

ACKNOWLEDGEMENTS

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

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

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

Comments, Suggestions & Questions

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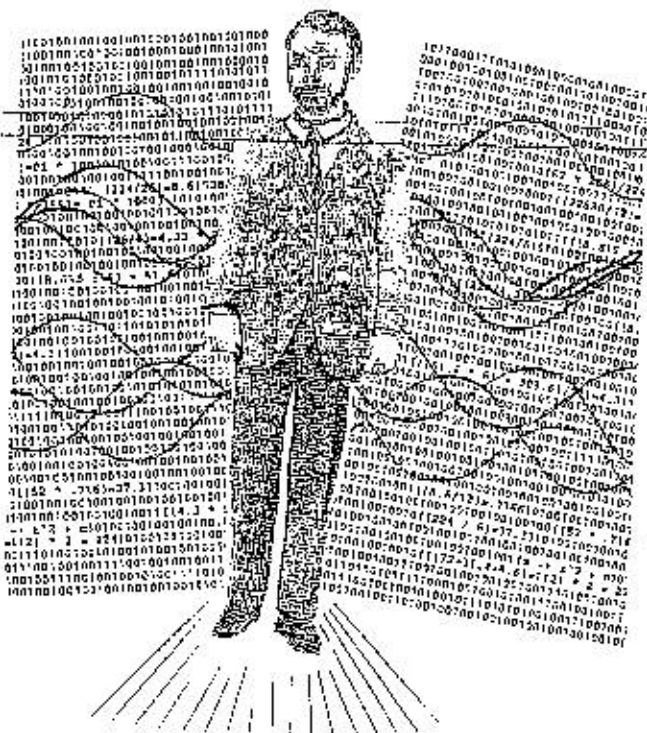
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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future date, a new edition of the 1986 The Greatest Bull Market In History will be released and a new book will soon be published on the model itself - The Geometry of Time. It is vital that we do not forget this is a world economy and the arrogance that any nation can dictate to the world is just insanity. Every nation 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.

CYCLE THEORY



by: Martin A. Armstrong

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

The List of Panics That Started The Whole Thing

1683
1711 1720 1731 1745 1763 1772 1783 1792
1814 1818 1825 1857 1866 1869 1871 1872
1873 1884 1890 1893 1895 1896 1899
1901 1903 1907

There is always a beginning. Many have written asking how did I even see cycles to begin my life long quest to understand what in Western Culture, few even dared to try to see? To set the record straight, what I began, I was compelled to do. I did not even think that cycles existed. There was no possible formal training one could even go to school for. So I was a mere kid, unbound by formal tradition, and with no career to even jeopardize as an academic bucking the establishment. I was untainted by tradition, and free to roam where perhaps no one dared to go. What set me in motion was effectively the 1966 Crash. That was a watershed event that no one even understood what was truly at foot. I had begun working at the age of 13 for a bullion dealer in High School. Gold in those days traded in coin form, since bullion was not legalized until 1975. I had lucked out and by chance picked up some rare Canadian pennies in 1965. I had several bags and there were 4 varieties. The one I had soared in price to the point a roll of 50 would bring over \$1,000. For a brief and shining moment, I had become on paper a millionaire. I held back wrongly thinking the price would go higher. What I witnessed in the Crash of '66, changed my life forever.

Due to a family history, my father's grand-father made a fortune in the 1920s and lost a fortune in the Crash that began in 1929. So my father was a conservative man became upset seeing his son making a lot of money before he could even drive. My father feared I would become a speculator and just perhaps follow down that path as previous generations.

My father attempted to curb me. He had been giving books that were college level since I was about 9. My first book to read was Aristotle. He said if Aristotle was good enough to teach Alexander the Great, he was a model for me. My father died in 1983. When I handed my son Aristotle at age 12, everyone from my mother and sister yelled at me not to do to my son just because that was what my father did. My son nonetheless did read Aristotle and the test was to be able to sit down and have a conversation with me about his ideas. He passed. But then I did stop. But I did feel American education is far too restrained compared to Europe and even Russia.

My father had set up a meeting with a Insurance Broker who came over one night to sell me a mutual fund - **Fidelity Trend**. My father said this was more conservative and I should not speculate in commodities. For you see, 1964 was the last year for silver coins. The price was soaring and one could go to the bank and get bags of dimes and quarters and cull out the silver. And then there were the silver certificates that the Fed would redeem in large quantity only. So there was a market now buying silver certificate notes, bundling them, and taking the delivery from the Treasury. This is what was going on and I was working in an industry where I had a front row seat.

When 1966 Crash came, it was far more than just a collapse in stock prices. It was a contagion that I did not understand at the time, but watched it in a very live way. The stock market boomed as did rare coins and just about everything else. This was the 1964 Permanent Tax Cuts that created a huge consumer buying binge that hit just about every sector domestically. I did not understand this at the time, but what had been set in motion, was the seeds of contagion. Nothing was spared from the correction.

The Canadian pennies fell to face value with a discount because they were now Canadian. The investment in **Fidelity Trend** crashed and burned dropping from maybe \$50 to \$5-7. Real Estate was hit. Cars, art, and just about anything else.

What got me started was this watershed event. I saw everything rose to excessive levels and then crashed and burned. It was not a cycle I was exploring, but a contagion that I did not understand. This is what I have subsequently identified as a pure **Phase Transition** - the sudden exponential move that marks a departure from a normal trading even to a explosive move wiping out both sides.

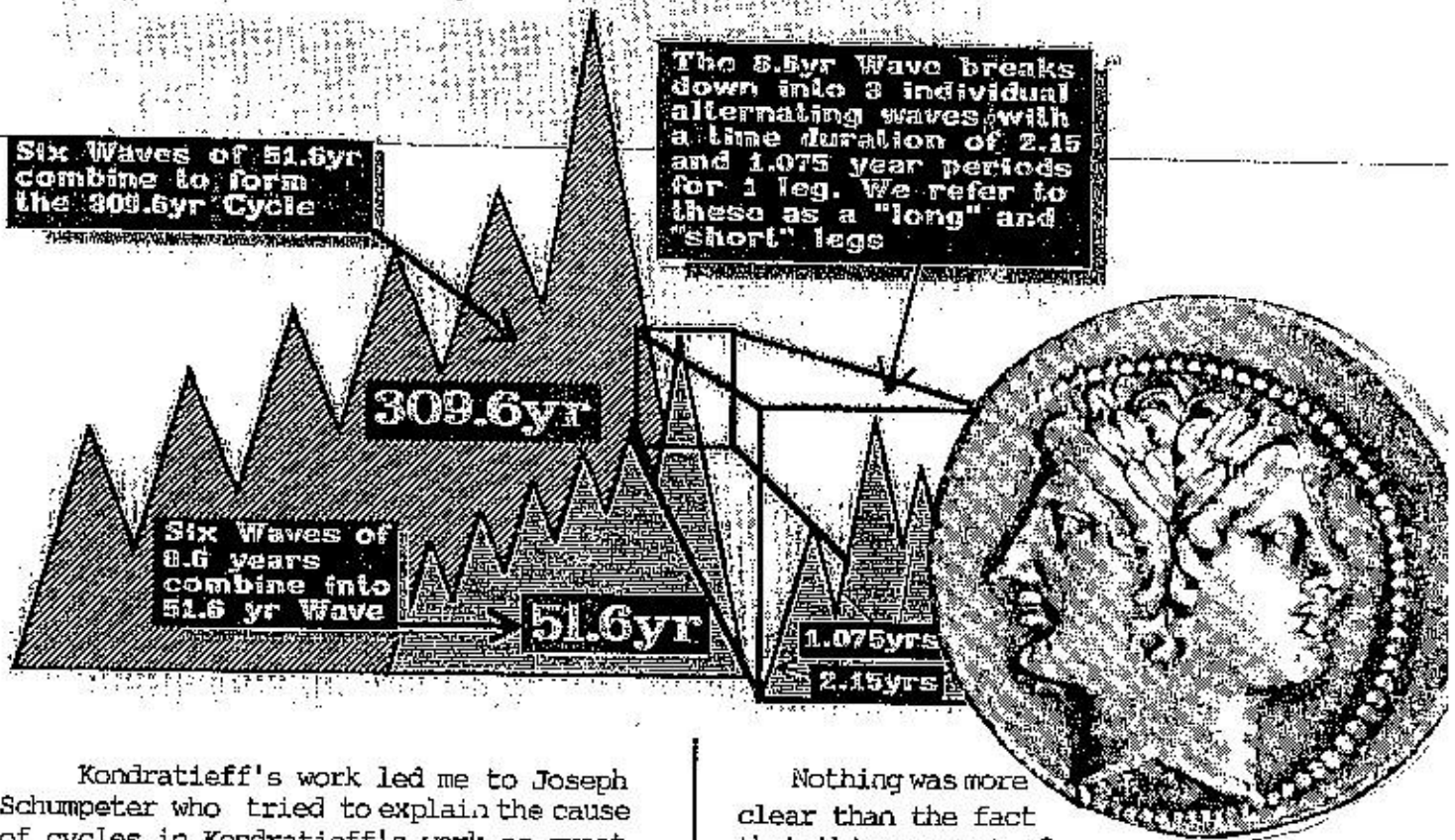
I was at first unaware of cycle theory. As I began to read in libraries, I came upon a list of Panics from 1683 to 1907. These were obviously world panics, not purely a US economic event. Perhaps out of curiosity I just naturally added the total years and divided it by the number of events that was 26. This generated 8.615384615. At first, I believed this was just an average, nothing more. I came across mention of Nikolai Kondratieff and his theory of cycles. I was now intrigued. Had I discovered a cycle or just an average?

I had a good command of history. I knew that every civilization rose and fell. Thus, I began to explore history from a cyclical perspective. I began to see the rise and fall built-up in intensity in layers. What I was seeing was fractal structure of self-referral. I did not understand these true concepts yet. But I began to divide history dissecting it by 8.6 year intervals. What I began to see were groupings of intensity that built-up structures of 51.6 years (6 waves). The rise and fall of civilizations started to now make sense.

I began looking for others who may have stumbled upon cyclical theories. I turned up Edward Dewey who tried to relate things to the Sun Spot. There was Professor A.L. Tchijevsky, who had began the Sun Spot theory and plotted an 11 year cycle back to the 5th Century BC. All of these interesting theories were trying to explain the cause of cycles. I was not convinced that their source was correct any more that Astrology holds the key.

Economic Confidence Model

Copyright By Martin A. Armstrong



Kondratieff's work led me to Joseph Schumpeter who tried to explain the cause of cycles in Kondratieff's work as great waves of Innovation. That man creates a new invention such as the railroad and it expanded the economy overall allowing for the delivery of goods and thus a catalogue business is born such as Sears.

However, Schumpeter was not about investigating the cycle timing. He was all concerned about justifying the existence of cycles. I respected his work far more than the sun spot ideas. But when I took it back into the centuries long since past, it did not hold up as the only explanation.

What I began to see was there had been an eternal battle between the people and the state. This was captured in the truly magnificent debate of **Thrasymachus** and the more remembered **Socrates** recorded by Plato in his Republic. Knowing my history of Rome quite well and the true nature of the events surrounding **Julius Caesar**, it began to make far more sense to me that there was a eternal battle that some would even call between good and evil. Whatever we call it, it is the desire to control the freedom of the people.

Nothing was more clear than the fact that this concept of cyclical trends was embodied directly within the Rome god of **Janus**. The two faced god was the symbol of cyclical change. One looks at the past, and the other looks forward to a new age. This is what we still celebrate on New Year's Eve - the ancient celebration of **Janus** - the cyclical forces.

The Romans even expressed this in the goddess of **Fortuna**, who was pictured with the cornucopia in one arm and the other holding the rudder of a ship, symbolizing that she is capable of changing your cycle of fortune at her mere whim.

So the idea of cycles I found existed among the Greeks as well as the Romans. What I saw was the battle between the ruling class and the people as being eternal. I saw the contagion effect in history, such as it was 509 BC when Rome gave birth to its Republic and the following year it took hold as a democracy in Athens.

While I was at the **Foundation for the Study of Cycles**, a guest speaker came to show the cycle in the energy output of the sun that

was discovered from the drilling of ice core samples at the North Pole. Sally Balbinas put up her results showing this cyclical beat of the sun that fluctuated about 15% in output between maximum and minimum.

I sat there mesmerized by her presentation. When she was finished, I approached her and asked did she know what she had? She looked at me a bit strange. I then explained that her data was matching fairly close to the rise and fall of civilizations throughout time.

I don't remember the year. But it was about the mid-1980s. Where I had tracked the footsteps of man through the rise and fall of civilization historically with the idea of just following the money, here was for the first time an empirical natural event that I could understand and to me was not subjective as was the theory of sun spot activity. The difference to me was not the effect upon mankind like the legend of the full moon and it creating "lunatics" or men who transformed into wolves, but upon the economic effect upon society that compelled migration due to crop failures. As society formed, 90% was agrarian. Even the United States was still about 70% agrarian in the 1860s. To me, the effect of the sun creating periods of global warming in contrast to periods of ice ages, was tangible. Any theory of sun spot activity effecting everyone and inducing them to buy or sell altering the course of our political economy, was simply far too esoteric.

I understood the rise and fall of all civilizations had clearly been effected by weather. It was also effected by plagues. Things that may or may not effect the human personality that arise from external sources as in astrology or sun spot theory, just did not cut it for me. I was a strick empirical evidence sort of guy. I could see things like the **Black Death** and how it killed so many people it created a shortage of labor and thus re-established wages. I could see the compulsion of governments desperate for taxes act like suicide destorying the very source of all state power, the consent of the people. I could even see beyond what **Schumpeter** saw as waves of innovation and into the soul of economic panics. If it had not been but for the Great Depression, the US would still be 40% farmers. The 7 year drought compelled people to become skilled labor.

IDENTIFYING THE CYCLE

SORT OUT THE WHY LATER

The two approaches in cycle theory that had unfolded among those who went before me, was (1) identify the cycle as did Kondratieff and then (2) try to prove they exist by the tracking down of the cause. So when I began, I took the Kondratieff method-- discovery of the cycle - worry about the why later.

My mapping of the history of mankind by dividing it up into intervals along the line of this 8.6 year frequency, was like taking a sentence and eliminating the spaces between the words. It still says what it said, but we cannot see it as easily and have to start to carve it up into words. This is what I did with history.

As I was constructing history into a more understandable cyclical course of events, I could see periods of innovation even in the ancient times such as the construction of a road by Cyrus the Great. I could see the clear emerging banking system along the lines of temples, where the security was provided by the gods.

However, as I carved up history, I had still assumed I was working with an average. I had mapped it into modern times and even into individual markets. This produced events that would unfold right precisely to the date of the calculation. I did not think that this was strange, it was just a coincidence to me. This appeared on January 21st, 1980 for gold. There were other dates that I also overlooked and just chalked it up to being interesting.

Finally, the 1987 Crash came. The model predicted October 19th, 1987. The calculation was $1987.8 ((365 * .8 = 292 \text{ days}) - 273) = 19$. The target did not produce the high, but the low. Throughout my study I had come to see that cycles were not highs and lows, but they were turning points. When this came out as a low, it was the signal that the cycle worked and there would be no depression.

This thing was picking precise highs and lows in a host of markets around the world. It made no sense to me. I discovered an average! How could an average work this precisely? It was happening too often and it was now time to understand why.

I had seen the fractal nature of the economy rise in levels of time. I would see a pattern emerge intraday where going into the close, there would be a huge sell-off. This would end up appearing on the next higher level of a daily chart. This would then migrate to the weekly and it would then appear at the monthly level.

I saw the fractal nature before I had read anything about the discovery of chaos theory and Mandelbrot. What he had discovered in nature, I was looking at in human behavior. This re-enforced my understanding that the laws of physics, had to also apply to the global economy.

What Mandelbrot discovered with the aid of a computer was that the complexity of data that "appeared" random "chaos" was in fact ordered and it was the complexity that was hiding it all along.

I had followed a unique path in the creation of the Global Model. I saw that there was this complexity and my clients around the world forced me to see it. The floating exchange rate that was born in 1971, had propelled me into a new field that even I did not at first comprehend was a new field. Having clients around the world, I began to see that each acted out of their own self-interest as Adam Smith had explained, but when Smith wrote his work, there was a gold standard. So people made their decisions in their own self-interest, but that interest was measured in gold - the common currency.

The floating exchange rate altered the very nature of the world. Now people still did act in their own self-interest, however, that interest was now measured in their own home currency. This created a "contango" - a new term used to explain a multidimensional inter-relationship of dependent variables. Suddenly, if gold was going to rise against the dollar by 5%, it would surely be a plain profit to the American. However, if the person was Swiss and the franc would rise 10% against the dollar, then if the Swiss had bought the gold, he would have lost 5% in Swiss francs. Suddenly, the theories of Adam Smith were not disproved, but made far more complex for now currency suddenly was a new thinking language of economics.

In order to create a computer model, I had to face the fact that I was now into a completely new field that had not even been written about, no less understood. I approached this problem with creating a complete new design. This is why I had to create a computer with no rules. It is also what forced me to create a computer that I could communicate with in English and have a conversation with. If there were no rules and restrictions, there was also no way to access the reasoning without the ability of inquiry.

I had to create a computer that would not merely analyze everything against everything in a contango, but then do it all over again in each currency. The calculations in this approach were enormous. I could see it in my mind, and my clients worldwide were showing me what they wanted. They showed me what was important to them.

So the global model grew enormous in scope and in experience. Every possible data series that I could collect, I in fact collected. What I was doing was what chaos science was doing, looking for order within the complexity.

The Discovery of Pi

I was watching events unfold around the world on precise targets in line with the **Economic Confidence Model**. I had taught the computer how to analyze. How to find cycles within everything, discover individual frequencies, and then correlate those with the major global **Economic Confidence Model**. I saw events unfolding to the precise day in markets no one was even paying attention to. I was surprised, no doubt, but as this was now becoming a regular effect, I had first attributed it to the scope of the model. I assumed that I had discovered the hidden order that lies deep within the global mix.

However, when the 1987 Crash came right to the day, I felt this could not be just a coincidence. I wanted to understand where this order was emerging from. I had designed a computer that no one had. I could communicate asking why it reached a particular forecast. But it did not discover Pi.

I had observed this incredible degree of accuracy around the world watching it ironically myself for about 8.6 years. When the 1987 Crash came, that was it. I felt perhaps I missed something. Since it had been right to the day, it made sense to now begin with calculating how many days there were in one of these 8.6 year cycles.

$$(365.25 * 8.615384615) = 3146.769231$$

What immediately jumped out was Pi * 1,000. I was stunned. It began to dawn on me, what I had discovered was not just a mere average, it was the perfect cycle. I couldn't believe my eyes. Had in fact society been driven precisely to the beat of a cycle that was so profound, it was beyond description? A flood of images now rushed through my mind as if the history of the world was suddenly downloading in a massive data dump. Suddenly I saw it in my mind's eye. There was a Geometry of Time itself. This elusive dimension that had sparked great debates and caused even Einstein to consider what would happen if one could exceed the speed of light. Time was a whole new world. Was this now like any other science subject to the exploration of man by math?

Pi in mathematics was the ratio of the circumference of a circle to its diameter. The ratio 3.14159265 is an irrational number that cannot be expressed as a simple fraction or as a decimal with a finite number of decimal places. It was thus also a transcendental number that is defined as as a number without continuously recurrent digits. With the aid of computers, Pi has been carried out to 100 million decimal places and counting.

The circumference of a circle can be calculated by multiplying the diameter by Pi. The area of a circle is determined by the square of the radius ($A = \pi r^2$). Pi is applied to mathematical problems involving the lengths of arcs or curves, the areas of ellipses, sectors, and other curved surfaces. It is also used in determining the volume of solids.

However, the real interesting area of Pi is its use in various formulas of physics and engineering in order to describe the

such periodic phenomena as the motion of pendulums. Of course it is also used in determining the vibration of strings, and alternating electric currents. But it is the motion of pendulums that fascinated me because I saw the economy and markets as a pendulum swinging between the two most extreme points of highs and lows. I saw the markets were propelled by these movements that often the further extremes in one direction caused a massive swing with an equal and opposite energy taking it in the other directions; the boom & bust cycle.

I understood that Pi had been perhaps one of the most important discoveries ever made. The ancients first use the number 3 as an approximate value for Pi. It was the famous Archimedes during the 3rd Century BC who conducted a scientific effort to compute Pi reaching the number 3.14.

Pi has been that elusive number of the ages. By 200AD, it had been calculated to be 3.1416. The Chinese and Indian mathematicians had improved upon the decimal calculations and independently confirmed the existence of Pi during 6th Century AD. Europeans still kept improving the calculation during the 17th Century, but it was Srinivasa Ramanujan, the Indian mathematician who was considered a math genius who in the 20th Century developed ways of calculating Pi that were just so truly efficient, that these methods have been used in computer calculations of Pi that have now allowed it to expand into millions of digits.

After my case began, it came out that the number of the street address I had grown up in was 314. I have no comment on that and any connections people have seen to that and fate. I still regard that one as coincidence.

It is true that I did not reveal the relationship of the 8.6 year cycle to Pi. I kept that a secret from 1987 until 1999. When it became clear the the Commodity Futures Trading Commission had been manipulated by its handlers the Investment Banks of New York to shut down the Institute and stop forecasting at any expense no matter what lies had to be publicly stated, it was clear, people like Nancy Page at the CFTC just wanted to bury the company no matter what. This is what caused me to publish the final report for the Institute revealing the relationship to Pi.

The **CFIC** and people like Nancy Page who works there, would never listen to any reason and were influenced by the major houses whom the **CFIC** will never charge for exceeding limits, double dealing, or trading against their own clients not to mention front-running trades. The **CFIC** prosecutes all houses and small players outside of NY to pretend they are still doing a job.

When we purchased Cresvale, a broker dealer headquartered in Hong Kong from Bank Palise in France, I had to meet with all the regulatory agencies around the world. I flew to Hong Kong and had to be approved as the buyer. They knew all about my long standing battle with the **CFIC**, and outright told me then and there, it was a NY Bank who had told the **CFIC** that I was manipulating the world economy. They themselves laughed at the **CFIC**, who seems never to have ever had much respect behind closed doors.

When the **CFIC** had compelled me to turn over client lists in the United States, a Steven Mihan at the **CFIC** was calling up some major clients and telling them I had even confessed to the **CFIC** that I was secretly managing money for them. One such client was the Onasis shipping company with a branch in New York - yes the Greek Shipper of Kennedy fame. When Steven Mihans told them I confessed, they called me and asked why the hell would I tell the **CFIC** I was managing money for their company when I was not? I told them I didn't speak to the **CFIC**, and so they invited Mr. Mihans to a meeting. He showed up and gave them the same story. They had their lawyer present and recorded the event. When they told them I advised them on their global currency exposure, but did not do funds management for them, Mr. Mihans then apologized and said perhaps they had gotten them confused with one of "his many other clients" and then departed. They sent me the tape. I gave a copy to my lawyer in Washington, Thomas Laughran. He sent a copy to the **CFIC** and demanded an investigation. They refused to investigate any of their staff.

The **CFIC** went from client to client claiming I confessed to secret funds management. No matter what, they would not stop. They then issued a subpoena and now wanted me to turn over the list of clients outside the United States. I refused after their unethical conduct. We went to Federal Court

and they accused me of manipulating the world economy. The New York Banks told them nobody could predict anything to the precise day and this was now evidence that it was not just influence I had, I was secretly now managing far more money than I suppose the entire NY banks themselves had. They judged me by themselves and what they thought was raw power - whose dick was bigger.

My lawyer defended the firm against this outrageous subpoena accusing me of now manipulating the world economy, and if I had to turn over all lists of clients outside the United States, they could prove I was the modern day gold finger.

I won. They were pissed off to say the least. No matter what I said, the **CFIC** had refused to accept science or even consider the possibility that perhaps I just simply discovered something incredibly important. To them, I just have trillions of dollars secretly and I could overpower the world or some crazy nonsense.

I have paid dearly for this discovery. On October 3rd, 2000, a former employee James Smith came to court before Judge Richard Owen. He handed the court a request from the Department of Energy asking to create a model since we were forecasting oil would rise to \$100 after hitting \$10. The **CFIC** demanded the Institute be closed & Smith denied to testify.

We also donated our time to governments around the world because I felt this was a duty to try to help. We had more than enough clients who paid the bills. Even when the Asian Crisis hit, everyone was shocked. The Central Bank of China requested I come to Beijing. We did not charge a dime. The **CFIC** is just an evil organization that has caused far more harm to the economy than good. Because we have had two agencies, the **SEC** and the **CFIC**, this is why there is even a hedge fund industry offshore. You cannot have a single fund in the United States that manages everything. If you obey the **SEC**, you go to jail under the **CFIC**. It has been this bifurcated regulation and the nasty attitude at the **CFIC** that keep trying to prove they are as good as the **SEC**, that drives funds offshore. As the lawyers always said, the lawyers at the **CFIC** are the one's who can't get jobs at the **SEC** and they are just plain stupid by comparison making them always to display a chip on their shoulder.

Symmetry of 8.6

$$224 \div 26 = 8.615384615$$

$$\text{COSINE} = .988716193 \quad (\text{digit sum } 52)$$

$$\text{SINE} = .149800381 \quad (\text{digit sum } 34)$$

$$\text{TANGENT} = .151510445 \quad (\text{digit sum } 26)$$

$$\text{Total} = 112 \quad (224 \div 2 = 112)$$

$$8.615384615 * 365.25 = 3,146.769231$$

$$8.615384615 \div 12 = .717948717 \quad (.72\% \text{ of a year})$$

$$8 \div 13 = .615384615$$

The above is just a glimpse of the real symmetry behind the 8.6 frequency. I assure everyone, I was not managing trillions of dollars that made it work to the day. The **CFIC** even lied about the transactions that landed me in prison. There were two types of notes. (1) we issued the carry trade type notes borrowing yen at 4% fixed. So there could be no trading wins or gains that were ever the property of a noteholder any more than borrowing \$10,000 from a bank now makes you a money manager for the bank.

The second note was a purchase of the pre-existing damaged portfolios of stocks in Japan that dropped 30-50%. The amount owed was the face value of what they paid. Each note was a bailout and individually approved by the Japanese government. So once again, there was no solicitation to manage money.

The **CFIC** lied to the courts, to the world, and demanded all the lawyers be taken away to cover-up their agenda - to stop the forecasting no matter what. The judges are too corrupt and will never rule against the government. We have lost any hope of restoring America to what it once was. The **CFIC** carried out the agenda of the NY Banks and then handed Princeton Economics to be run by **Goldman Sachs** while the only lawyer in the criminal case, was one David Cooper who whose wife was counsel to **AIG**. There was no hope whatsoever. They would never allow lawyers, and they had **John M. Walker, Jr** in their pocket.

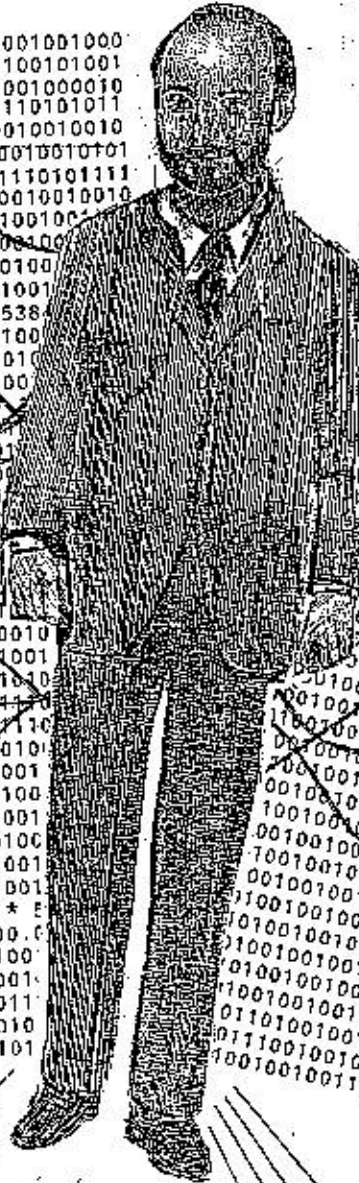
And by the way, **HSBC** bought Republic National Bank. About 6 months before the deal was signed, Charles Swift, the former Chairman of **HSBC** who moved the bank from Hong Kong to London, met with me in our London Office. He asked my opinion about buying Republic. I told him to count his fingers after shaking hands. **HSBC** conducted its own internal investigation of the problem and found Republic lied to the Government. They hid that study, pulled out of the buy, and the Edmond Safra personally guaranteed any loss to make the deal go through to avoid shareholder lawsuits. Mr. Swift became a director of Princeton Asset Management, Ltd in London, and was going to head up Princeton opening up in China.

The discovery of **Pi** was far too important for us all. But the **CFIC** does whatever the NY boys tell them to do. That is why they will let Buffett buy a \$1 billion position in silver, yet that is far beyond exchange limits and anyone else would have been jailed. The **CFIC** more than any other agency in the world is responsible for the collapse of the world economy because of their corruption and refusal to police the real crooks. Remember **Long Term Capital Management**. Great job **CFIC**!

The existence of **Pi** proves there is a **Geometry of Time**. A whole new frontier that is waiting for our understanding. Just as the **Science of Chaos** opened our eyes to what appeared to be complex random noise, was hidden order we could not see, we are at the same position - a new threshold.

Cycle Theory & The Sixth Dimension Part II

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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

Please mail to:

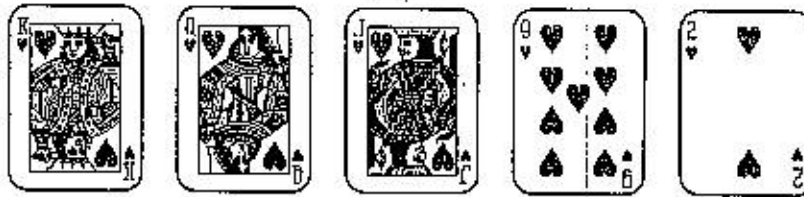
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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs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



Cycles exist in everything, and we have recognized them in different forms. For example, the concept of "luck" is truly just an expression of cycles. We can take a deck of cards and calculate the probability of drawing a king out of a fresh deck. If the first card is a two, we can now recalculate the probability. The next card we draw is a nine. We again recalculate the "odds" that the next card would be a king. We all know that there is no guarantee that even as the "odds" increase in favor, the king could, be and often is, the very last card. What also appears we may call "luck" that is with us or not. Some will call it being "hot" where the cards are coming their way. This is a cycle.

You would be surprised how cycles may be far more understood in some industries and not others. Atlantic City in New Jersey is the cheap version of Vegas. I cannot help seeing cycles everywhere. I was there with a group of friends. I am not a big card or dice player. But I did notice the cycles in roulette. I noticed that was why the house routinely alternate their dealers. It is to break the cycles.

I started to write each of the numbers down at a roulette wheel. I immediately saw there were cycles. Some numbers never came up while others would re-appear. I started to play and I won a few rounds. Suddenly, two guys in dark suits came over and asked me my name. They said the house recognized me as a "player" and I told them I was there just for fun. They didn't believe me. So the logical thing to do was stop. I was making them very nervous.

Just as Mandelbrot saw order hidden inside what seemed to be randomness, no matter what the odds are, everything will devolve into a cyclical state. So the term "Lady Luck" is a throw back to the Greeks going to the temple of Neptune to pray that

he not "mess" with them on a voyage. It was praying to the Roman goddess *Fortuna* not to change the course of their ship with her rudder. Cycles override probability. So our world of statistical analysis can be neatly calculated, but that really means nothing for there is a mysterious force working in the background that dictates the outcome of the wheel of fortune.

While the first **Three Dimensions** are the boiler-plate **amplitude, width, and the depth** of a market (**depth = volume**), the **Fourth Dimension** is **Time**. The **Fifth Dimension** is the fractal dimension whereby **self-referral** perpetuates through the course of all levels of **Time**.

It is the **Sixth Dimension** to this true complexity that illustrates the concentration of **capital** that bothers the **Marxists**. Each individual market and economy has its own cyclical frequencies. It is the **correlation** of global interaction that causes capital to do what **Herbert Hoover** mentioned in his great memoirs speaking of the **Currency Crisis of 1931**.

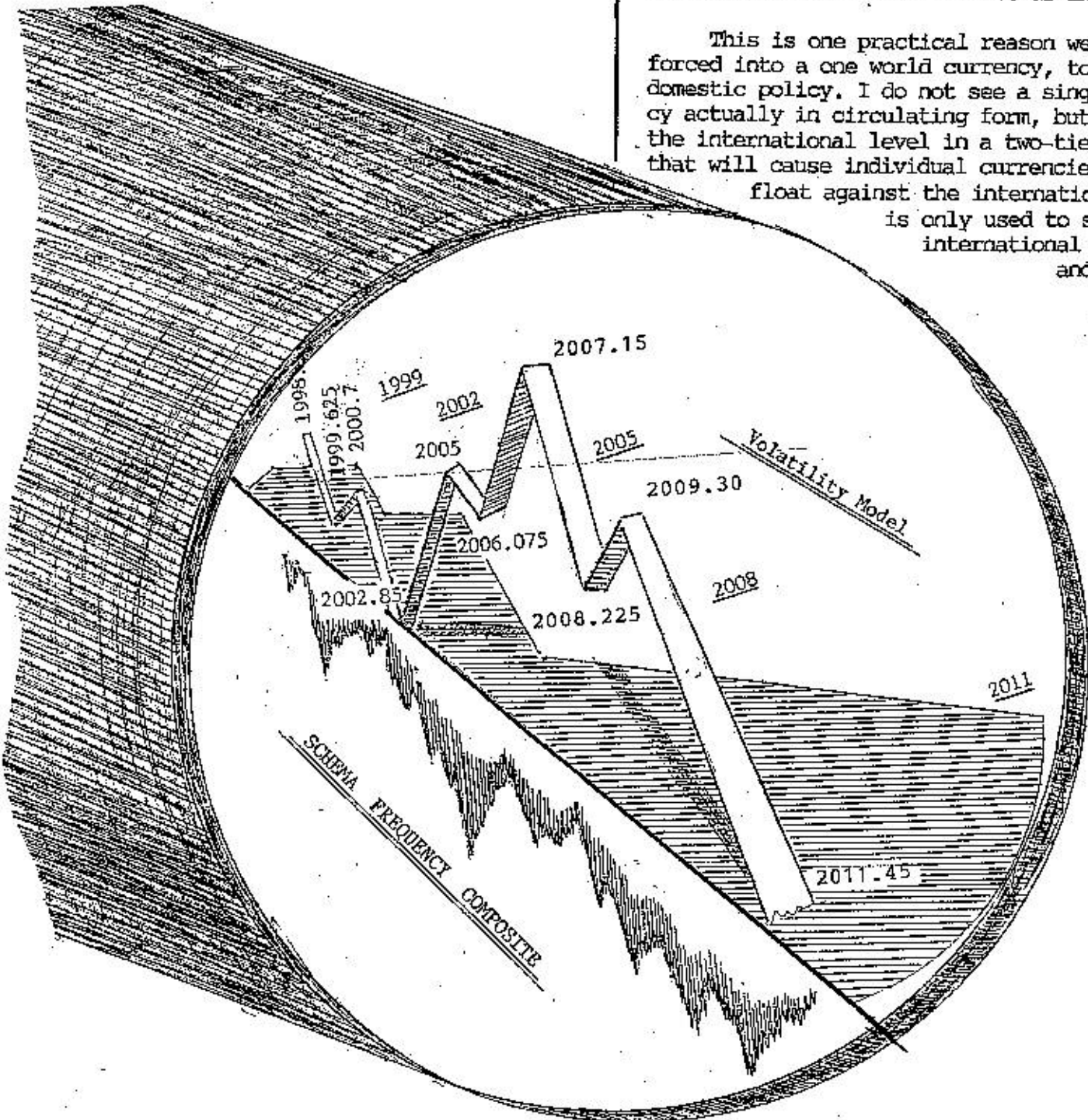
"Capital acted like a loose cannon on the deck in the middle of a torrent rushing from one currency to the next."

Capital rushes around the world from one nation to another. Within that nation, it will then concentrate into a particular sector as we saw in 2000 for the **Dot.Com Boom**. When it concentrates in a sector, those individuals become rich. The **Marxists** only see the **Bill Gates**, not the capital flows that caused him to become rich or **Microsoft** to succeed. We see what we want to see, and like the medieval doctor who assumes the disease is in the very blood, we start to bleed the economy, and if we kill it, we claim we did not start it soon enough. We have no interest in understanding what is going on because it may mean a whole new political system is honestly required.

While the **Seventh Dimension** is the volatility measuring the rush of capital in and out, the **Eighth Dimension** is the pattern projections. Here is where we find a variety of methods of trying to predict the next movement be it **Elliott Wave**, **Technical Analysis**, or **Gann analysis**. None of these can do what **Cyclical Analysis** is all about. Here we are concerned not with patterns or even high or lows. **Cyclical Analysis** is the study of the flow of energy, and is thus the true discovery of turning points and not specific highs of lows.

Like light that travels within a bound electromagnetic field, I have found that the same structure exists in cycles. These are bound **Dimensions** within a field that cannot be separated. There is a natural **contango** that appears at the surface as complexity, yet each is inter-dependent and one reaction creates a ripple effect throughout the whole structure. So we cannot isolate just the United States. If we just print money to be concerned about domestic issues, we export inflation worldwide causing a complex interaction that comes back to bite us in the ass.

This is one practical reason we will be forced into a one world currency, to isolate domestic policy. I do not see a single currency actually in circulating form, but only at the international level in a two-tier form that will cause individual currencies to still float against the international that is only used to settle international accounts and trade.



It is truly the **Sixth Dimension** of this Complexity that provides the **Correlation** of **Cyclical Perspective** showing that **TIME** itself is not merely subject to geometry, but that is the very bound fields of this complexity that creates the interaction on such a global scale, it is another verification of **Chaos Theory** where the slightest amount of change in one variable, can create an entirely different outcome as it ripples through the fractal structure.

TIME flows as a constant, but its effects are measured in cycles. The mere fact that **Pi** exists in **TIME**, demonstrates that there is a curve to the events, not a simple linear progression.

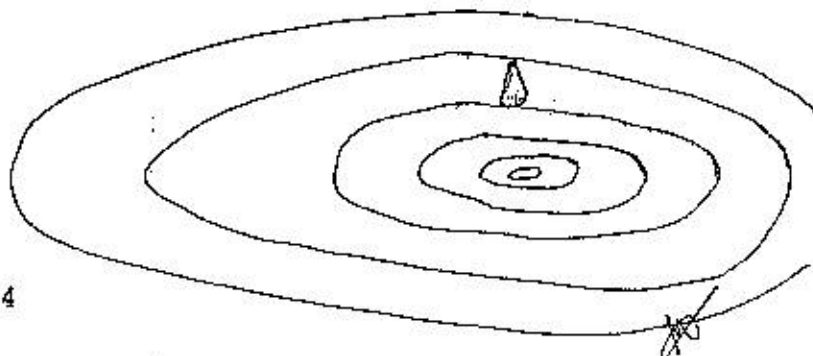
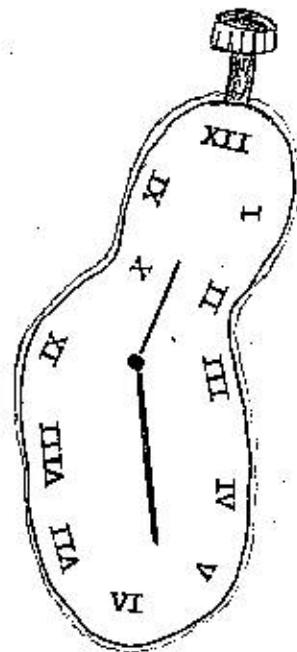
It is not dissimilar to what we have learned about a rain forest. There are so many species of plant and animal living within a delicate balance each interrelated to the other in a scale of predator to victim often reflected in the image of the one animal bigger than another, eats a smaller one, and as it swallows its prey, the next bigger animal comes and swallows it. This is fractal up and down the scale.

Our entire existence is like that rain forest. Each component lives off of another. So what happens is very clear, remove one species and we end up with a ripple effect that runs through the entire system.

Here we are with **Marxists** lacking any comprehension of what the hell they are messing with. They are fixated upon one individual making more than another, and see this as unjust and must be stopped. What if we took that theory to the rain forest? Do we begin to kill one animal because it eats another and we pronounce that is unjust? We would soon destroy the entire environment with that sort of thinking.

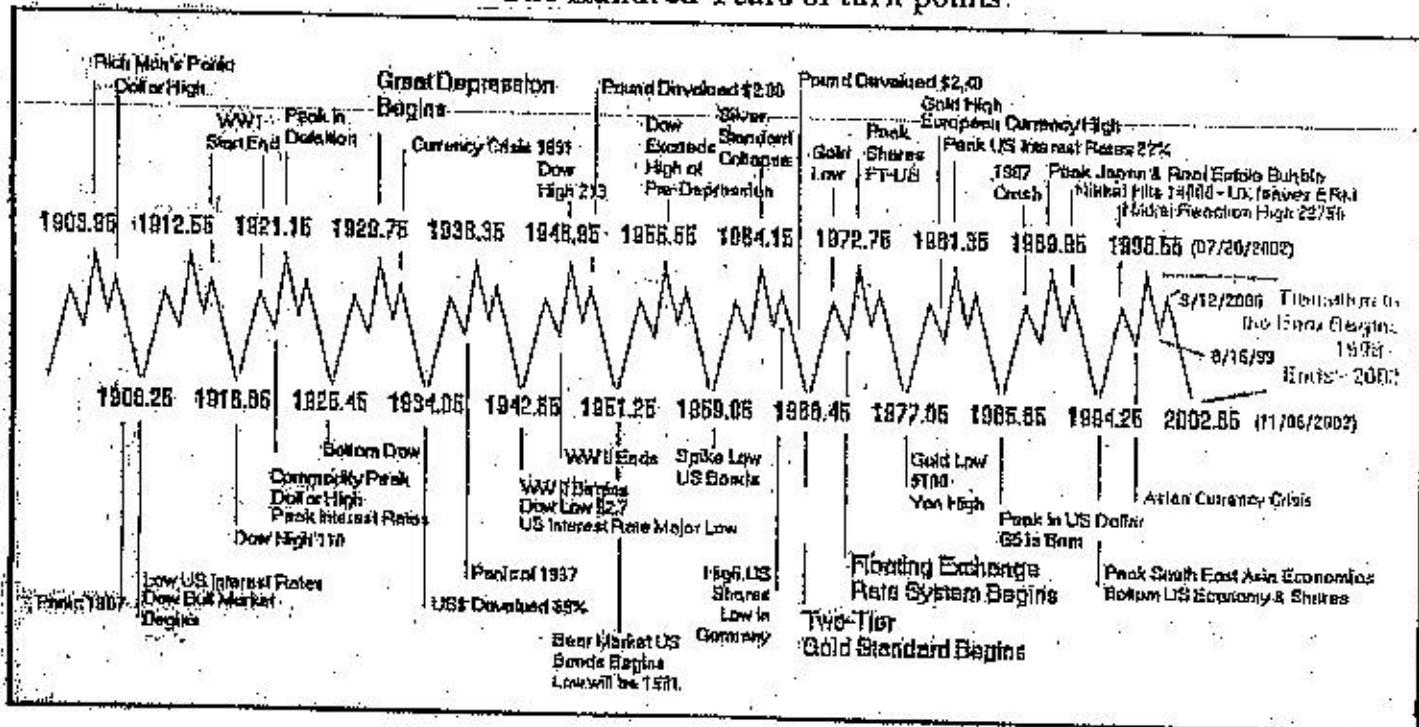
We have pronounced the way everything should work in an ideal world, but we have not bothered to even understand why things work the way they do. We can no more start passing laws to criminalize what we do not understand just so politicians can pretend they have done something to brag for re-election.

TIME flows forward from what I can determine. Perhaps the day will come where **Time Travel** will be proven. But until that day appears, I will assume that it only flows in one direction. However, its effect is **Cyclical** in nature. This is what we must understand. The pattern analysis does not get us to a new world of comprehension. Understanding the inter-relatedness of simply everything around us, does open a whole new world of exploration. It is this **Sixth Dimension** that in the essence of complexity, wrapped up in an enigma that remains **Time** itself. If I can spark a new field of exploration so I am not a lone voice in the wilderness, then I would be satisfied with that inscription upon my epitaph.



Economic Confidence Model

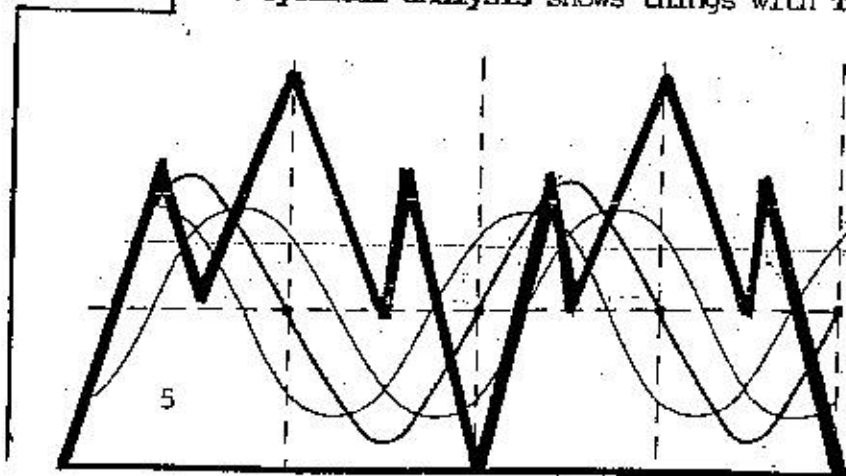
One Hundred Years of turn points.



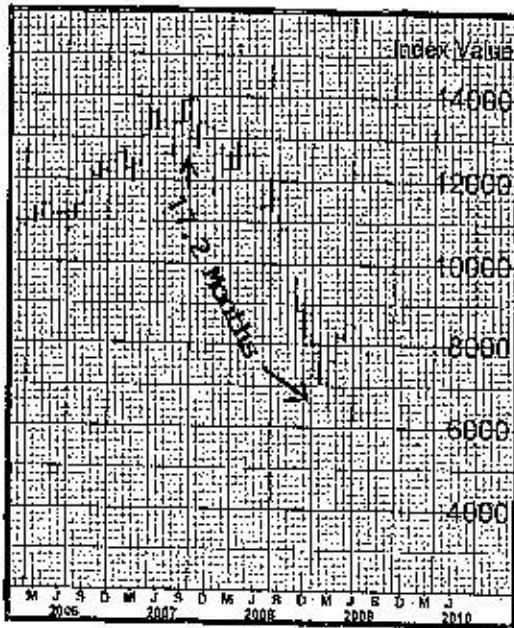
Above is an illustration of 100 years or so of the fundamental events that took place at the turning points on the **Economic Confidence Model**. We can see that this is by far not a model of just stock prices. It is the global frequency that dominates and permeates everything around us.

The **Sixth Dimension** is thus a true world of complexity. Each and every market and economy as well as natural events, all have their own unique frequency. Earthquakes take place in connection with others and are even effected by prolonged periods of rain and drought. It was the San Francisco earthquake in 1906 that set in motion the Panic of 1907 due to cash flow problems between east and west, and that led to the senate hearings and the creation of the Federal Reserve in 1913. It is this complex interaction that creates economic trends. It was the 7 year drought (Dust Bowl) in the 1930s that forced the farmers to become skilled labor and transformed America into what it became. In 1900, 40% of Americans were still farmers and that was reduced to 3% by 1980. This made America rich because of the Dust Bowl.

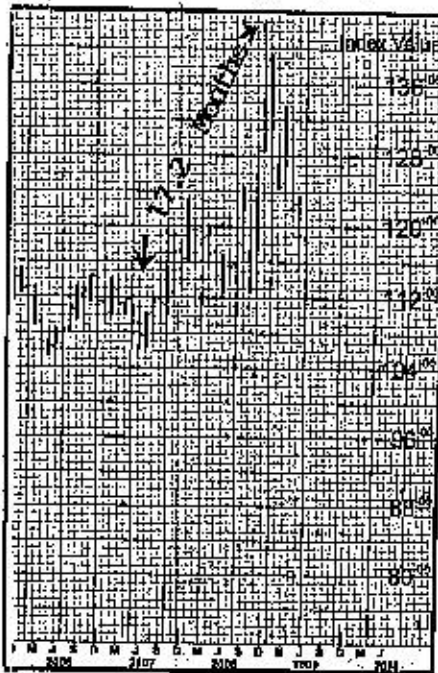
Behind the **Economic Confidence Model** stands everything in the world from man to nature. What we are looking for in the correlation of individual markets or events with this model, is to delineate **TIME** itself. What I am about to illustrate is how the individual cyclical frequency of the various phenomena become over-powered by the major **Economic Confidence Model** and thus they will abandon their own individual unique frequency and what will suddenly appear, is the 8.6 frequency that will dominate for the major turning points. This is just what took place going into March 2009. It is a normal event and provides further proof of the overall structural design. Trying to use pattern analysis does not reveal trends, only the **cyclical analysis** shows things with **Time**.



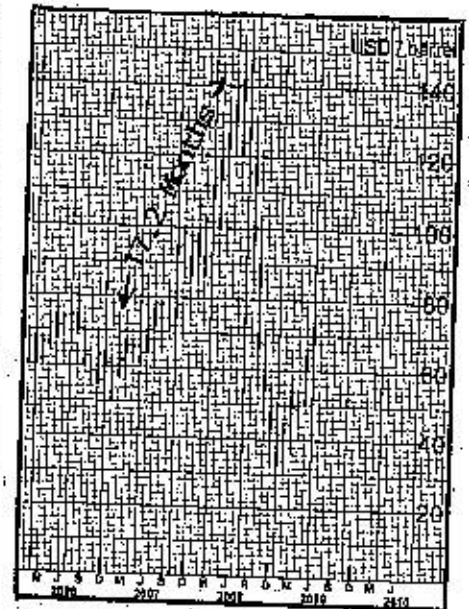
Dow Jones Industrials



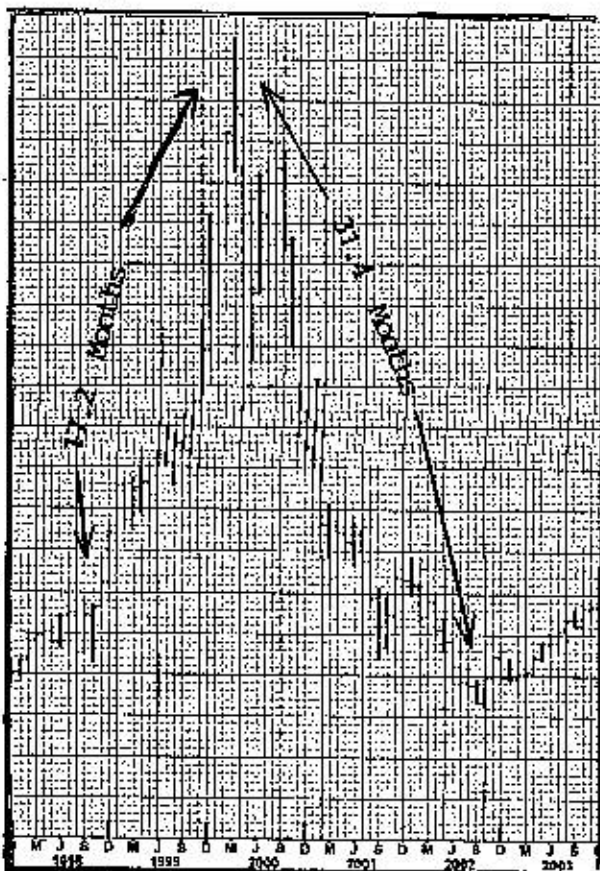
30-Year Treasury Bonds



Crude Oil



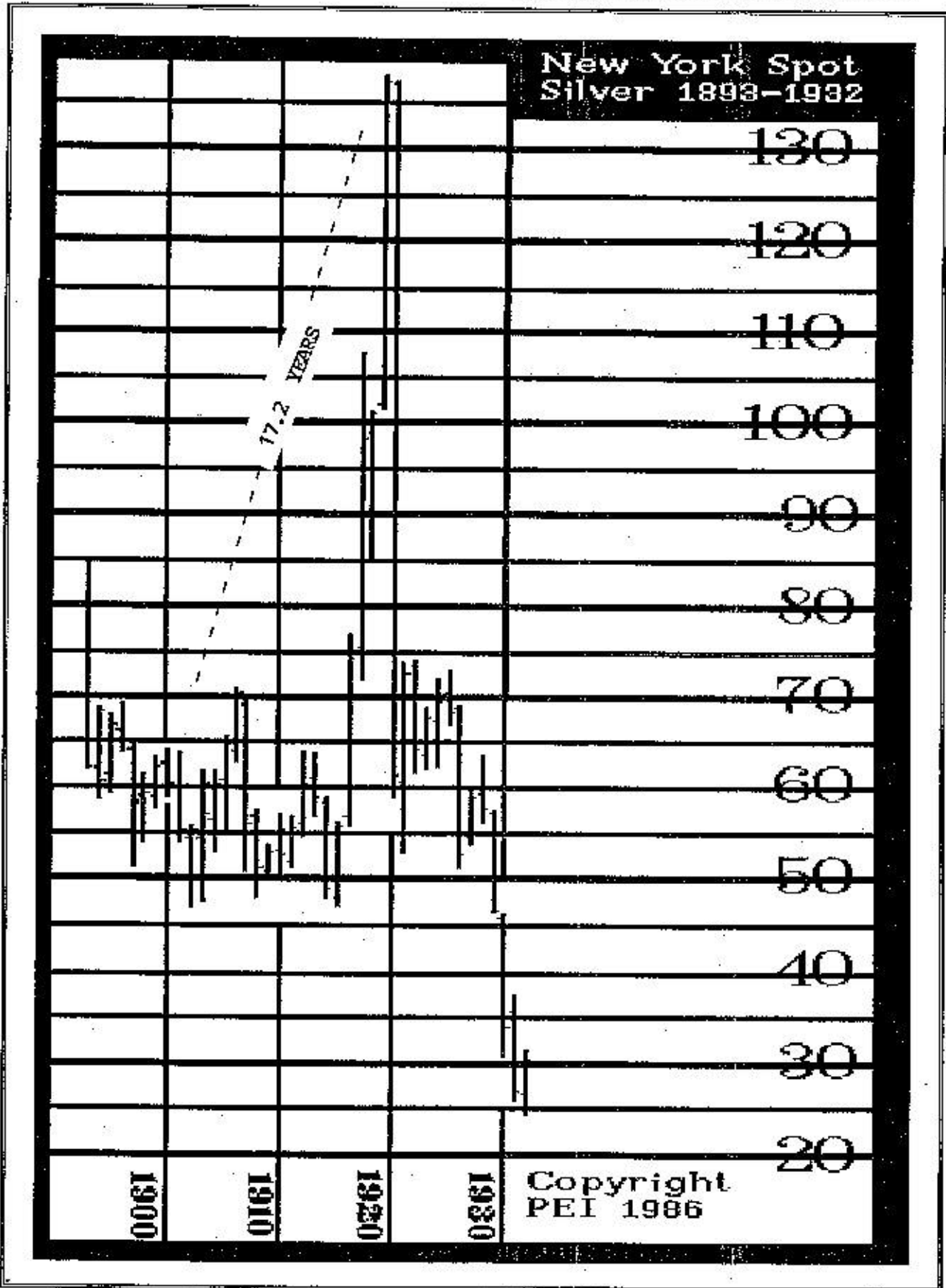
NASDAQ 100



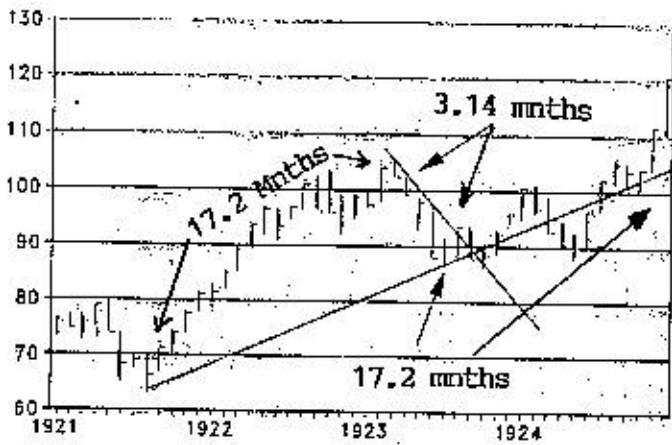
Here I have provided just 4 charts showing the Dow Jones Industrials with the recent 17.2 month drop (8.6×2), the same 17.2 months also appeared in the rally for the 30 year bonds that constituted the "Flight To Quality" and Crude Oil showing a 17.2 month rally from about \$45 up to the near \$150 level, that Buffett had bought the high and Goldman Sachs was claiming oil was going to \$300. Well so much for the best and the brightest.

This is contrasted with the 2000 NASDAQ bubble top in the Dot.COM boom. Notice here we had a perfect 17.2 month rally into the high, with the PI cycle decline into the perfect 31.4 month drop.

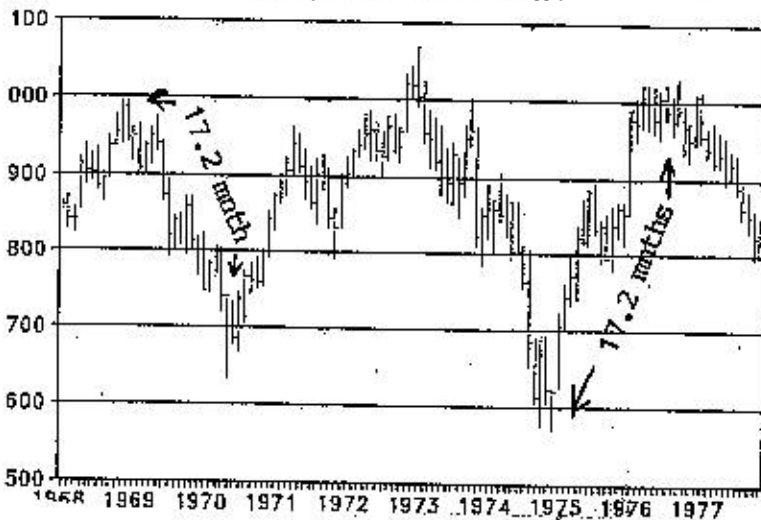
All four of these charts show that the 8.6 year frequency was thus absorbed from the major Economic Confidence Model at the major turning points that over-powered each individual market and its unique frequency. This is what I mean by the Correlation of Cyclical Perspective that whereby the perspective of the entire global landscape correlates with the Economic Confidence Model and then is absorbed as it becomes the "hot" market attracting capital concentration and thus we end up with the Correlation of the Cyclical Convergence - the final blending of the "hot" concentration of capital with the influence of the Economic Confidence Model.



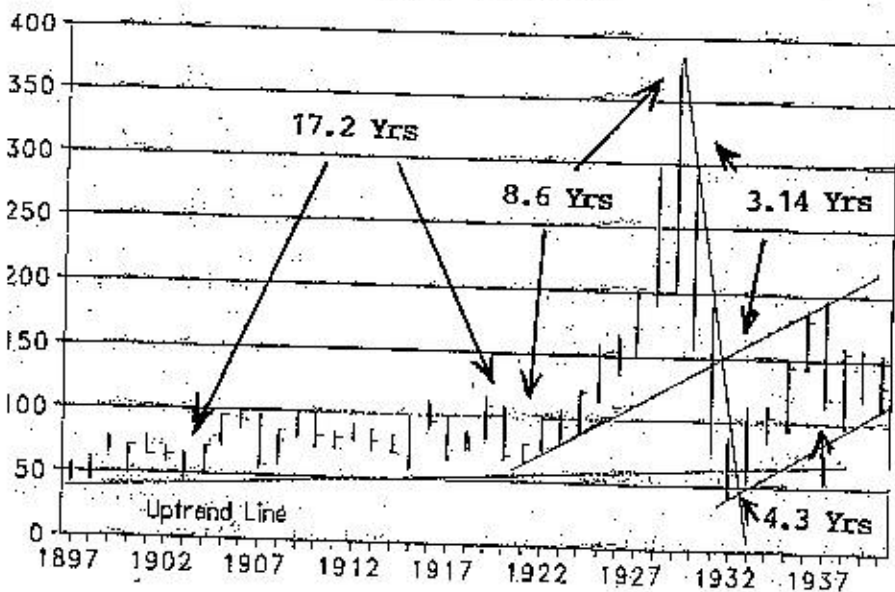
Dow Jones Industrials
Monthly: Jan. 1921 - Dec. 1924



Dow Jones Industrials
Monthly: Jan. 1968 - Dec. 1977



Dow Jones Industrial Average
Yearly: 1897-1940



Because time unfolds in a fractal manner scaled through levels, as we rise to the very highest levels of yearly activity, we can see tidal waves of events coming in slow motion. This is how we could do long-term forecasts through correlations of the Sixth Dimension that opened up the future like never before.

We can see in every market the 8.6 year frequency will blend into the market when it is lining up with the global Economic Confidence Model. This creates a vivid and most spectacular Sixth Dimension of interaction illustrating the same degree of complexity that computers were able to sort out and see hidden order within what once appeared to be just random.

I have tracked this through TIME itself. I have found it to appear in natural cycles of earthquakes, weather, and politics. The rise and fall of nations has in fact even conformed with this degree of complexity. It is there, once we are trained to see it.

Capital Concentration appeared yearly in silver when the commodities all lined up for the major historical high in 1919. They crashed and continued lower into 1932. The Dow Jones Industrials came in for the next concentration of capital causing the Roaring '20s, but that was neither present in the commodities that peaked in 1919 nor in the railroads that ended their era of capital concentration with the Panic of 1907.

Each and every sector has its turn. What we are looking at is the concentration of capital that Marx hated so much among individuals, takes place at the sectorial and national levels as well. This is the very essence of our human interaction. It is a herd state of mind.

This blending of the 8.6 year frequency with each and every market at the proper time displays the true complexity that lies hidden beneath. You can also catch a glimpse, that without the aid of very sophisticated models, it is difficult to predict the outcome unless we can correlate the entire world. Therein lies the answers to our future. It is about time we start to pay attention.

While I lack the resources here compelled to write on a typewriter in 1960's technology, perhaps what I have illustrated here will help you to see that the world we live within is a blend of amazing complexity. Chaos Theory has opened the eyes of many to the fascination of natural events. This is the next step.

Once you see the interaction and the truly amazing correlations that surround everything, you will see that we are indeed just waking up from a very long primitive dream. It is very much like the plot of the MATRIX, but this is real. Instead of machines feeding our brains with the false image of a fake world, it has been government perpetuating the myth that we need them to manage our future, for only they have to power. This to me is no different from medieval days when the Bible could only be read by clergy, for only they were trained to read the word of God.

We have to wake up from this nightmare of surrendering our hopes, dreams, and future to the will of the political state. If we truly did live in a free state, then the individual would be free to also choose to contribute by taxes.

The world that the Founders of the United States tried to create, was real liberty, not this fake stuff. Direct taxes were forbidden directly in the Constitution. Thanks to Karl Marx, the Republicans who then called themselves "Progressive" as the Democrats today, amended the Constitution installing direct taxation and also Prohibition. They would dictate we had no right of political dissent, not the right to drink a glass of wine because they deemed it to be immoral. One must suppose that had they existed at the time of Christ, there would be no hope of Christianity for all of the twelve apostles would have been locked up for drinking at the Last Supper.

A real true sense of liberty was where a man was free to do as he liked as long as it did not harm another. He was to be sovereign in his own liberty and person. Herbert Spencer wrote the very essence of this argument when he was editor of The Economist in 1851 that he entitled "The Right to Ignore the State."

Spencer wrote: "As a corollary to the proposition that all institutions must be subordinated to the law of equal freedom, we cannot choose by admit the right of the citizen to adopt a condition of voluntary outlawry." The term "outlaw" truly meant that he was exempt from the protection of law.

Spencer continued: "If every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man, then he is free to drop connection with the state - to relinquish its protection, and to refuse paying towards its support. It is self-evident that in so behaving he in no way trenches upon the liberty of others; for his position is a passive one; and whilst passive he cannot become an aggressor."

What Spencer did in this amazing and brilliant article, was to hit it directly like a nail on the head. We are no more a free people today as was the case in many ancient times. What Karl Marx did to all of mankind, was to set us back destroying everything that the Enlightenment was all about. He could not see past his personal hatred of the rich, that he was altering the very core structure of how everything was bound together.

Freedom is not restraint upon one person because of creed, color, or wealth. The true essence of liberty is far from what we are pretending it to be today.

Democracy is a Greek work and is thus comprised of "demos" meaning people and "kratos" meaning to rule. In Athens, the concept of government and liberty was not at all what we have today. The legislature was composed of all adult males who met in union as a body of the people. Women and slaves did not participate, because they were "represented" by the adult male of the family like a senator represents a state. Some of the day-to-day management was the executive function, the bureaucrats. These positions were elected, while some were assigned by lot. ALL such bureaucrats were fully responsible to the assembly of the people and there was no such thing as any immunity. What we have today, we retained the tyranny with immunity against which we had a revolution. The assembly of the people thus sat in judgment over the bureaucrats and possessed at that moment, the executive supervision powers, judicial powers, and the legislative powers to create laws that was withheld from the bureaucrats.

Even if we look at the rival to Athens the military state of Sparta, the government structure was built around a king, but a king who was nothing like the tyrants of

England. In Sparta, there was a senate of 30 that was in the 5th Century BC, a military type oligarchy. This is what prevented any unified joining of the Greeks, for this was in stark and bold contrast to the assembly of the people in Athens.

Nevertheless, there were 5 elected ephors who were the highest Spartan magistrates who with the king, formed the executive branch or the bureaucrats. This structure seems to have gone back to about 754BC and may have been then created by Lycurgus.

The ephors (English translation), were in fact elected annually and every male citizen was eligible. They took an oath of office on a monthly basis demonstrating that the office was not to be abused. The power of these ephors we can only lament does not exist today. They had the ultimate power to even arrest, imprison and participate in the trial of a king himself. So you see, there was still a check against the entire system that laid in the hands of the common people.

Sparta also had a council of elders that was called "gerousia" or "apella" meaning the assembly. Chilon was perhaps the most famous ephor and was considered one of the 7 wise men of Greece.

The Romans revolted against their king in 509BC and at first the state was ruled by the powerful oligarchy. The common people demanded a say in government, and got it. The office of "tribune" was created with much the same powers as the ephor. The tribune could prosecute any senator, and was thus the check against the tyranny. Yet the elections became corrupt and eventually the Emperor after the fall of the Republic assumed this power of the "tribune" in a pretense that he was defending the people against the senate.

Our system of government has devolved back into a state of tyranny. Those who are elected have merged with the bureaucrats and no longer defend the people against the executive or the judicial branch. Instead of tribunes and ephors who can bring to justice the corrupt, they have claimed immunity from prosecution. So we are caught in a matrix where the state has once again assume the powers to do as it pleases, and we are but slaves to the will of the state. The battle between Republicans and Democrats is who will dictate and gather the spoils of raw power.

As long as the state assumes control of the economy and believes it has the raw power to manipulate it at will, we are just screwed. Instead of learning from the past to progress toward a new age in the future of modern Enlightenment, we are doomed to repeat the historical mistakes of the past.

Once we understand the cyclical nature of the world we live in, we will stop this insanity of blaming one person or group and pretend all is well until the next disaster.

We must end the financial oligarchy that has assumed control of the political state and holds that by the fact that the state is addicted to borrowing money, and believes it cannot maintain power without them. So they do as they like. Everyone will look the other way. The prosecutors will continue to prosecute their competitors to pretend they are doing something for the people when they use the criminal law for protectionism.

Government has mischaracterize "Free Trade" and allowed it to be distorted into some sort of authority to export jobs. On this subject, history is loud and clear. Trade became the alternative to war. States increased their wealth through war whereby their confiscated all wealth and sold the civilians into slavery.

Trade truly emerged as a major economic means of increasing the national wealth in North Africa. The entire Punic Wars between Rome and Carthage are indicative of this real new means of acquiring wealth. Even after Rome soundly defeated Carthage, they rose again because of trade. The first war (264-241 BC) was fought to control Sicily and Corsica. To defeat Carthage, the Romans had to create a navy and finally with a fleet of 200 ships, they compelled Carthage to yield. It was the Second Punic War when Carthage gained land in Spain and Hannibal renewed the war and by land invaded Italy from the north. Yet Rome prevailed and the famous Scipio took the war to Carthage. Scipio defeated Hannibal, and demanded an indemnity and the surrender of their entire fleet (218-201BC).

But it was TRADE that reestablished the national wealth of Carthage. The Third Punic War (149-146) amazingly 51.6 years from the defeat in 201BC. The sheer ability of TRADE

to now rebuild the economy was an example to all nations. This created the envy of Rome's imitating merchant class who could not yet compete in international trade. It was this envy that sparked the Third Punic War. The terms of the surrender said it all. There was to be no mercy.

Of the city population that exceeded 250,000 at the start of the war, less than 50,000 people remained alive in Carthage. The survivors were all sold into slavery. The city was razed and the territory reduced to only a Roman province. The death toll was so massive because the city was actually taken in a huge battle moving from house to house until the Romans reached the citadel. The Romans had imposed a demand to avoid war that was just so unacceptable, the only choice was truly a full scale battle to the death. The Romans demanded that everyone in Carthage must emigrate to some inland site, where they could never again engage in commerce by sea. Carthage rejected the proposal, and withstood a 2 year siege until their final defeat. This Third Punic War, was in fact a real live trade war.

Yet here we are more than 2,000 years later, and we still have this debate over the right or wrong of Free Trade. Just as Marx could not understand that the concentration of capital is the economic engine of progress just as Carthage was able to rise in just one 51.6 year cycle (6 waves of 8.6 years), trade has been a greatly misunderstood necessity.

Trade became the alternative to war, for it showed that a nation could prosper and it could result in an increase in the living standards of its people, whereas war was no different than a robber who does not want to work believes it is easier to stick you up than to develop skills.

Because we live in a constantly changing dynamic world where nothing is stagnant for long, we misunderstand the progress of man and that the lower the skilled labor, the greater the cry for protectionism. They see law as an answer to block cheaper goods from overseas and point to their loss of jobs, but they ignore the fact that they are consuming a greater proportion of the people's wealth than is justified. This is made worse by the political corruption and the excessive level of taxation that increases the cost of that labor and then blames the greed of employers for the loss of jobs with no recognition of their own impact through excessive taxation that reduces international competition.

The key to furthering national wealth is practical education, that is neglected. Under the theories of the anti-Free Trade segment, if they had their way, all progress would cease. They cannot see, as was the problem with Marx, that as technology indeed advances, so must the skills of labor.

In 1900, about 40% of the American work force were farmers. This dropped to 3% by 1980. Manufacture, stangely enough, remained virtually unchanged just under 25%. It was the rise in service industry type jobs that rose from about 25% to over 40%. This shows two critical points.

- (1) the labor unions defeated the rise or expansion in manufacture as did the rise in Marxist views of taxation;
- (2) the rise in the service sector was both a reflection in the advance of brain power required in labor, but also the huge increase in the size of government both state and federal.

Marxism thus retarded the economic future far more than most suspect, and it has sealed our fate in trying to get out of this mess. When government is a vast part of the waste and the problem, it is like trying to now convince a robber pointing a gun in your face that he should not have a gun. Good luck!

The Sixth Dimension of Sheer Complexity

What we are looking at is a dynamic and complex world where we have to step back and look at the interactions on a global scale. We can see the Economic Confidence Model had worked quite amazingly during ancient times as it has in modern times.

What we are still ignorant of even now, is this vast new world of TIME that truly exists just on the horizon. If we can just make it there before the politicians wipe us out with their self-interest, we will see an exciting threshold to finally resume our age of Enlightenment that was so desperately interrupted by Karl Marx who economically has set us back into the stone age.

There is a world of complex hidden order waiting and this will be a real Event Horizon if we just open our eyes and look unbiased for once. This is our posterity that is on the line.