,461,907	-203,186
1960	92,492	92,191	301	1995	1,351,932	1,515,884	-163,952
1961	94,388	97,723	-3,335	1996	1,453,177	1,560,608	-107,431
1962	99,676	106,821	-7,146	1997	1,579,423	1,601,307	-21,884
1963	106,560	111,316	-4,756	1998	1,721,955	1,652,685	69,270
1964	112,613	118,528	-5,915	1999	1,827,645	1,702,035	125,610
1965	116,817	118,228	-1,411	2000	2,025,457	1,789,216	236,241
1966	130,835	134,532	-3,698	2001	1,991,426	1,863,190	128,236
1967	148,822	157,464	-8,643	2002 ^R	1,853,395	2,011,153	-157,758
1968	152,973	178,134	-25,161	2003 ^R	1,782,532	2,160,117	-377,585
1969	186,882	183,640	3,242	2004	1,880,279	2,293,006	-412,727
1970	192,807	195,649	-2,842	2005	2,153,859	2,472,205	-318,346
1971	187,139	210,172	-23,033	2006 ^P	2,406,681	2,654,379	-247,698

R = Revised. P = Preliminary. (1) Fiscal years 1936 to 1976 end June 30; after 1976, fiscal years end Sept. 30. (2) May not equal difference between figures shown, because of rounding. (3) Transition quarter covers July 1, 1976-Sept. 30, 1976.

Budget Receipts and Outlays, 1789-1935

Source: U.S. Dept. of the Treasury; annual statements for years ending June 30 unless otherwise noted (thousands of dollars)

Yearly Average	Receipts	Outlays	Yearly Average	Receipts	Outlays	Yearly Average	Receipts	Outlays
1789-1800 ¹	\$5,717	\$5,776	1866-1870	\$447,301	\$377,642	1901-1905	\$559,481	\$535,559
1801-1810 ²	13,056	9,086	1871-1875	336,830	287,460	1906-1910	628,507	639,178
1811-1820 ²	21,032	23,943	1876-1880	288,124	255,598	1911-1915	710,227	720,252
1821-1830 ²	21,928	16,162	1881-1885	366,961	257,691	1916-1920	3,483,652	8,065,333
1831-1840 ²	30,461	24,495	1886-1890	375,448	279,134	1921-1925	4,306,673	3,578,989
1841-1850 ²	28,545	34,097	1891-1895	352,891	363,599	1926-1930	4,069,138	3,182,807
1851-1860	60,237	60,163	1896-1900	434,877	457,451	1931-1935	2,770,973	5,214,874
1861-1865	160,907	683,785						

(1) Average for period March 4, 1789, to Dec. 31, 1800. (2) Years from 1801 to 1842 end Dec. 31; average for 1841-1850 is for the period Jan. 1, 1841, to June 30, 1850.

State Finances: Revenue, Expenditures, Debt, and Taxes

Source: Census Bureau, U.S. Dept. of Commerce
(fiscal year 2004)

STATE	Revenue (thousands)	Expenditures (thousands)	Debt (thousands)	Per capita debt	Per capita taxes	Per capita expenditures
Alabama	\$21,568,441	\$19,544,560	\$6,363,885	\$1,406	\$1,551	\$4,319
Alaska	8,847,705	8,089,240	5,730,403	8,709	2,035	12,294
Arizona	23,753,397	21,748,803	6,773,923	1,180	1,674	3,789
Arkansas	14,225,176	12,674,325	3,749,282	1,363	2,029	4,609
California	229,289,356	203,814,714	102,812,905	2,869	2,392	5,686
Colorado	23,081,951	18,060,533	9,874,764	2,146	1,532	3,925
Connecticut	19,518,768	19,523,465	22,574,585	6,452	2,941	5,580
Delaware	5,697,849	5,387,960	4,158,118	5,010	2,862	6,492
Florida	75,176,415	59,943,442	23,194,784	1,334	1,756	3,448
Georgia	34,814,306	34,196,775	8,664,363	972	1,634	3,835
Hawaii	8,229,259	7,856,134	5,746,194	4,553	3,050	6,225
Idaho	7,112,364	5,762,624	2,383,841	1,709	1,898	4,131
Illinois	61,255,138	53,429,176	48,726,054	3,833	2,005	4,203
Indiana	26,917,365	25,373,330	13,079,818	2,101	1,920	4,075
Iowa	15,291,539	13,424,350	4,857,614	1,645	1,742	4,546
Kansas	11,044,146	11,207,121	4,571,408	1,672	1,933	4,099
Kentucky	20,180,416	20,072,526	8,116,460	1,960	2,043	4,846
Louisiana	23,730,239	20,471,959	10,182,940	2,259	1,782	4,542
Maine	8,309,930	7,322,061	4,643,988	3,532	2,203	5,568
Maryland	28,395,564	25,343,680	13,600,741	2,446	2,214	4,557
Massachusetts	41,615,765	38,405,514	50,981,152	7,957	2,628	5,994
Michigan	57,461,347	52,684,622	20,959,946	2,074	2,381	5,214
Minnesota	29,708,220	28,831,675	6,665,669	1,308	2,891	5,657
Mississippi	15,351,077	14,330,205	4,274,977	1,474	1,767	4,940
Missouri	26,320,416	22,038,965	16,218,362	2,816	1,583	3,826
Montana	5,451,685	4,691,318	3,048,862	3,289	1,754	5,061
Nebraska	8,316,470	6,979,917	1,949,654	1,115	2,082	3,993
Nevada	10,136,127	8,686,071	3,607,292	1,546	2,031	3,723
New Hampshire	6,174,660	5,654,063	5,894,106	4,537	1,544	4,353
New Jersey	50,588,543	46,455,897	35,770,241	4,119	2,416	5,349
New Mexico	11,809,742	11,024,686	5,411,287	2,844	2,103	5,793
New York	136,520,762	132,883,277	95,709,813	4,964	2,377	6,892
North Carolina	44,371,161	37,050,568	14,102,900	1,651	1,971	4,338
North Dakota	5,228,053	3,197,884	1,662,390	2,614	1,932	5,028
Ohio	76,443,362	58,874,466	22,183,360	1,937	1,963	5,142
Oklahoma	17,520,326	14,914,919	6,930,071	1,967	1,824	4,232
Oregon	24,488,705	18,788,196	10,495,671	2,923	1,700	5,232
Pennsylvania	69,212,674	57,353,773	25,995,752	2,097	2,045	4,628
Rhode Island	7,266,196	6,386,602	6,490,701	6,010	2,230	5,914
South Carolina	21,241,956	21,427,748	11,162,865	2,659	1,821	5,104
South Dakota	3,863,621	2,989,366	2,613,067	3,389	1,378	3,877
Tennessee	23,920,818	22,164,577	3,580,940	608	1,617	3,761
Texas	90,570,423	77,338,118	22,925,515	1,020	1,368	3,442
Utah	13,167,850	10,794,264	4,962,141	2,050	1,733	4,459
Vermont	4,302,590	3,913,616	2,537,139	4,086	2,845	6,302
Virginia	35,739,829	30,370,027	15,314,018	2,047	1,903	4,060
Washington	35,085,947	32,510,057	15,773,698	2,541	2,239	5,238
West Virginia	11,633,343	9,879,217	4,745,387	2,617	2,068	5,449
Wisconsin	34,753,272	28,577,240	17,727,318	3,221	2,296	5,192
Wyoming	5,151,978	3,596,174	909,531	1,797	2,974	7,107
ALL STATES ¹	1,589,856,242	1,406,039,800	750,409,895	2,560	2,026	4,797

(1) Totals may not add because of rounding.

It is true that during the Hoover period, he too raised taxes. He began in 1930 raising the corporate tax rate from 11% to 12%. In Early 1932, he raised the minimum tax rate from 1% to 4%. He also instituted the famed Reconstruction Finance Corp on January 22nd, 1932, trying to stimulate business and banking. Nevertheless, the unemployed had grown to 12 million in 1932, with the Dust Bowl about to seal the real legacy of the Depression.

The year 1932 was the start of a serious mistake that helped to prevent the economy from in fact recovering. Hoover had also attacked the rich. This was not a New Deal measure. It was the Republican Pro-Business Party who destroyed much of the real economic liberty of the people.

Hoover raised the highest tax rates to insane levels from 25% to 63% in 1932. Hoover again raised taxes on corporations now taking them from 12% to 13.75%. He raised the inheritance taxes from 20% to 45% and he imposed a 33.5% gift tax that had been previously abolished. Excise taxes were raised by protectionism.

When Roosevelt came to power in 1933, he further aggravated a massive capital outflow that began in 1932 thanks to Hoover's taxes. Rumors of his confiscation of gold prevailed and on election night he even denied them. On March 6th, 1933, FDR closed the banks. On April 19th, 1933, he announced the confiscation of gold while the banks were closed and Congress ratified that on June 5th, 1933.

Roosevelt also joined in raising the inheritance tax to 60% in 1934 just as the Obama administration now. He raised the inheritance tax again in 1935 from 60% up to now 70%. He raised the corporate tax rate to 15% in 1936 and imposed a 27% tax on any undistributed profits. He raised the top personal tax rate in 1936 from 63% to now 79% and in 1937 he imposed a 1% employer tax and a 1% employee tax on wages up to \$3,000. Capital poured out of the US and the dollar collapse after 1932 fleeing to Switzerland whose secrecy laws came in 1934.

What people do not understand, is that borrowing is like a bell curve. At some point the debt servicing becomes so vast, that it consumes your entire income. We are living on a credit card and the disaster is here. The whole idea that spending will stimulate the economy is overcome by the fact that what we must spend on interest to service that debt no longer stimulates the economy at all for a large portion is exported overseas since we are borrowing from other nations like China to fund the debt. If 96% of our increase in debt is going to interest, we will see the exportation of the old Keynesian stimulus idea and that means a 3 year old with his pocket calculator can figure this one out.

The reason that FDR's entire socialistic approach to getting us out of the Depression with the same nonsense of just tax and spend failed and it required World War II to make any difference economically, was due to the tax policies of FDR.

1934 Criminal Prosecutions

If Bernanke is the real expert on the Great Depression, then why is he not yelling at Obama for his pursuit of taxes with such an aggressive tactic? This was precisely the policy of both Hoover and Roosevelt that in fact failed completely.

Hoover began the capital flight in 1932, and then FDR's rumors of gold confiscation did the rest, (which he denied the night of the elections as absurd). As I will show, FDR also began a war against the people not that real different from Maximinus in Rome during the 3rd century stopping shy of just declaring it all belonged to the government. What capital did not flee under Hoover or FDR's election, jumped on whatever transport it could by 1934 and the vicious abuse of criminal law for political purposes.

The states were a disaster during the Depression as were the mortgage defaults. Even the City of Detroit suspended its debt payments. They like to say they never in any way defaulted. That may be true, but they suspended payments and interest until 1963. So you can call it what you like.

Just as the state taxes are exploding now, in 1929 state taxes were about 7.2% of GDP. By 1932, they had risen to almost 12.5%. This represents about a 57.6% increase in state and local taxation.

The dollar devaluation by the confiscation of gold raising its value from \$20.67 to \$35, had the effect of increasing the money supply by nearly 60%. This was Roosevelt's objective, but the excessive taxation and the fears of the devaluation, sent capital fleeing.

When Hitler in 1933 made it a criminal act for a German to even have an account out of Germany, this set the ball in motion and Switzerland, being flooded with cash from Germans and Americans, instituted its bank secrecy laws in 1934.

The persistent raising of taxes both implicit and as we see today, where the tax rate on property remains unchanged even when property values decline, has the ignominious effect of implicitly raising taxes even when the empirical tax rate is not raised. So the debt crisis of the Great Depression was only expanded by the rising taxation rates.

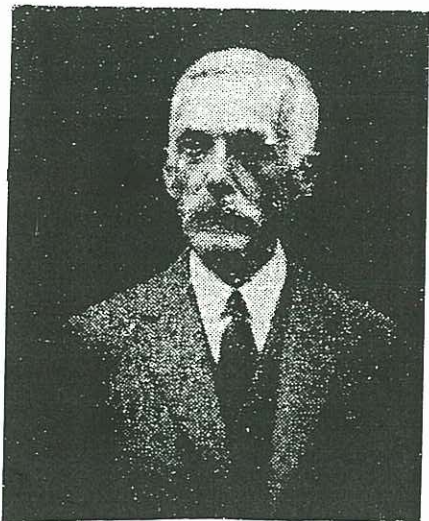
By raising the taxes, this now created the crime of criminal tax fraud that would allow the confiscation of personal property. Unemployment in 1934 was now 21.2% at best. The reason why Goldman Sachs adopted the strategy to infiltrate government and to do its best to always have its people in high office, can be traced to the events of 1934.

The new Government turned against those on Wall Street to blame them for all the evils as usual. The targeted big names like Andrew Mellon and the executives at J.P. Morgan. Roosevelt brought into government his favored prosecutors from his home state and ordered them to take down the mighty.

The biggest targets were Samuel Insull (1859-1938) who was forced to flee the country and Andrew Mellon (1855-1937). During the Panic of 1907, the Government had turned against J.P. Morgan himself (1837-1913) and summoned him to Senate hearings in an attempt to tare him apart. Even Mr. Sachs was called before the Senate in the Great Depression and questioned publicly about their losses. So this is the backdrop to why Goldman Sachs adopted the policy to install their own men in key places like Treasury Secretary.

The fortunes of Samuel Insull who had been one of the richest Utility-Men and anti-Roosevelt, had sold \$88 million of gold debentures that were worth less than half a million at the bottom in 1932. He was said to have lost hundreds of millions and was forced for political reasons he felt to flee the country to Greece, where they were pressured to arrest him, but he fled again on a ship reported to be sailing to Egypt. The event became like OJ's chase seen. Indeed, Roosevelt signed an order to seize him anywhere they could on March 23rd, 1934. The ship stopped in Istanbul and the Turks then seized him and turned him over to the US. He had not stolen money. He just got it wrong and lost everything never expecting the market to collapse by almost 90%.

Andrew Mellon, who had personally lent money to begin ALCOA Aluminum when banks could not lend money to the inventor, was now a target for anti-trust violations, when this was a industry he created from scratch. They also began investigations of Mellon for any



Andrew Mellon (1855 - 1937)

such possible tax evasion. They were focusing on his 1931 tax return trying desperately to punish this man simply because he had become the image of capitalism that the Communists used in their cartoons in Russia.

Thomas W. Lamont, of J.P. Morgan, was also a target. On March 11th, 1934, Roosevelt's Attorney General, Homer Cummings, announced the new government was preparing tax charges against Mellon and Lamont. Cummings also had turned his attention to Jimmy Walker who was a personal enemy of Roosevelt who he had in fact already forced him to resign as the mayor of New York. Lamont was investigated for his sale of stock in 1930 taking a tax deduction booking the loss, and then having his wife buy the stock back.

Insull had fled because he realized that Roosevelt was going to use the law to settle scores. His brother had been openly opposed to Roosevelt and even Insull had made jokes publicly about Roosevelt prior to his election. The attack on Walker, certainly raised valid concerns that Roosevelt was playing a game with the law and was attacking opponents.

Cummings in May of 1934 charged Mellon with making \$9.2 million in 1931, not \$6.8 million. Mellon struck back and accused the new Administration of conducting a "campaign of terror" and Mellon's lawyers came out and made a full disclosure that Mellon had not misstated his taxes at all, and had overpaid. The grand jury refused to indict Mellon.

97-4281-

March 15, 1938.

My dear Commissioner Helvering:-

I am enclosing my income tax return for the calendar year 1937, together with my check for \$15,000.

I am wholly unable to figure out the amount of the tax for the following reason:

The first twenty days of January, 1937, were a part of my first term of office and to these twenty days the income tax rates as of March 4, 1933 apply. To the other 345 days of the year 1937, the income tax rates as they existed on January 30, 1937 apply.

As this is a problem in higher mathematics, may I ask that the Bureau let me know the amount of the balance due? The payment of \$15,000 doubtless represents a good deal more than half what the eventual tax will prove to be.

Very sincerely yours,

Honorable Guy F. Helvering,
Commissioner of Internal Revenue,
Internal Revenue Building,
12th St. & Constitution Ave.,
Washington, D. C.

(Enclosure)

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ROOSEVELT'S OWN LETTER TO THE IRS

The entire atmosphere toward capital was intensely political. Secretary of the Treasury Henry Morgenthau refused to accept at any time claims of good intentions. Here we have a letter from FDR Library showing that Roosevelt himself claimed he could not figure out his own taxes. Yet when it came to Mellon, it was painfully clear, Morgenthau was a vicious and hateful man. He wanted Mellon put on trial at any cost. He even commented; "You can't be too tough in this trial to suit me." The prosecutor was reported as saying this was to be not a trial of Mellon, but of "Democracy and the privileged rich and I want to see who will win."

While all this hatred poured out of the Roosevelt Administration, the economy just collapsed. They were so determined to just rob the rich and destroy capitalism as they saw it, they failed to realize, they were doing nothing to help the people. Unemployment kept rising and the Administration with all its goals, became a degenerate quest for class warfare, without progress.

L

AW has been politically used in the United States more so than in any other culture. Why this has been the case, I believe traces back to the abuse of the English Kings. Like Napoleon who revolts against the royalty of France, eventually crowns himself as Emperor. The victor always becomes the very thing he professed to hate. Just as

George W. Bush abused his power with "signing statements" simply passing the laws, but then excluding portions and refusing to enforce them when **Article II, §3** of the Federal Constitution states that the President must enforce the laws enacted faithfully. Where this nonsense came from, who knows. But the Democrats were always up in arms about this practice as being unconstitutional and undermined the foundation of a Democracy. Yet here we are, Obama does the same thing. It offers raw power of a dictatorship, and once in office, hey why not!

The political prosecutions of 1934 were just another example of raw power that had gone off the reservation. Morgenthau was looking to tare apart the country and between 1934 and 1935, he kept adding to the staff at the IRS nearly doubling its size reaching 16,000 auditors.

The shallowness of Morgenthau came bubbling forth. Like Karl Marx, his hatred of Andrew Mellon was so profound, you can see it was his jealousy that was really lurking behind the facade. Mellon was one of the largest art collectors in the U.S. at that time. He donated his collection to public museums.

Morgenthau really wanted to compete with Mellon, but lacked both the talent, and the brains. Instead, in October 1934, in the middle of the Great Depression no less, he announced his establishment of the **Treasury Department Section of Painting and Sculpture** to buy art to adorn public buildings.

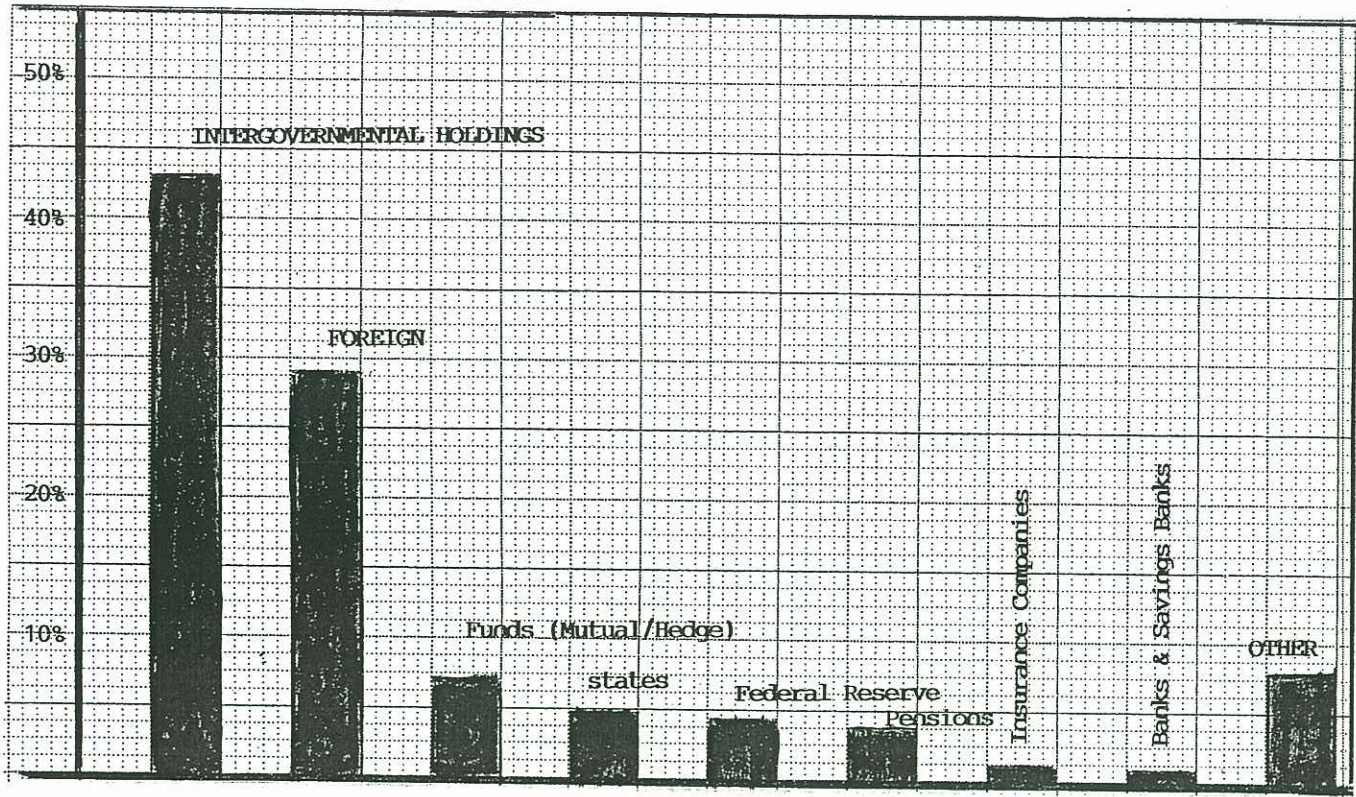
Here we have a program Morgenthau creates in order to compete with Mellon on a personal level to out bid him at auctions. What Morgenthau did not know, Mellon had a secret deal with Hoover to build the National Gallery in Washington to which he would then donate his entire collection. Mellon bought most of the rare art from the Communists in Russia. While Morgenthau was trying to throw Mellon in prison on \$3 million, he had before made arrangements to donate \$75 million to the people and pay for the construction of the National Gallery himself. Morgenthau was decorating government offices. Mellon was saving art from the Communists for Americans. During the S&L Crisis, prosecutors accused owners of the S&Ls of doing what Morgenthau did - adorn personal offices.

Morgenthau was truly an unprincipled man. His personal hatred of the "rich" led him to go after tax deductions that even Congress intended, trying to argue that they were used in some technical way to create crimes. Unfortunately, the federal judges were being stacked with men of like minds. The law began to be twisted by interpretation. The host of cases "Helvering v" were simply astonishing. Helvering ws the head of the IRS. This created such a problem for Helvering personally to have his name on every case, that it had effected his personal credit to the point it required an enactment that creditors must ignore cases involving the name of the head of an agency.

Morgenthau violated every principle of decency one could imagine. He prosecuted citizens changing interpretations and the law as he did against Insull, so that what was legal when done, he retroactively had changed and thus imposed liability. Many legal scholars agreed that Morgenthau was violating the Constitution Ex Post Facto prohibition (changing the law and going back to convert a legal transaction into a crime). A Treasury employee left, Elmer Irey, who wrote the book "**The Tax Dodgers**" stating publicly, "The Roosevelt administration made me go after Andy Mellon."

Insull's trial was as dirty as it could have been. They slandered him and tried to show he was a 2-bit crook. They showed he had paid himself a salary of \$500,000. Insull then showed he gave more than his salary to charity every year. The jury returned a verdict - "**not guilty.**" Insull was the man who lit up Chicago creating electricity. His trial illustrated a glaring point. **ALL** high profile cases of such people are politically motivated. America had disgraced itself going after J.P. Morgan, Mellon, Insull, Howard Hughes among many others. America always eats its own.

Breakdown Of U.S. National Debt



Source: Department of Treasury, Financial Management Service (As of December 31st, 2008)

FIGURING OUT the Debt Crisis is a very interesting problem. The key reason why the Government is so desperate to turn upside down all Americans shaking them until their gold teeth fall out, is illustrated here with one of the most absurd funding schemes in history. If any of you tried this at home, it would be highly dangerous since in private circumstances, it would subject you to life imprisonment.

The entire finance of the government is a giant fraud indistinguishable from Madoff's crime. Here, government promises the moon, & then they charge you for it. They pretend it is to help the little man. But then they take those funds, and lend it to themselves and never pay them back. More than 40% is self-funded in this manner and that means that every program the government created, they have undermined it by bleeding it dry. There are no reserves, just like AIG, so they will just make promises with no funding at all for the future. Indeed, a 3 year old can make the same calculation and realize, this will just go bust like AIG.

While 40.3% of the debt is funded by robbing the poor, 28.8% is funded by then borrowing from foreign nations and funds. This means, that about 70% of the National Debt and the interest on that debt, has zero impact as far as any interest payments stimulating the domestic economy.

Public funds hold only 7.2%, the States 4.9%, the Federal Reserve 4.6%, and Pension Funds 4.3% with Insurance Companies coming in at 1.2% followed by banks at 1%. Misc other holdings are at 7.7% that can be the short-term hedge funds parking of cash.

This profile illustrates that there is no funded programs left be it Medicare or Social Security. The government will simply continue to cut benefits because it cannot break its addiction to borrowing and the politicians just want to make promises and bribe their way into office. This pointing the finger at the "rich" is nonsense. If you take every dime they have, we are screwed, and then you wiped out most employers. That leaves just the government, and they in fact consume wealth and contribute nothing to the production of our national wealth.

No Stimulation:

Intergovernment Holding ...	40.3%
Foreign Holdings	28.8%
Federal Reserve	4.6%
<hr/>	
Proportion of Debt	73.7%

The whole idea of Keynesian Economics is that government spending will stimulate the economy when in fact the private sector is afraid to spend money. I seriously doubt that even Keynes thought that the day would come when his intended stimulation idea would become standard deficit spending annually.

Nevertheless, like antibiotics that are used for everything causing the body to then become immune to the drugs as do the disease as it mutates, deficit spending has become the fiscal antibiotic that no longer works. As we can see from the above table, 73.7% of the entire national debt stimulates nothing, and in fact, leads to stimulation of foreign economies, not domestic.

We have entered into a danger zone that is simply beyond contemplation how a nation that was suppose to be educated, could let itself get into such a state of economic chaos, there's just no practical escape unless we employ drastic reorganization. That means we are in Chapter 7 Bankruptcy, and it is time to wake up.

SETTING THE RECORD STRAIGHT

It is true that a 3 year old with a pocket calculator can figure out we are in deep trouble. The question is **W H E N** is it likely to hit? For you see, there are plenty of people who have been arguing that the U.S. will go broke for decades, yet nothing ever happened.

I am not jumping up and down on my soap box claiming this debt crisis just appeared and gee, the sky is falling. What is unfolding is the first signs that the **CONFIDENCE** in government has begun to be questioned. This turing point in 2007.15 was the start of the final collapse in Marxism. This has been a long drawn out process that began with the first wave in this change in major

CONFIDENCE from **PUBLIC** to **PRIVATE** that took place in July 1985. If anyone wants to try to claim this was not forecast back then, go to the archive of the Economist magazine. When this model changed in 1985, we took the back page of the Economist to announce this change for 3 weeks in July 1985. So that is a matter of public record.

The first 8.6 year wave took us to the target of 1989.95. This was not merely the bubble top in Japan, it was the peak in Marxism ideas. This was the beginning of the fall of Communism within China, and that was then followed a few months later with the fall of the Berlin Wall.

The next wave was 1998.55. That marked the collapse in Russia, the Long-Term Capital Management debacle. We began to see that Russia was collapsing and with it the whole Marxist idea of Communism.

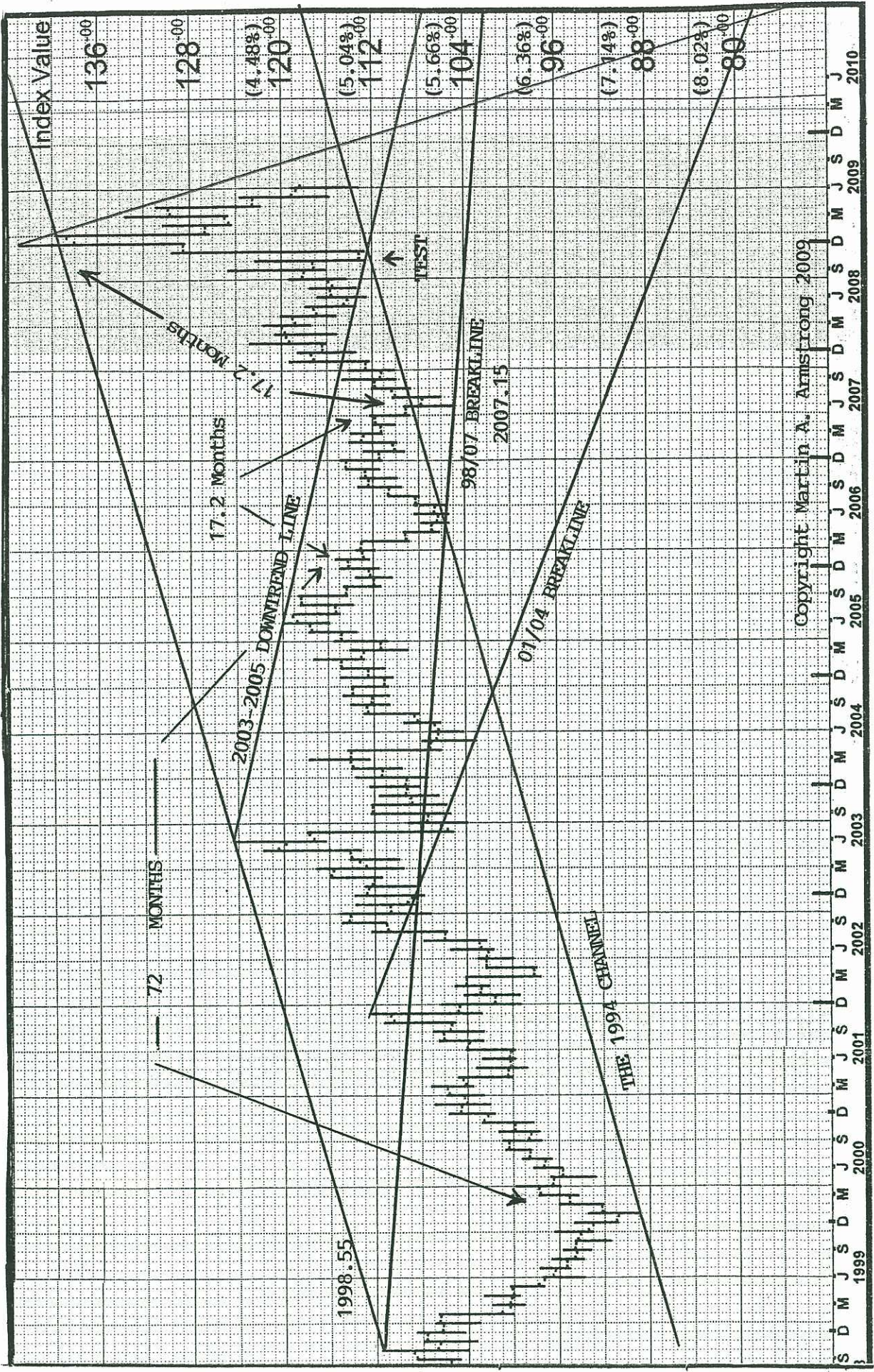
Then we came to 2007.15. This has marked the collapse of socialism. You may not see it yet with government acting aggressively to shut down offshore accounts both in the US as well as by Germany and France. This would not take place unless they needed the money. The social experiment has been a huge failure, for promises have gone unfunded and as Margaret Thatcher said: "Socialism works until you run out of other people's money."

Government is getting far more hostile because they are running scared. Obama's new power to shut down the internet came on the heels of what they saw in Iran. They know the people are going to rise up. There is no doubt about that whatsoever. History has always repeated. Who will step forward, no one knows. Would it be an armed conflict? Probably not. It will be just the collapse as we watched in Russia.

So how can we get a bead on this from a timing perspective? The two main windows where major turning points are possible at 2011.45 (June 13th, 2011, and 2015.75, that will be October 1st, 2015. We must respect that 26 years from the start of this **Private Wave** is 1985 to 2011. If we add **PI**, we come to 2016.

These are the two major windows for drastic political-economic changes. Given the state of the spending now, this does not rule out 2011. These are serious times.

United States 30 Year Bonds - Monthly Nearest Futures



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I have explained that while each and every market moves according to its own individual cycle, when a market is going into the **Economic Confidence Model** turning point, it becomes transformed and starts to now absorb the major global frequency. This is often a signal of which sector within an economy is the one where capital has begun to concentrate.

In the illustration of the 30 Year Bond Futures on a monthly level, from the 1999 low in price (high in yield), going into the December high of 2008 (low in yield), this covers a total of 107 months. The first part forms a perfectly normal period of 72 months that provides the inherent 6 base unit frequency between January 2000 and January 2006.

From the reaction high in January 2006, we have a little more than 3 months down (PI) followed by 6 months into the highest close (7 months to the intraday high), with a full 6 month decline bringing the total period to 17.2 months, ending in June 2007.

This early departure is a reflection of starting to blend into the 8.6 frequency. It is one of the early warning signs that our model monitoring the world economy would pick-up. The computer, if it was alive, would have at this moment been screaming itself to buy the bonds.

What we then have is a clean 17.2 month rally from June 2007 going into December 2008. We have had a 6 month correction into June of 2009, the next minor reaction should be in November trying to work this out by hand, and the next key turning point may be off as far as May/June 2010. Another key period will be February/March 2010.

The real problem we are facing is that the last major low in bonds came in November 1994. The 17.2 year mark brings us in line again with 2011 turning point. Therefore, if the bonds continue to move with the 8.6 year frequency rather than its own cycle based on the unit of time in multiples of 6, this is reflecting a very serious economic crisis is on the horizon.

Don't forget, we will also have the next Presidential election in 2012. Therefore, by mid 2011, we will be looking at the press once more focused on elections.

From a technical perspective, the real key level is the 112 area. Once we see a monthly closing below this area, then it is more likely than not that we will see a drop to retest the 1994 low established on November 7th, 1994 at 75 18/64.

Keep in mind that where there emerges a debt crisis, there is the first leg in normal situations, known as the flight to quality where money rushes to government debt. What is often overlooked because most review only data back a few decades, is that when there is a collapse in the faith and confidence of government, the flight to quality shifts and that is when we see private debt and stocks offering the safe port in a storm from the governmental implosion.

When the European countries were falling like dominoes during the **Currency Crisis of 1931**, Hoover made it clear in his memoirs that capital acted like a canon on the deck of a ship in the middle of a torrent. It began to rush from one currency to the next so fast, they could not form a committee fast enough to even figure out what was going on, no less stop it.

Just as we have the G-20 Conferences today that produce nothing, on June 12th, 1933, there also we find **The International Economics Conference** held in London to once again discuss the Great Depression.

Where doctors have catalogued symptoms of each disease and then have some sort of a reference upon which to begin testing, we find when it comes to government, there is no such reference book.

We must also keep in mind that before Marx and Keynes, there was no presumption of an all powerful government to manipulate the people and the economy. What if these very root assumptions were wrong? Then what we have in their place is the greatest single threat to world progress and peace that has ever existed.

The Free Markets are never wrong. They tell you what they are doing and the future if you keep your eyes open and are willing to listen to reality. Once we begin to see a monthly closing BELOW the 98/07 Break Line, we will see a decline in bonds (rise in rates) that will be unstoppable.