

Deflation or Inflation

Which is more likely?



Note: During the Great Depression, farmland was sold at public auction for as little as 30¢ an acre in 1933 as pictured here in Virginia.

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.

Deflation or Inflation

Which is more likely?



by Martin A. Armstrong

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THE burning question of does the future hold DEFLATION or some version of INFLATION is critical to our understanding and survival. I have been trying to provide a condensed view of the critical turning points in history for one reason. Despite the US Government's view that I can manipulate the world economy by merely telling the truth, such an idea is not only absurd, but reflects two presumptions. (1) That you are stupid and will stand up like cattle and just go where ever I say in some mindless Sci-Fi Movie. (2) They judge me by themselves who do bullshit the people and see how the press and others just believe the nonsense they put out even when it comes to their economic statistics. Excuse me, but Woodward & Burnstein no longer exist once the judges threw Judith Miller in jail on contempt until she was willing to testify over the objections of her employer - the New York Times. Once the press was stripped of all immunity, then there could never again be a deep throat who exposes even Presidents such as Nixon. So the US Government intimidates the press, repealed the First Amendment, and secured what they do, attempt to control the very economy by lies. But then again, isn't that what the accused me of doing?

The history lesson is to help you see the truth. Once you understand the system and how it actually works, then you become qualified to make your own decisions and to act with conviction. People are not mindless creatures and will act when the understand the facts. They are not robots that act with no understanding as the government assumes for their view of the people is that we are a gaggle of fools who believe the bullshit because it emanates from the self-proclaimed source of all salvation - Government. To the contrary, when the people who watch in sheer silence figure out that the future is not

what they have been told, government always fails. For in the end, it is just a matter of confidence.

Now we must tackle the biggest bullshit story ever told. All insurance is named for the evil that it protects against - fire, accident, liability, etc.. Yet there is just one exception. Death insurance is called Life insurance because people would not buy it by the proper name. INFLATION is the same game. The Government tells you it is the rise in the price of goods and services and thus they shift the cause to the private sector. However,

there can be the isolated rise in the price of say oranges due to a crop failure. Yet when the rise in prices takes place in all aspects, this is a different type of what the government calls inflation. This is not caused by the greed of the rich nor by the corporations. It is caused by the decline in the purchasing power of the currency.

Deflation that unfolded during the Great Depression was the collapse in private asset values relative to the rise in the purchasing power of the currency. This is what I explained the history behind Julius Caesar. He understood this problem. He saw that the same amount of money now bought two houses. He reasoned, that if the lender now collected the same amount of money, he could buy twice he he could when he had lent it originally.

Hopefully, these history lessons are starting to make sense. The battle between Deflation and Inflation lies in the pursuit of money. Therefore, a light should now be going on about the future. Can we really see deflation if the supply of money is increasing dramatically? But more important, can we have deflation with a distrust of government and cries globally about the dollar being dropped as the reserve currency of the world?

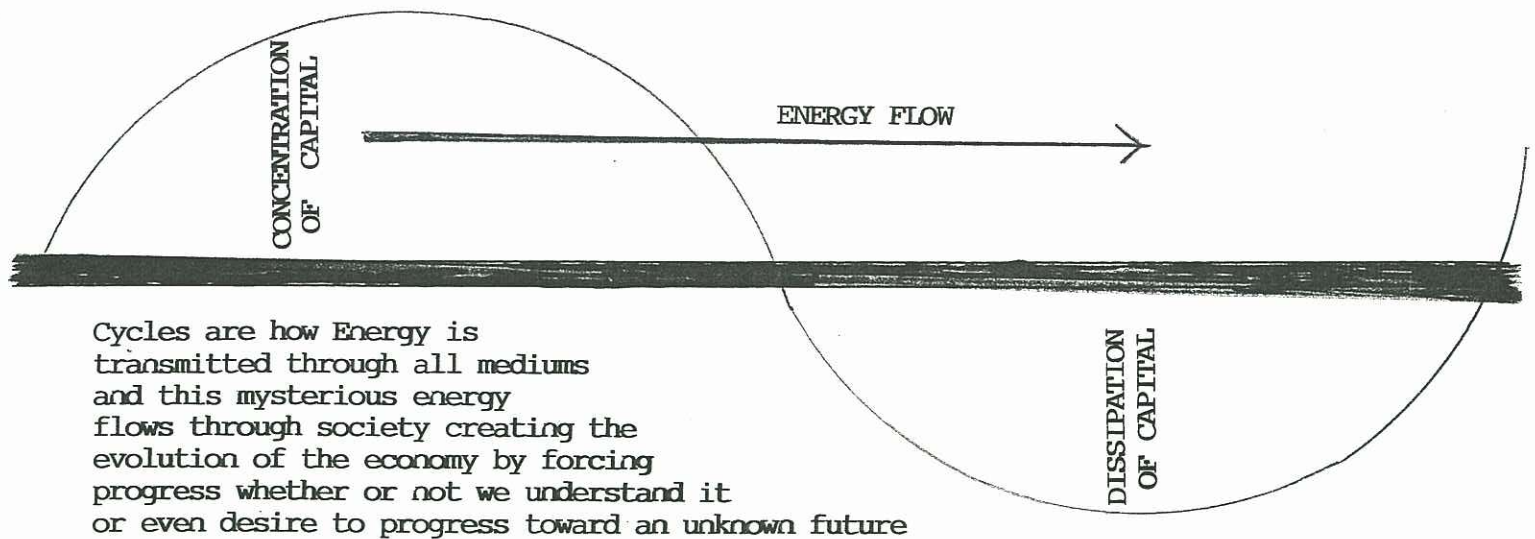
I understand there are those who will insist that we are headed to the end of the world through deflation as we did during the Great Depression. As Einstein once argued, he did not believe that **God plays dice with the universe**. I would add, he does in many ways and the dice do not always come up the same numbers.

It is true to a large extent that the present evolves from the past. History does repeat over and over again, because when we are confronted with the same set of problems, we tend to have limited choices and we will repeat the same choices that creates a real cascading effect that in fact causes the present to evolve from the past.

Nevertheless, there is also the infamous practice of cross-dressing among politicians and nations. Cyclical activity is how the energy is transmitted through all mediums that includes the emotional state of society. Cycles are what change society moving it along from one state to the next. So the picture I chose for this issue is from the Great Depression and depicts the auctions of property in Spotsylvania, Virginia in 1933 after Roosevelt took office. About 25% of all farms in Spotsylvania County were sold at public auction. The prices fell to as low as 30 cents an acre. This sort of wholesale collapse in land value took place because of the Dust Bowl and a 7 year drought. It was aided by the collapse in all commodity prices that had peaked during the Panic of 1919/20. For you see, The commodities fell on average for 17.2 years from that World War I high, and did not actually participate in the Roaring '20s Boom.

The 1907 Panic was the end of the Railroads. The next boom was the commodity cycle for WWI and peaked with the 1919 Panic. The next wave was the Industrials and the auto stocks. This is what peaked in 1929. Each cycle had its impact in distinct ways. The '07 ended the Railroad, '19 the commodity, and '29 culminated in the collapse of debt, stocks, and commodities reaching their low that forced Americans to be now skilled labor & leave the farms.





Cycles move through collective society forcing progress and change, and sometimes complete collapse that is the progress for the competitor. They in no way dictate the personal choice. For this is the beauty of the **Uncertainty Principle** that we can see the collective and map its future, but we cannot predict which individual within that collective will act with the cycle of be the counter force on the opposite side, of which there must always be two opposing forces.

As the majority begin to gather on one side of the cycle, capital begins to then concentrate. The profits made by those now attract others and thus we have the primary effect that Marx tried to stop at the local individual level - **the Concentration of all Capital**. This is the effect that produces the booms and busts.

Just as the Railroads peaked with 1907, commodities with 1919, Industrials (autos) with 1929, we then returned to commodities for 1980 and we produced the peak in the public wave in 1981. This was matched with the high in interest rates and the collapse of government bonds.

As the cycle of energy moves through the medium (people's emotional confidence), it produces these great waves that have just always existed. It cannot be stopped. I am not sure why anybody you dare see a world where cycles were eliminated, if possible. Nevertheless, it is the amazing driving force that was most likely set in motion at the moment of creation - Big Bang. It is why the present evolves from the past.

DEFLATION / INFLATION

Now perhaps we can see clearly that the cyclical battle between the people and the government I have described as **Public v Private** begins to come a bit more into focus. There are always two opposing forces and we even have this in all religions where we have God vs the Devil.

The reason we have **Deflation** during the Great Depression was because this too was a **DEBT CRISIS** insofar as virtually all of the European nations permanently defaulted on their debt. As nation after nation was going into default, their currencies were collapsing and this forced capital to flee Europe and straight into the dollar. The 1931 Crisis was profound, and in driving up the dollar, the government as always did not understand what was happening or what made capital move. So they responded with protectionism. They also in 1932 raised taxes dramatically. The top income tax rate was raised from 25% to 63% and inheritance taxes were raised from 20% to 45%.

The 1932 tax hikes combined with the rumors that Roosevelt would confiscate gold and devalue the dollar, all then worked to send capital then fleeing from the United States in 1933. This sparked massive cash withdrawals, thousands of bank failures, and then the dollar collapsed. The **DEFLATION** scenario requires a capital concentration to the dollar internationally. If the opposite takes place, we end up with **INFLATION**. It is hard to see a flight to the dollar today.