

# Armstrong Economics <sup>TM</sup>

# GOLD

\$ 5,000 +



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## A C K N O W L E D G E M E N T S

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

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

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

## Comments, Suggestions & Questions

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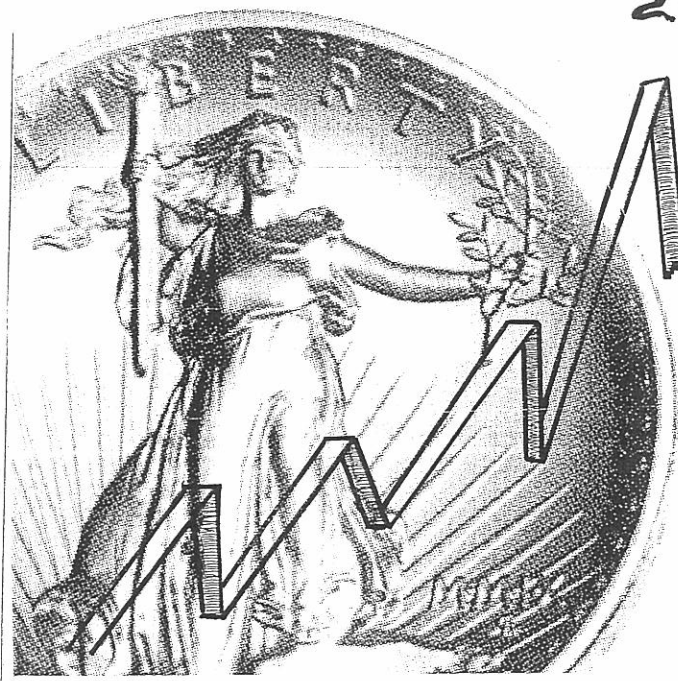
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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs 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.

2016

# GOLD

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By Martin A. Armstrong

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

**G**OLD has been one of the most hated subjects among the Socialists because with each dollar it advances, it reveals the delusion that they seek to live within. Yet **GOLD** has been a misconceived store of wealth perhaps since the dawn of time. In Egypt, its beauty reflected the color of the sun, and as such, it was only allowed to be possessed by royalty. The first use of gold was jewelry. When we dig up royal graves even in Asia to Greece, gold is found adorning the persons buried. We find gold death masks and crowns. Even spectacular **GOLD** cups have been discovered, with incredible carvings. Where the Egyptians mined **GOLD** in Numidia, the Babylonians mined **GOLD** in Turkey - Sardis. The later Byzantine Empire located in Turkey post 337AD, had long run out of **GOLD** resources in Turkey, and relied greatly upon Numidia. When the Arabs cut off North Africa, the Byzantine Empire began its fall. The great Monetary Crisis of 1092, signaled the end was near. The access to the ability to increase the money supply came to an end. The coinage of **GOLD** for the first time begins to be debased mixed with silver losing its golden color. This has always been the downfall of a **GOLD STANDARD** whereby the supply cannot be secured to ensure steady economic growth and by default, it will impose **DEFLATIONARY** economic contractions retarding the growth of society and the economy. It is why **GOLD** is the hedge against government, but should never be the "official" government standard of money.

There will be hard core gold standard enthusiasts who will stop reading by now and throw darts at any picture of me. They can probably join together with the socialists who hate my guts as well. For you see, each idea of subject matter has a circle to the concept. Go left and right far enough and what you end up with is consensus for different reasons.

The socialist hates me because their Marxist dream is to subordinate all wealth so they do not have to work as hard and to punish anyone who has more than them. The gold standard enthusiasts think if **GOLD** was money, this would solve all problems. Both thus hate my guts because I dare to challenge what they say. It is not my opinion-, it is based upon observation.



Dekadrachm of Syracuse, Sicily

Considered to be perhaps the most beautiful of all the ancient Greek Coins. It was the largest silver denomination ever minted. It pictures **Arethusa** who was a beautiful nymph who gave her name to a spring at Elis. The River god **Alpheus** fell in love with her and she fled transforming herself into a spring, but **Alpheus** created a underground river to be with her for eternity.



**The High Relief US \$20 Gold Coin of 1907 Inspired by Teddy Roosevelt**

Those who know me understand that I will always separate my BELIEF from OBSERVATION. An opinion to me is just that. It is not ever worth very much for it is limited by the very person offering it. If that person has never experienced war, then he can not foresee one ever coming. We all have opinions and we all have beliefs of an array of subjects. Yet, if we are seeking to gather more than opinions, we have to roll the sleeves up and do just a little work. The METHODOLOGY to acquire knowledge and understanding, requires pure unbiased OBSERVATION. This has always been my creed. Like the old TV commercial with the old lady and the hamburger - "Where's the Beef!"

**GOLD** was confiscated by Franklin D. Roosevelt in order to prevent it from being used as a check against his policies. He forbid all contracts in **GOLD** as well. Yet we can in fact thank his cousin, Teddy Roosevelt. For you see, Teddy was an ancient coin collector. He was so inspired by the Greeks who carved their coins in high relief that gave them the quality of true art. When Teddy became President, he ordered the US Mint to make a new \$20 gold coin in high relief as the Greeks. He commissioned August Saint-Gaudens to now design such a work of art.

Pictured above, is the Saint-Gaudens' \$20 **GOLD** coin. Even the date was in Roman Numerals, not Arabic. Why is this of any interest today? Because of Teddy, Franklin had to make an exception for coin collectors. If he did not exclude collector coins, history in fact would have been lost. However, once an exception was made, the **GOLD** trade existed in coin form in the United States pre-1975. Mexico, Austria, and Hungary, sold gold to Americans by circumventing US law. They made what became known as "restrikes" whereas in Mexico they minted the **GOLD** 50 peso that was perpetually dated 1947. The Europeans, struck 1908 coins perpetually. So the **GOLD** trade was alive and well carried out by coin dealers pre 1975, when it became legal to own **GOLD** even in bar form.

I grew up OBSERVING the **GOLD** trade and working in the field from a teenager right through high school. While others were out pumping gas or delivering newspapers, I was selling **GOLD**. It opened my eyes in so many ways. Perhaps most of all, it exposed me to the falsehood of social sciences and put me in the middle of a conflict. In the hard science, nothing was random. Social science, everything was random so it cannot be predicted. Somebody was dead wrong and it wasn't the physics teacher.

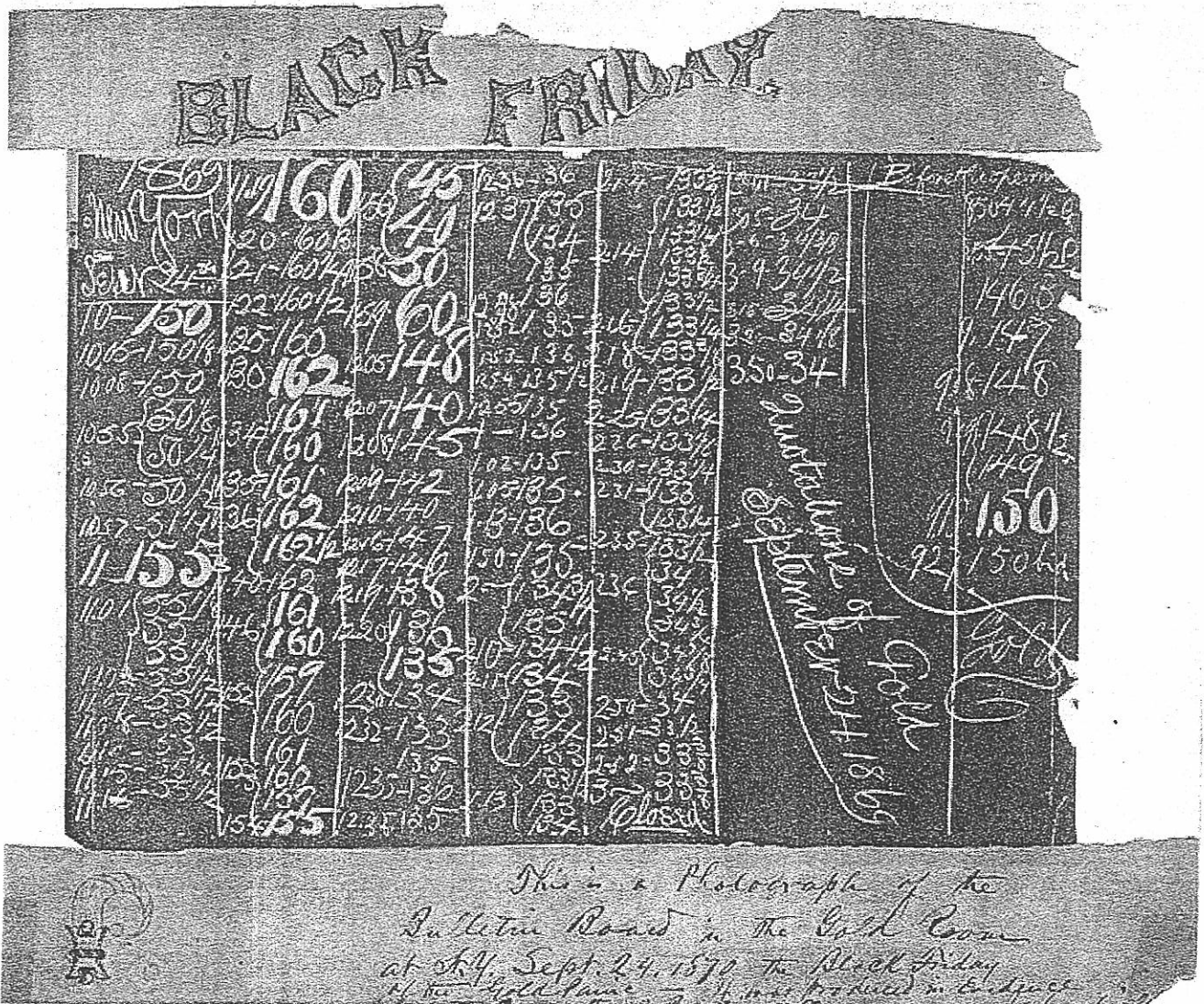
# Black Friday 1869

At seminars around the world, I would often explain that perhaps what inspired me to investigate cycles, was my high school teacher showed an old black & white movie one day entitled **Toast of the Town**. This was a film about the Gold Panic of 1869 that was the birth of the term "**Black Friday**" that was certainly not about shopping as it is used today for the day after Thanksgiving.

Back then, the US abandoned the **Gold Standard** during the Civil War. The Panic was

blamed on a plot to corner the market of **GOLD** that at the time traded on the New York Stock Exchange in terms of "greenbacks" meaning that this was the true reciprocal of dollars whereby the term "greenback" meant that they had nothing on the reverse side but green ink.

Much of this history of this Panic has been manipulated by both government and the **Gold Standard** crowd to suggest that this event took place because the money was not backed by **GOLD**. This is not true! People who had deposited \$20 in **GOLD**, wanted to sell it for \$162 in paper, but the bankers handed them \$20 in paper, so they started hanging the bankers.



Photograph of the Black Board from the New York Stock Exchange on September 24th, 1869 showing the tick-by-tick prices of **GOLD** trading during the **Panic of 1869**. The writing at the bottom is that of the Chairman of the Committee charged to investigate events on that fateful day, James Garfield (1831-1881) who later became the 20th President

Whenever one looks at history, it is wise to remember, the victor gets the last word no matter if he is the defender or the oppressor. Make no mistake about it, Thomas Jefferson narrowly escaped his home because the English sent an army to go capture one man to hang him because he wrote the Declaration of Independence. Had the English won, Jefferson would be known to history as a traitor instead of a founding father. This is why he considered this his contribution.

The Panic of 1869 has been distorted by both sides to fit their arguments. The US did not issue paper money after its birth in 1789 until the Civil War. The term commonly used "Greenback" does not reflect any lack of backing by **GOLD**, but the lack of Interest since the first notes that began to circulate were a derivative of a bond - circulating paper currency that had an interest rate schedule on the reverse reflecting the value of the note the longer it remained in the hands of the people. It was a circulating form of credit. When the government stopped paying interest and just printed notes with no interest schedule on the reverse, this is what the term "Greenback" truly meant for when you flipped it over, there was nothing there except the green ink on the reverse. Thus it was the absence of interest - not **GOLD**.

Nevertheless, because the Federal Government was no longer minting **GOLD** coins, the circulating currency became these notes known as "Greenbacks" that now began to even trade on the New York Stock Exchange as we trade futures today. The rise and fall in prices were a reflection of **CONFIDENCE** in who was winning the war.

The attempt to corner the market in **GOLD** indeed created the **Panic of 1869**, but there was a strong undercurrent of political corruption. There was much distrust and extreme conflicts over the management of the the Federal Government ever since Lincoln had created the first **Income Tax** in 1862 to raise money to pay for the war. It was widely believed that this was unconstitutional yet no formal challenge was heard by the Supreme Court until **Springer v US** that was decided on January 24th, 1881 upholding the direct tax as constitutional. The reasons given was that a direct tax was on real property tax and a poll tax. Hence, the Court held an **Income Tax** was neither, proving that the Supreme Court has done more to destroy the rights of people than ever protect them.

The attempt to corner **GOLD** led by Jay Gould and James Fisk was said to involve the Grant Administration and Daniel Butterfield who was Assistant US Treasurer.



General Joseph Hooker  
(1814-1879)

#### FOOTNOTE TO HISTORY

The curious footnote to history involving the **Gold Panic of 1869**, involves General Daniel Butterfield who acquired a reputation that was quite diverse. While he is credited as the author of the **Taps** played by military at funerals, he was also a celebrated participant in the noted scandal involving General Hooker. The two were close personal friends and their headquarters became quite notorious for the wild women and the drinking. Other generals during the

Civil War were displeased at the goings-on that had become widely known as a "bar and brothel" to such an extent, that the women who engage in the profession as prostitutes even today, are often just called "hookers" denoting this scandal that goes back to the Civil War. It must be quite a distinction to have prostitutes renamed after you that lasts for hundreds of years there after.



General Daniel Butterfield  
(1831 - 1901)

Jay Gould had made a lot of money from the railroads. He got involved with James Fisk and the two became involved with Tammany Hall. They succeeded in then making Boss Tweed a director of the Erie Railroad. Tweed arranged for favorable legislation.

Gould and Fisk aided Daniel Drew in his war against the Erie Railroad that was controlled by Cornelius Vanderbilt. They became directors and thus carried out a very clever plan to take control of the company away from that of Vanderbilt.

Tweed and Gould became the subjects of political cartoons by Thomas Nast who in 1869 made them quite famous, for it was Nast who also created the image of Uncle Sam - a lasting tribute to his political cartoons. In October 1871, Mr. Tweed was indicted for fraud. It would be Gould who put up his bail of \$1 million. William Marcy "Boss" Tweed was given a trial by jury where he was found guilty of 204 counts of fraud. He was sentenced to 12 years November 19, 1873. Tweed had escaped from prison December 4th, 1875 and fled to Cuba. Tweed fled Cuba and was then captured in Spain who returned him to New York state prison November 23, 1876 where he died in 1878 of a lack of care.

Gould and Fisk were more manipulators than anything else. They used behind-the-scene-machinations, not to speculate, but to rig the game so that they would have guaranteed trades. Their exploits with the Erie Railroad was just one example. Their style of business was akin to tying an opponent's hands and putting a bag over their head and then proceed to claim it was a fair fight.



James Fisk  
(1835 - 1872)



Jay Gould (1836 - 1892)

The GOLD corner scam was where they hoped to force the price of GOLD higher to new levels on the theory that when the Government returned to the GOLD standard for payments, that they would have to now adopt the open market price they had created.

They involved Abel Corbin, who was President Grant's brother-in-law who convinced Grant to hire General Daniel Butterfield as Assistant Treasurer. Butterfield's job was to inform Gould and Fisk if the Treasury would sell any gold. This conspiracy to rig the markets was now in place. Gould began to buy GOLD aggressively only during the summer of 1869 - in August to be exact. What we are looking at was a very short-lived scam that lasted all but about 3.14 months.

Gould profited from the scam when all was said and done. But the process exposed the temperament of the times. For you see, most banks were chartered by the states, not the Federal Government. This created a vast period of **Wildcat Banking** as it was known between 1816 and 1863.

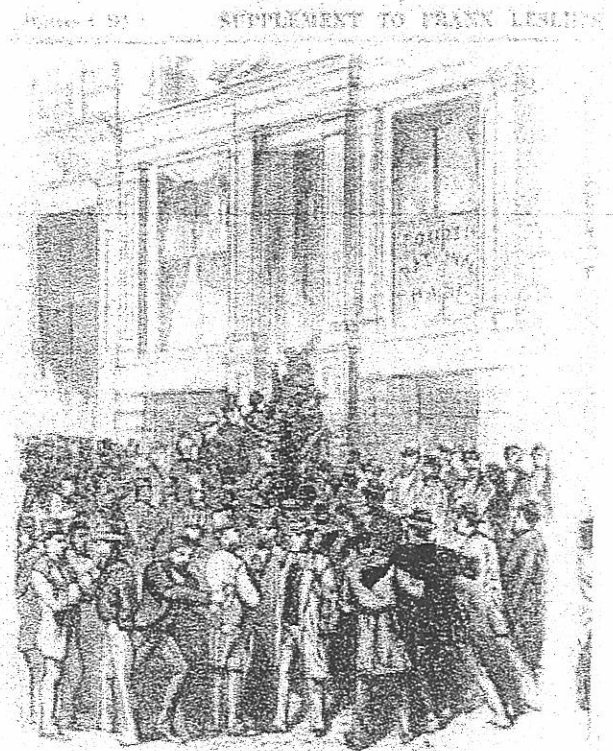
The advent of the **Civil War** exposed many problems. The bulk of the money supply was paper currency issued by each bank. The notes were thus backed by each bank and not the federal or state governments. There was the whole battle of Andrew Jackson against the Bank of the United States, which he was determined to destroy.

As the **Civil War** began, the Federal Government issued paper currency that was a form of circulating bonds with an interest payment schedule on the back. But the cost of the war could not be funded by coin. The government needed credit. There was no real system of primary dealers.

These **Wildcat** banks were all over the place. Since each bank issued their own notes, this sheer variety prevented anyone from detecting counterfeits. This also lent to the widespread creation of small banks, not branching, for then a small bank could be located in some remote area making it very difficult if not impossible to redeem these notes. This led to just printing money with no backing whatsoever - pure fraud.

This system of **Wildcat Banking** led to the **Panic of 1837** and eventually there was the global "**contagion**" that appeared with the **Panic of 1857**. Hence, as the **Civil War** now came upon the scene, the Federal Government needed the credit and was running out of cash. We find the **Income Tax** appearing in 1862, and then we find the **National Bank Act of 1863**. This ended the state banks and was the birth of US paper dollars.

During the **Civil War**, not only was money scarce, in tangible form, but so was just about any metal including nickel and copper. We find 3 cent pieces that would have been struck in nickel, issued in silver. Copper was scarce, so there was a real short fall regarding coinage in general. This led to private stores minting their own coins and postage stamps being encased in mica to serve as circulating coins.



Run on the 4th National Bank Located  
20 Nassau Street, New York City  
October 4th, 1873

(Source: Frank Leslie's Illustrated Newspaper)

This provides a backdrop to the view of bankers at that time. They were shady sorts of people who were not highly regarded. So when the price of **GOLD** rose to \$162.50 on September 24th, 1869, they were indeed then besieging the banks in New York to withdraw their gold coin deposits to sell them on the New York Stock Exchange. When the bankers thought themselves clever and handed them a \$20 note instead of a \$20 gold coin, you can image what took place.

The mob began dragging bankers out to the street and hanging them. This prompted the government to send in the militia and attempt to stop the blood-shed. This is the origin of the term **Black Friday**, not having anything to do with shopping.

Grant was forced to respond. He sent out a news release claiming he was going to sell \$40 million in gold. That sparked a major selling panic and within just minutes the price fell to the \$130 area. Of course, this announcement was deliberately false. There was no \$40 million, but \$4 million.





Franklin Delano Roosevelt  
(1882-1945) (Pres: 1933-1945)

**I**F we are going to explore history, we must do it with a view to simply report what we discover. We cannot look to form history to match a predetermined outcome. If we do that, we are only living a delusion. This is why when we look at history, something else jumps out - the struggle between the **Private** interests and the self-interest of **Public** entities created by the ruling class.

**FDR** realized that the only way to force his agenda upon the nation, was to confiscate **GOLD**. He would create inflation by the devaluation of the dollar, but unless he could control the **GOLD** supply, he could not benefit from it. He wanted to capture that profit to fund his agenda.

**NEVER** has the **GOLD STANDARD** ever worked for the very same reason they argue against a paper standard - politicians just cannot be trusted. They have debased the coinage, created taxes and hunted citizens to confiscate their wealth, all in the name of increasing their money supply so they may retain personal power. It matters not what the currency is based upon, for if it is to be controlled by dishonest men, it will be no more reliable than a 747 that just ran out of fuel in mid flight.

Many people think that somehow if we had a **GOLD STANDARD** that this will solve all the problems. The longest running world currency was that of the Byzantine Empire known as the **SOLIUS** - a gold coin of incredible pride so it was maintained for hundreds of years without debasement. When the state began to run out of funds, it too began to be debased during the Great Monetary Crisis of 1092.

A **GOLD STANDARD** is only as good as the integrity of the political ruling class. If we look at **Bretton Woods**, a three-year-old could figure out the system would collapse. How can anyone in their right mind create a system where gold is **FIXED** at \$35 per ounce, yet you do **NOT** fix the amount of dollars you print? There are just somethings politicians do that are just **BRAIN DEAD**.

The problem we have is **POLITICIANS**, not what we call money! Politicians are hopeless. They **ONLY** see their own self-interest and as such they will never even consider **what if** they are wrong! They cause wars. Destroy our future, and have no clue about how to run a state honestly.

Don't forget. The invention of paper money in the West came in the United States during the colonial era because there was a shortage of coin. You have heard of a **Piece of Eight**. That was a one ounce silver coin struck by the Spanish called **8 Reals** and to create circulating money, they were cut up like a pie - "**2 bits, 4 bits, 8 bits a \$.**" The English were desperate for cash, so they demanded that all purchases ~~by~~ America was to be in gold or silver, whereas anything purchased **from** America, was to be made only in copper. The English were draining gold and silver from the colonies creating such a shortage, paper currency was the answer. The first to appear were playing cards cut up and signed in Canada promising to pay as soon as the **ship came in**. The early form of **IOU** developed into paper money and became widely used during the colonial days. The birth of the United States, brought the end to this unsound finance and the only money was then gold and silver. It was the dawn of the civil war that created paper money and created public debt, as well as the first primary dealer (19th Century version of Goldman Sachs).

# Panic of 1873

The **Panic of 1873** was a global **contagion** unlike the **Panic of 1869** that was caused by a local manipulation. Just as there was great euphoria after the fall of the Berlin Wall in 1989 and the unification of Germany sparked tremendous expectations of a vibrant East German economy that would match that of the West built upon unrealistic expectations that just because the people were German, they would work as hard as the West Germans, the same trend appeared between 1870-71 with the great German Unification. There was excessive speculation in Germany and Austria that end with a **Crash of 1873** that in Germany became known as the "founders' years" **Grunderjahre**.

There was a great liberization of German corporate law at this time that sparked a founding of enterprises on a major scale. In fact, you even find the birth of Deutsche Bank. This mixed with great euphoria over the military victory against France in 1871 that ended with France having to make now its reparation payments to Germany. This led to widespread speculative fever that caused the stock markets to soar. Nevertheless, Bismarck's victory over France was followed by the German **demonetization** of silver that began on November 23rd, 1871 and resulted in the introduction of the **GOLD MARK** on July 9th, 1873

The **Contagion** began with the crash on May 9th, 1873, on the Vienna Stock Exchange. This led to a collapse of the banking system. This contraction in capital and the moving to the **GOLD STANDARD** had the huge effect of forcing **DEFLATION** upon the whole economy. This spread to Berlin where the railway empire of Bethel Henry Strousberg crashed from being overleveraged and the whole German bubble burst wide open. As always, Bismarck turned to protectionism in 1879.

Bismarck's **demonetization** of silver created a **deflationary contagion** on silver around the world. Silver would naturally pour out of Germany to places where it was still considered money, and exchanged for **GOLD**. This arbitrage continued to dominate the last quarter century in the 1800s. The effect was clearly felt in the United States and play a key roll in what became known as the **Coinage Act of 1873**. The Congress had followed suit and also **demonetized** silver placing the country on a **GOLD STANDARD**. **Canada** joined this move and what we see was a massive wave of **deflation** for what they did was reduce the money supply overnight. This had the effect of causing a silver crisis worldwide.



Jay Cooke Founder  
Jay Cooke & Company

In the United States, the silver miners and farmers would call this the "**Crime of '73**." This was the beginning of what has also been called the **Long Depression** that lasted for **26 Years** until the peak in interest rates hit in 1899. Even the short-term collapse, we saw a 65 month decline economically compared to a 43 month decline from 1929.

By **demonetizing** silver, the government retroactively transformed all prior debt now into payable only in **GOLD**. People may have borrowed silver, and now owed **GOLD**. The stress within the economy was far reaching and it was this constructive amendment of all debt that put pressure on the banks.

The **Goldman Sachs** of the day was **Jay Cooke & Company** who was by far the wealthiest banker in the country, although the bank had lasted only between 1861 and 1873 (12 years). Prior to the Civil War, the US was largely a creditor nation. Secretary of the Treasury Salmon Chase turned to **Jay Cooke** to sell US government bonds to raise money. **Cooke** had been able to sell private corporate bonds around the world, and this Chase turned to him to be effectively the first **Primary Dealer**. The amount sold was \$500 million payable in 20 years, but callable in just 5yrs.

**Jay Cooke & Company** was the first so called "wire house" for they were the first to use the telegraph technology to confirm sales of securities. **Cooke** established a vast network of sales agents around the country, including correspondent small banks and insurance companies along with brokers in real estate. It was the invention of the telegraph that was wisely used by **Cooke** and enabled his firm to grow to the largest at that time in history. To this day, innovations he put in place form the foundation of the brokerage industry.

**Cooke** also became thus an Investment Banker, and this was his downfall. In 1870, the Northern Pacific Railroad turned to him to sell its bonds exclusively. The sale of the bonds did not go well. **Cooke** became the largest holder with a 75% stake in the whole company. **Cooke** was then trying to extricate himself by expanding the railroad into the second transcontinental service.

The contagion that began in Europe, hit the US markets a few months later. For you see, when there is widespread global investment, a crash in one region causes investors there to start selling other investments in order to raise money. This is why general fundamental analysis fails, because things will crash due to external fundamentals that have nothing to do with local events - the  
**C O N T A G I O N !**

The Panic struck on September 18th, 1873 when it became widely known that **Jay Cooke & Company** was exposed to Northern Pacific Railroad. Depositors began a run on the bank rushing to withdraw their funds. This led to the collapse of the bank. **Cooke** had then written liabilities against expected future earnings from the Northern Pacific. When **Cooke** could not raise cash by selling enough bonds to meet the obligations, it had to suspend its operations on the 18th. The firm was headquartered in Philadelphia. Its stock traded on the New York Stock Exchange. When the Exchange learned **Cooke** suspended all its operations, it was too late. Share prices plummeted causing a chain reaction as the domino effect led to runs on banks throughout New York that appeared for months.

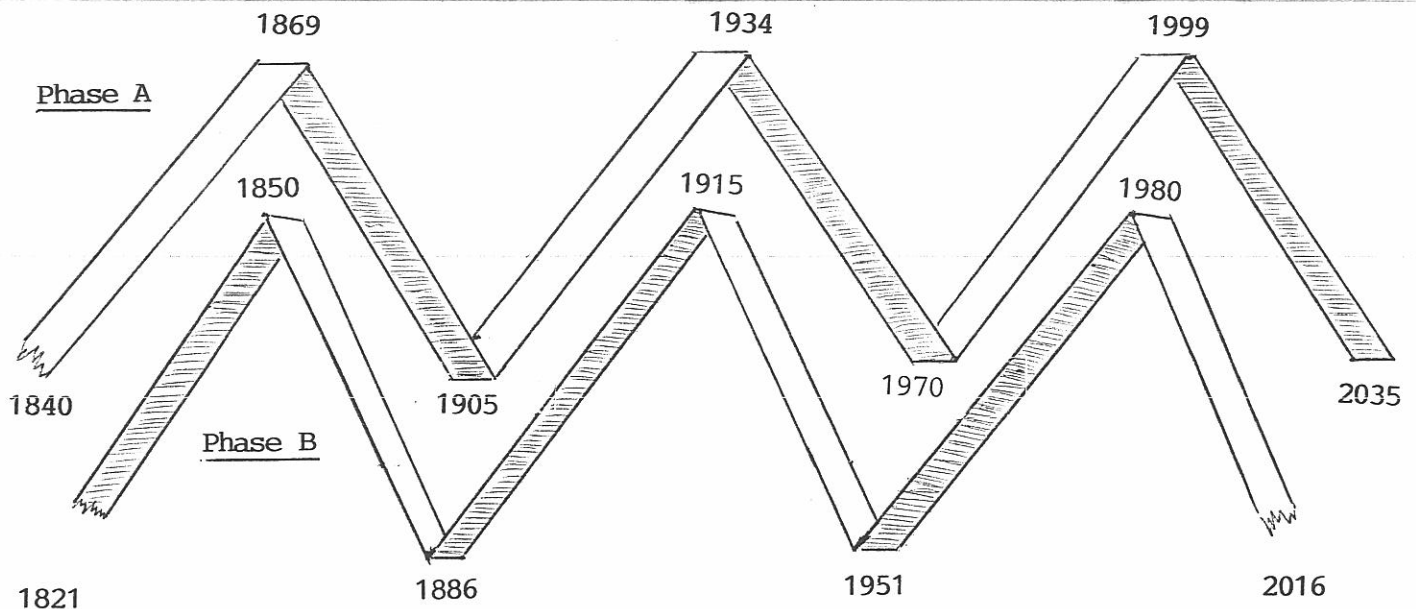
There can be no doubt that the massive contraction in the money supply caused by moving exclusively to the **Gold Standard**, had set in motion the worse depression in history.

The official view of the National Bureau of Economic Research, classifies the deep economic decline lasting at first 65 months between October 1873 and March 1879. While there was somewhat of a economic bounce, the entire **Long Depression** consists of at its most extreme, a total of the following 253 months going into January 1901 during which 114 months showed additional economic declines.

While some economists have tried to dispute the **Long Depression** pointing to the upticks in prices and stocks, in general, if look at the **Economic Confidence Model**, it peaked in February 1878. The decline moved into 1882. This coincided now with the worst economic crash in France. The leading stock was l'**Union Generale** that had risen from 500 francs in 1879 to 3,000. The economic crash continued into the end of the decade. This boom had come at the expense of Germany and the United States. Just as capital had moved into Japan for the bubble in 1889, the same took place whereas capital fled America and Germany to France. This led to hard feelings whereas the French blamed the Jewish-German banks and the Freemasons to "conspire" then against the Catholics. Many French brokers were wiped out. In fact, **Paul Gauguin**, the famous painter, had been a stock broker who lost his job forcing him to change careers and become a painter.

The collapse of the economic wave from the peak in 1878, marked a sea-change for this was the end of a **Public Confidence Wave** and from 1882 into 1929, we were looking at the birth of a **Private Confidence Wave** that is inherently more volatile. Yet, what we are looking at is the collapse of **confidence** in government. This led to the widespread view that the demonetization of silver taking place during that wave, contracted money and created a domino-effect of contraction. This is why we have this great political battle with the **Silver Democrats** and the culmination of this belief with the 1896 Presidential Convention speech by **William Jennings Bryan** about **thou shall not crucify mankind on a cross of gold**.

The criticism of government led to the the **Bland-Allison Act of 1878** that now forced the Treasury to buy silver at high prices. It was replaced in 1890 by the **Sherman Silver Purchase Act** that forced a doubling in the value of silver at a ratio of 16:1 to **GOLD**.



64.61 Year Gold Cycle

In trying to even understand how to plot **GOLD** over extended periods of **TIME**, we must realize that what is up under a **GOLD STANDARD** is down in a free market, and what is down became the opposite - **UP!** When **GOLD** is money, it rises in value creating the **DEFLATION** in everything else. During periods of pervasive **INFLATION** under a **GOLD STANDARD**, the purchasing power of **GOLD** declines. So when we even try to chart **GOLD** or attempt to comprehend cyclical trends, it can get very confusing. You have to know the monetary history of the period just to get things correct in your head. Therefore, the best way to look at **GOLD** is from a cyclical view that reflects **TURNING POINTS** irrespective of whether it is a high or low.

This is the reason why you have many analysts claiming we will see another Great Depression with massive **DEFLATION**, that can only mean under the current monetary system where it is the **DOLLAR** that is money & not **GOLD**, what they are saying is that the **DOLLAR** should rise, stocks collapse, and that should take commodities and **GOLD** down and the **CONFIDENCE** in government must then rise. Once you understand it is the money that is the issue dictating the outcome of the entire future economically, you start to comprehend far too many people don't have a clue as to what the hell they are saying. I realize that what I am saying may seem to be difficult to understand causing some to claim I am speaking in tongues, but slap yourself in the face until to wake up and smell the roses.

What is money is the key to understanding what we are dealing with. So I have now provided **Phase A** and **Phase B** of the **Gold Cycle** I first published back in 1979. If we look at **Phase A** we see three main targets 1869-1934-1999. Here we have the **Panic of 1869**, the 1934 Confiscation of **GOLD** and the devaluation of the dollar relative to **GOLD**, and then we have 1999 - the low in **GOLD** post-1980. In a strict sense, these were all key turning points in the monetary history.

**Phase B** provides 1850, the high in **GOLD** prices since we have the 1848 California Gold Rush, 1851 Australian Gold Rush, 1886 Witwatersrand Gold Rush in South Africa, and the 1898-99 Klondike Gold Rush, the 1915 high during World War I, and the 1980 high post-1971 Floating Exchange Rate System. We have 1821 that was a high following the **Panic of 1819** that was the first major financial crisis in the USA with widespread real estate debt collapse and bank failures. 1886 was a drop in purchasing power of **GOLD** for it was the single one-year recovery between economic recessions of 1882-1885 and 1887-1888. 1951 was when the Feds let the Federal Reserve act freely abandoning the mandatory support for US Government Debt at par starting the 86% decline in the value of US bonds by 1981. The next target just so happens to be 2016 that lines up with a 17.2 year rally in **GOLD** prices from the 1999 historic low - decline in the purchasing power of the dollar. When we look at **GOLD**, hopefully you are starting to see, this is a very critical market to understand.

The **GOLD STANDARD** is no more the answer to our economic problems than **Karl Marx's** insane idea of taking all private assets away from the people and handing them over to the politicians. The **GOLD STANDARD** is a wonderful idea of utopia. However, it is no more practical than Communism.

The presumption behind the ideas of both **Marxism** and the **GOLD STANDARD** is that in some mysterious way, our politicians are honest men who will always look after us as a father or mother cares about their child. Keep in mind, some parents abuse their own children and so the likelihood of us ever finding honest politicians is like expecting **Justice For All**. Those are words for school children to pledge in school. They mean nothing to those in power.

We have to be practical to say the least. We have to create a system that in every possible way retains the liberty for the people. We will **NEVER** have a Free Press until we end **INCOME TAXES** to stop the main threats against publishers if they do not act in the appropriate "patriotic" manner. We must adopt the full privileges of the Press to ensure they fulfill their vital function as a check against political and executive corruption. Unless people can freely talk to the press, we will never again know scandals like Watergate.

**MONEY** is not gold. It is the full and complete productive capacity of the people that constitute the nation. **GOLD** is the free **HEDGE** against the mismanagement of the state. It is NOT a hedge against inflation! Right now, we have Social Security made an announcement that since there is **deflation** and the **CPI** has been negative, there will be **NO** cost of living increase. Yet **GOLD** has made new highs! If we were truly looking at **GOLD** as a hedge against inflation, then it should have declined, not risen. This is what I am talking about. It is a **HEDGE** against the Government and its policies and not merely a private asset that goes up and down with inflation as do houses.

**GOLD** is the true and perfect **HEDGE** that should remain as a free market in the land of liberty. If Government were to try to confiscate **GOLD** again, this is the sign of tyranny by sheer force. Do not then be surprised if tanks don't roll down your street.

**MONEY** must grow with the economy and the population. The massive **Long Depression** that truly lasted for 26 years with the first low 65 months from the high, compared to the Great Depression 43 months economically speaking/34 month stock market, was caused by the **demonetization of silver** that shrunk the money supply and constructively converted all debts to now **GOLD** loans.

The growth of **GOLD** supplies cannot be controlled by man. Therefore, what took place during the late 1800s, was a massive wave of **deflation**. If we returned to the **GOLD STANDARD** today, then by fixing the price of **GOLD**, private assets must decline for if the supply of money cannot grow, the value of that money will rise in proportion both to the economy and population. Debt becomes virtually impossible to maintain for whatever you borrow today, you will have to repay with more of your labor tomorrow not less.

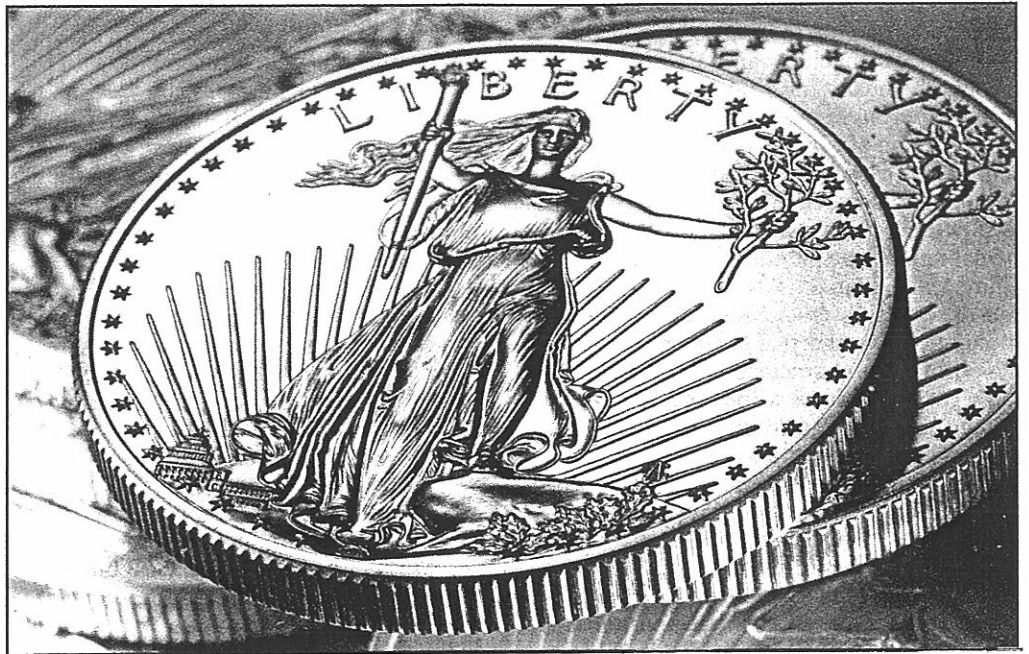
**MONEY** supply should expand with the economy and the population growth. This is the only way to allow the general social economy to become more stable. Our problem with "fiat" currencies as in Germany or in Colonial America, has **always** been, and with no exception whatsoever, the integrity of the politicians. They are who we cannot trust with our future and **MUST** be restrained for the good of the people.

**DEBT** must be abolished publicly. We cannot continue to undermine our own future perpetually. Would a responsible parent go borrow money and hand the bill to his 3 year old to pay? That is what we are doing. Our self-interest will ruin the state and put at risk generations to conflict and war.

Schools, trash collection, things like this should be private. The state can no more provide these services at a reasonable cost than a terrorist will inform the kids and women to leave before he kills himself. It is far cheaper to provide subsidies for the poor than it is to tax everyone so high in property taxes that people can no longer afford to retire in the house they raised their children for decades.

We are living on a credit card and the **DEBT** will go into default because of a lack of buyers. This is why **GOLD** will soar as the real **HEDGE** against the state.

Therefore, understanding the role that **GOLD** has played throughout history is vital for we cannot comprehend the future without delineating the past. It has never been the **GOLD STANDARD** that gives rise or fall to sound money. It has been the politicians who control the rules.



Hopefully, you can see what I am talking about insofar as even charting gold in the historical sense of time and circumstances, presents a challenging problem for it depends upon what is money at the time you are charting the course of prices. If it is gold that is money, then it rises with deflation and falls with inflation. When

gold is a free market, then it will decline with deflation and rise with inflation. I understand that my audience is now diverse and not just the major titans of the world economy. I am trying not to use complicated terms and to bring this subject down to earth. When one speaks only to those in his own industry, he skips a lot because it is presumed to be the core fundamentals that need not be repeated. In the real world, not fictional-political-economy, there are some things that are not said, because everyone understands them who are students of the field. It is like economic statistics. The press often compare GDP of one nation to another. They fail to grasp the fact that every country uses a different twist to the formula. Hence, fundamental analysis fails more often than not, because what the people using it fail to understand, is that their comparisons are starting from a point of statistics that are bogus and politically manipulated to begin with. The old golden rule of analysis - **Garbage in = Garbage out!** Gold is no more a hedge against inflation than I am the President at Camp David. I am at Camp Fort Dix and Gold is a hedge against political mismanagement.

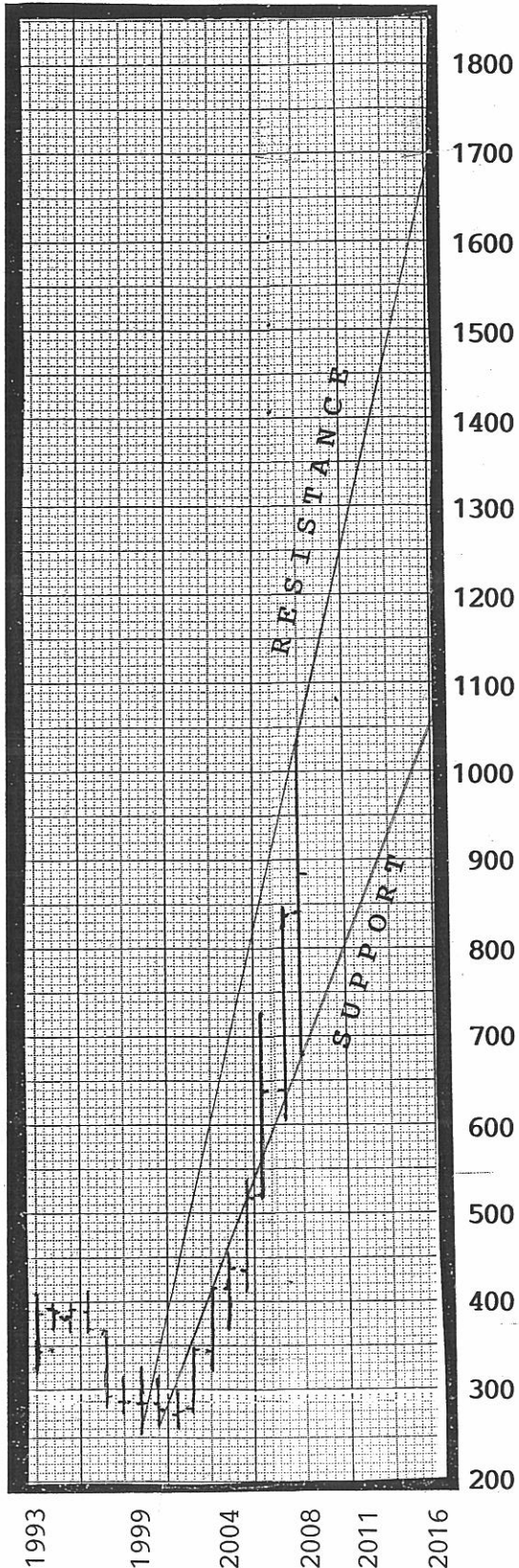
GOLD IS A FREE MARKET THROUGH WHICH THE WORLD VOTES ON FUTURE CONFIDENCE



*The Vaphio Cups. c. 1500 B.C. Gold, height 3-3 1/2". National Museum, Athens*

**G**OLD is perhaps the most important market of all. It will be our guiding light to the near future, for there lies a very unique market more so than any other including the stock and bond markets. This is a **Financial Commodity** that is truly a worldwide markets recognized in every country. This is the only worldwide market that performs a unique role as a vote of global confidence. The Dow Jones Industrials can at times only reflect domestic concerns when international capital flees. But **GOLD** is the same thing in all languages and always has been. Even if the US tried to confiscate **GOLD** and outlaw it in a desperate measure to retain power, not merely will they use tanks against their own people as they did during the summer of 1932 just like China, but they cannot prevent its rise outside the United States.

**GOLD - Yearly  
Nearest Futures**



While gold exceeded the \$1,000 level during 2008, it never closed above that number on a monthly basis until now in September 2009. We are seeing the subtle trend changes that I have been pointing out that the Dow would move counter-trend to the US\$ because it would assume a role as a domestic hedge against inflation as it did in 1932 going into 1937. The correlation to the dollar relative to **GOLD** has also begun to bloom.

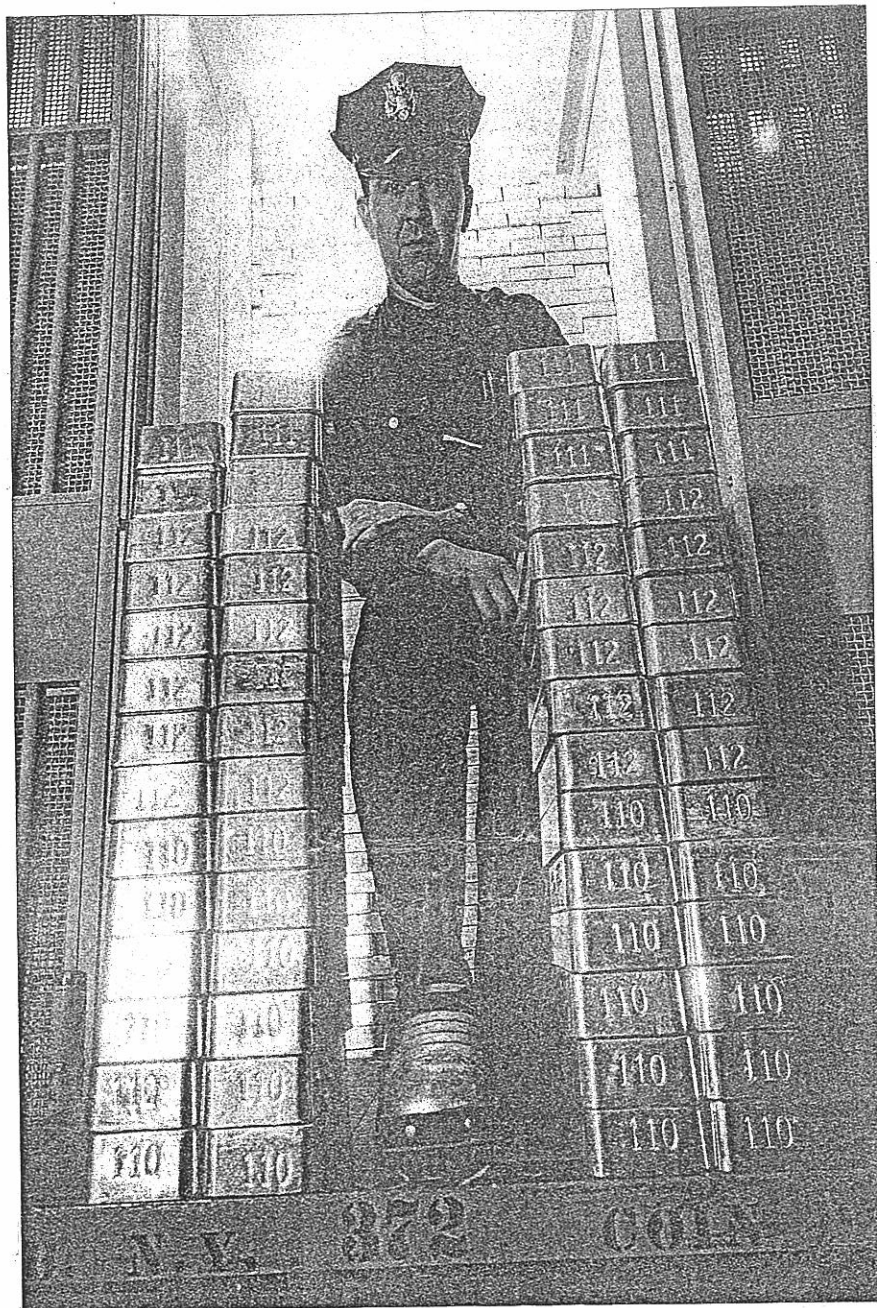
As we go into year-end, a close for December **ABOVE** the 2008 high of \$1,033.90 on a nearest futures basis will signal a very strong posture in 2010 and we should move up to test the top of the **Primary Channel** illustrated on page 15. This target will stand at the 1300-1500 level in 2010. Things will start to get politically serious if we start to exceed this **Channel** & find it provides support thereafter.

The broad support will now rise to primarily the \$730 area with first support at \$848-875. The major support for the bull market lies at \$602-540. Only an annual closing back below this are would signal a reversal in trend.

Technical support will be at the \$800 level for 2010. Holding this will keep the bullish momentum in place. We should see a temporary high in 2010-11 with a retest of support perhaps into 2012-13 with a rally into 2016.

# Market Outlook

# Market Outlook



1960 NY Federal Reserve Photo

There is still some central bank selling of gold. Much of what the US is doing is servicing the retail market itself with minting 1 ounce bullion coins. Europe is still selling gold reserves, but all of these sales are being absorbed. The interesting factor today compared to the 1980 rally is that where new mines were opening up and production was rising, here we have production from the mines and even South Africa declining. So for those supply/demand fundamentalists, the supply is declining while the demand is rising, and there is scarcely enough **GOLD** to go around in a real major economic crisis.

For now, there appears to be monthly turning points due in November 2009 and April 2010. If **GOLD** were to make new highs after November, then we could expect a rally going into April 16th, 2010 or so where we could reach a temporary top at the **Primary Channel** top. If we see a decline going into April, this could lead to a very explosive rally with a rally into October 2010. It does appear that the **BIG** change in trend may be in October/November 2010 with a 12 month trend thereafter. An Oct/Nov '10 low would point to an explosive rally for the following year & vice versa.



G O L D (1998 - 2009 Monthly)

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TECHNICAL - ANALYSIS  
PROJECTIONS  
INTO 2012

