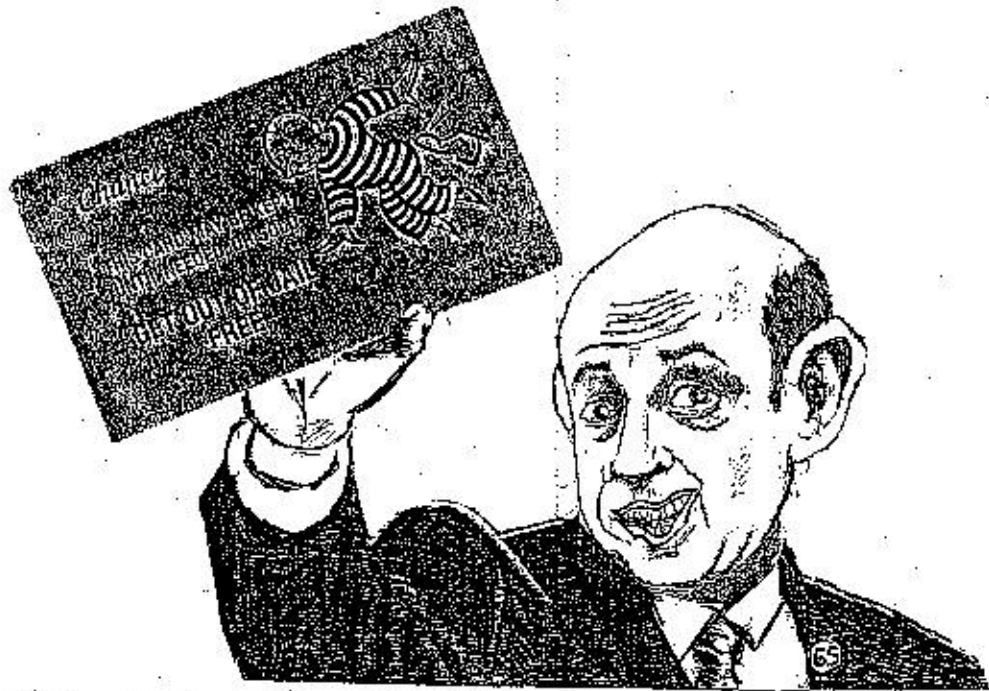


The Goldman Sachs Conspiracy. The Real Dark Pool

Martin A. Armstrong
former Chairman of Princeton Economics International, Ltd.



Please mail comments and questions directly to:

Martin A. Armstrong
FCI Fort Dix Camp #12518-050
PO Box 2000
Fort Dix, New Jersey 08640

PLEASE REGISTER YOUR EMAIL ADDRESS
FOR ANY UPDATE NEWS

ArmstrongEconomics@GMail.COM

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This Report may be forwarded as you like without charge. It is provided as a Public Service at this time without cost. The contents and designs of systems are in fact copyrighted. At a future date, a book will be released **The Geometry of Time**. The charts are often reproductions of an earlier publication from 1986 also to be soon republished **The Greatest Bull-Market-In-History** covering from 1900 up to the 1980s. Additional updating is underway to complete the Century and into the current time, providing a month to month history of the financial development of Western Society.

The Goldman Sachs Conspiracy.

The Real Dark Pool

by: Martin A. Armstrong
former Chairman of Princeton Economics Int'l
Foundation for the Study of Cycles



Lloyd Blankfein
Chairman & Chief Executive
Goldman Sachs

There seems to be an extraordinary amount of attention now starting to focus on the Goldman Sachs Conspiracy as it is becoming known. This is giving me great concerns, for what I have been now reading like the piece featuring the Dirty Dozen by Matt Taibbi in the Rolling Stone on April 2nd, 2009, appears to be focusing on loose connections that spun together leads nowhere while attributing intentional acts to many. This so called "conspiracy" I believe is starting to be intentional dis-information to confuse and defuse the real conspiracy.

In marketing and politics, they can manipulate the press by actually feeding them stories that are sensational to divert attention from the truth. When the news will break anyway, the best solution is a quick defense of disinformation. When the Bank of England called all the silver dealers together for a meeting in London in early 1998 to investigate the manipulation of that market, Warren Buffett came out that night before the meeting to announce he had bought \$1 billion worth of silver and he was not manipulating the markets, for this was a long-term investment. I believe you will see that Buffett sold the lot for silver went to new lows after that anyway. The object, to defuse the news that would come out and prevent any sort of an investigation that just may have revealed who else was involved.

The stories about Goldman Sachs and spreading the blame around like it was a giant plot to destroy the economy and then create the greatest transfer of wealth in modern history or ever under the noses of the Democrats, is missing the point. You have to realize that there was no plot to intentionally create the economic collapse to make a windfall profit. That is a story that could be intentionally planted to divert the truth. This has always been about creating the perfect trade and rigging the game.

I was behind the curtain. Check for yourself if the National Gallery in Washington ever hosted the IMF party paid for by Edmond Safra. How can someone be held in jail for more than 5 years with no indictment, civil complaint, or description of any fraud with no victims? When the Judge who allows this Un-American activity is the first cousin of President Bush who keeps grabbing every effort to appeal and won't ever allow any right to access the courts that was suppose to be a First Amendment right to petition along with the Free Press, you suddenly see the "Club" can do anything. Why is the piece I wrote "Behind the Curtain" being counterfeited? Is it because it shows the real conspiracy, not fictional destroying the world versions?

Attacking the Messenger

The way to discredit an issue is (1) attack the messenger, or (2) put out the misinformation to convert it into a "conspiracy theory" posited by nut jobs. These are the two attack formations. Look at Scooter Libby. We know that all the leaks came from Dick Cheney. They tried to get at Libby, his aid, but he knew that Bush would take care of him if he held his ground. They attacked the press, Judith Miller of the New York Times, even throwing her in jail on contempt until she would agree to testify. So much for Woodward & Bernstein protecting "Deep Throat." They attacked the messenger and diverted the attention from Cheney.

It is easy to take facts and string them together to create a Conspiracy Theory. They are usually based upon a false assumption that there is an actual plot. Perhaps I was the largest corporate advisor in the world. I don't know and don't really care. What I can say, is I never once saw some giant corporate plot that coordinated a scheme against society. What I did see, was more or less trial and error, and a lot of mistakes that often resulted in calling our firm.

The Impact of the Free Markets

There were rumors of a conspiracy in the auto-market. One could easily string disconnected fact together to make it sound like a clever hostile takeover. This is far from the truth and an illustration of how Real Free Markets function. In the '70s, the German cars became popular because that were (1) quality, but (2) would rise in resale value making it nearly 95% return of original expenditure after 2 years of driving them around. This was really created by the birth of the floating exchange rate system in 1971 and the persistent decline in the dollar into 1980. This created the image that German cars were better, yet it was largely effected by currency.

- (1) the Germans manufactured their product in Germany and their cost of production was in German marks.
- (2) and the German mark rose in value (dollar declined) the cost of those cars in dollars rose in direct proportion to the decline in the currency.

Now come the Japanese in the next decade. How did the Japanese cars beat both the American and German manufacturers? They took the currency risk home. Besides providing a quality product, they achieved price stability by pricing the cars in dollars rather than yen, and hedging the currency risk. As German cars would rise in price, the Japanese were able to compete and take the market by taking the "risk" of currency back to Japan.

I received a call from Mercedes in Germany. They heard Princeton might have had something to do with the Japanese gaining market-share. I flew for the meeting to Stuttgart. They had made another mistake. They sold the British pound short assuming that the Euro would be king. The hedge was devastating the balance sheet. I immediately advised they liquidate the hedge and to change their pricing to the local currency for each market setting up a hedging desk at home.

Mercedes survived. But the chief financial officer was on the board of Daimler-Benz, who had made the same hedging decision. I met with the board, but Daimler had passed a resolution that once they had made a hedging decision that was made at the board level, they would let it expire. This lost about \$1 billion and on the last day of the fiscal year, Daimler was merged suddenly with Mercedes. This was done to take the billion dollar loss on hedging at Daimler and blend it with the billion profit at Mercedes who liquidated the same position.

I have never seen any such coordinated efforts between corporations to rig the game. They were typically the targets of the investment bankers who viewed all things in an adversary role, even when you are their client. Currency made and broke many corporations around the world. You have to understand that the floating exchange rate system was born by default in 1971. It was not like the 1944 Bretton-Woods accord where there was a plan and a directive. The 1971 event was an evolution that was the product of a time with OPEC that distracted the world from even addressing the fact that currencies floated. Most universities still to this day do not teach a course in hedging. To be a CFO, it became trial and error. This is the gap that Princeton Economics filled.

In 1985, Met-Life purchased a British Life company. By chance, they did it when the dollar was at its peak against the pound nearly \$1.03. They were our next-door neighbor in Princeton, the international division. They did not ask advice. They were typical American companies that never gave currency a second thought. The pound rose to nearly \$2.00. They were handing out bonuses for the greatest takeover in history. Why? Even if the British company lost 5%, they reflected their profits and assets in dollars requiring the conversion in currency to dollars for year-end. Then the pound fell back to about \$1.50. They finally crossed the hall and came to talk. They had to now reflect their British assets in dollars at the new rate that was about a 25% loss from the previous year. An employee came and asked that they understood we were kind-of the currency specialists, and explained the problem thinking that this might have something to do with currency.

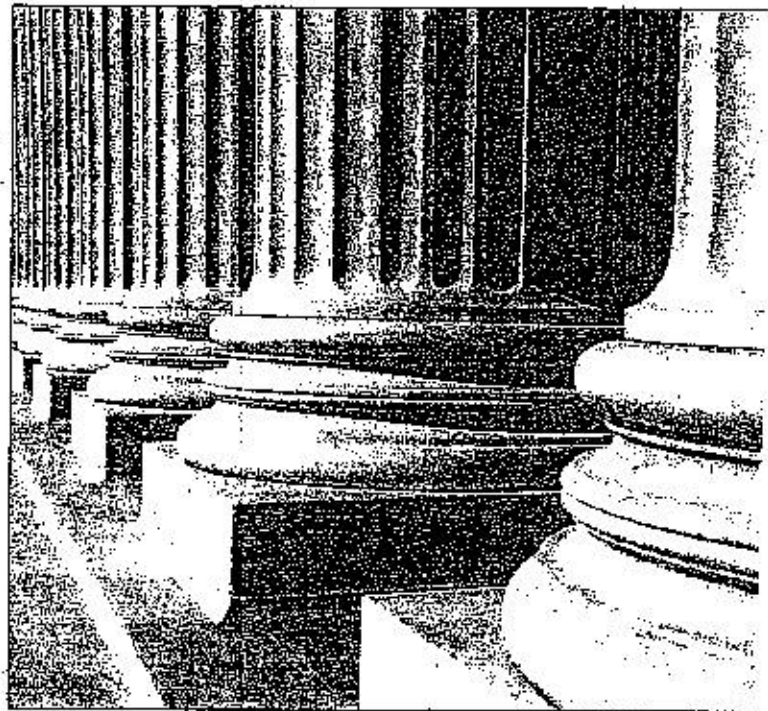
The degree of sophistication in the corporate world was never that high, mainly because when those at the top went to school pre-1971, they never had a discussion about currency. Economics was taught as a zero-sum game and trade always was suppose to balance. They were taught in a different world, and the Conspiracy Theories can weave a nice tale, but there was no substance that I ever saw. This disinformation strings together facts that are not connected, and assumes a degree of understanding that does not exist.

The Federal Reserve Conspiracy. Is it Real?



There are even Conspiracy Theories about the Federal reserve and the world Central Banks. To a large extent, these seem to have been boiling ever since the days of the Bank War between Andrew Jackson and Nicholas Biddle (1786-1844) and the Bank of the United States. Again, I never saw any well thought out plan for global dominations of any sort. What I did see was the first attempt to coordinate actions of intervention between 1985 and 1990, but even this gave way to self-interest. There were schemes at times to divert capital flows. The US Fed lowered interest rates in 1925 in hope of deflecting the capital flows back to Europe. That failed. Attempts to try to influence markets has certainly been present, but that is about where it has ended.

There are many conspiracy theories that I have heard and been asked to comment on over the years. Most of them are just nonsense. They begin with a presumption that the people at the Fed and other Central Banks are actually in control of something and in fact the even know how to use such power. They are no different than any other person. There were not at all born with divine powers and if God speaks to them in the middle of the night, don't you worry for it all just a delusion. They do not delight in their own applause as we may see the "club" who delude themselves every time assuming they can control a power to ensure 100% victory.



It had dawned on me perhaps when there was the 1989 Crash. I had carried two cell phones many times when the model was reaching critical turning points as it did in 1989. The markets were going nuts, and my one cell phone ran that was used primarily for very special clients. It was one of the G5 Central Banks asking me outright what the model was showing and did I think they needed to intervene? As I was explaining the focus was in Japan and that there would not be any abnormal correction and thus there should not be concern about intervention, my regular cell phone rang. It was another G5 member asking the same questions.

What became very clear to me, was they truly had no idea what was taking place any more than the rest of the world. Everyone was struggling to comprehend the new world that was emerging. Communism seemed defeated, markets were crashing, and the general expectation was - Should we be rejoicing?

Most of the central banks have a lot of PhDs, with no real world experience. They have read books, but have not been in the trench to "feel" what it is truly like. This is why government employees rarely have anything worthwhile that will ever contribute to society. There is not a single economic statistic that is even valid, no less any plausible guide as to what is going on. There are manipulated so much to try to influence the "public confidence" that it becomes a joke.

If there were really central bank conspiracies, why call me? Why did China request I fly to Beijing during the Asian Currency Crisis? These entities are no different than any one else out there. They do not have all the answers, nor do they have the power to command the world to do one thing at the expense of another.

The G5 evolved into the G20, and they cannot do anything, because they cannot see that they are part of the problem. They are not devoid of self-interest, and they will not act against that no matter what. You cannot convince any political state that they should take this action now to avoid a problem even a decade away for they will simply say in a democracy, it ain't their problem, its that future administration's problem. Do not confuse sheer ineptitude with some master plan that is coherent and transcends all administrations to achieve some lofty goal. That is just not how it really works.



**Princeton
Economics
International Ltd**

May 20, 1997

Mr. Robert Rubin
Secretary of Treasury
US Department of Treasury
Washington, DC

Dear Mr. Rubin:

The current conflicting statements out of the US and Japan over the value of the yen and Japanese trade surplus have obviously unleashed untold volatility within the foreign exchange markets that are endangering the stability of the entire global economy and capital flows.

I must point out that the US government has still not taken into account that the trade numbers as reported reflect only currency net movement and not actual units of goods and services. The methodology of trade statistics is a throw back to pre-1971 gold standard days when the value of money did not change. Subsequently, trade could then be easily monitored by merely following cash flows. Today, the floating exchange rate system has rendered all international statistics worthless and dangerous when used for political economic purposes. Comments relative to the US/Japan trade account reflect the sharp decline of the yen and not a substantial rise in actual exports of goods to the US.

We have investigated this matter very carefully and the true net sales of goods to the US from Japan have declined, despite the fact that the surplus in yen terms has risen 150% over the past year. If actual exports to the US had risen, then Japan's economy would be booming instead of the current dismal performance. Corporate profits would rise instead of decline, and above all, unemployment would decline instead of rising as is the current case in Japan.

We were one of the firms requested to help investigate the 1987 Crash by President Reagan. The conclusion of that investigation was clear. The Crash of 1987 was caused by a 40% swing in the value of the dollar over the previous 2 year period. That volatility forced investors to withdraw from the US market due to the view of the dollar, not their view of our assets.

Herbert Hoover also wrote in his memoirs about how confidence in the foreign exchange markets collapsed in 1931. He stated that capital acted like a loose cannon on the deck of a ship in the middle of a torrent. Capital rushed from one currency to another so rapidly

Princeton Economics International, Ltd
6 Bolton Street
71 Cannonry, London W1Y 5AU, UK
210 Carnegie Center, 4th Floor
Princeton, NJ 08540 USA
USA Tel 852-987-0880 FAX 852-987-4729

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Mr. Robert Rubin
Secretary of Treasury
May 20, 1997
Page Two

that government was unable to form a committee fast enough to investigate what was taking place, no less prevent it from happening.

Our historical computer models are warning that unless the volatility in foreign exchange markets is reduced, we are endangering the stability of the entire global economy once again. If such statements do not seek to constructively reduce volatility instead of fuel it, you will see short-term interest rates in the US explode and your extremely short-term funding of the US national debt will seriously disrupt our entire economic future.

We have been in contact with our institutional clients in Japan. Their purchase of US government securities has risen from 7% to 33% of our entire US national debt. The majority are now telling us they can no longer endure this type of volatility in the currency markets and if the dollar/yen falls below 110, you will see massive liquidation of US government assets.

If you are not extremely careful with this issue of foreign exchange and trade surpluses, vague statements will cause the Crash of 1997 within a matter of months. If the dollar/yen does not stabilize, and soon, the current administration will go down in history next to that of Herbert Hoover.

Sincerely,

Martin A. Armstrong
Chairman of the Board
Princeton Economic Institute

cc: President William Clinton
Congressman Bill Archer
Senator Trent Lott

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Yes, it is true that Princeton Economics acted like almost a priest among central bankers. How that evolved I will save for my memoirs. But what I did learn from the experience was that even at that level, they knew little more about what was happening than professional traders. They were no more the man in the clouds looking down upon us all and pontificating what shall take place next.

Why All Global Statistics ARE Wrong!

The floating exchange rate system rendered virtually all economic statistics worthless. Because international trade under a fixed exchange rate system is properly reflected by just looking at the currency insofar as if you spend more you presume received more since the dollar is a constant, once we moved to a floating exchange rate system everything change!

Illustrated here is a letter I sent to former Secretary of the US Treasury back in 1997, Robert Rubin. I explained this problem and how it was seriously altering the entire international measurement of the economy. What was happening, was that the US Treasury was again starting to publicly make statements that the US/Japan trade deficit was expanding, and this had to be addressed.

The problem we face, is that with each new administration, there is a learning curve and one must start over again. After being requested for all research in the middle of the 1987 Crash that had the impact of reducing the potential regulation with a brief statement that they believed the cause of the 1987 crash had a lot to do with currency, here again in 1997 the same mistakes were starting to surface.

The Treasury responded, and the comments ceased. Although Princeton Economics was perhaps the most respected in this area because we did everything from scratch. Even one of the NY papers wrote that Princeton Economics was one of the most respected firms around. The Canadian press had named myself economist of the decade. What was this all about? Foreign Exchange.

Simply put, if the trade deficit increased by 100% in a fix exchange system, then you must have purchased more produced. But if the currency declined by 50%, then you received the same amount of goods, the price increased to compensate for depreciation in the currency. So once you realize that the entire system of global economic statistics does not actually measure the number of goods moving but the amount of currency, you can see that we really do not have a clue as to the "real" economic trends.

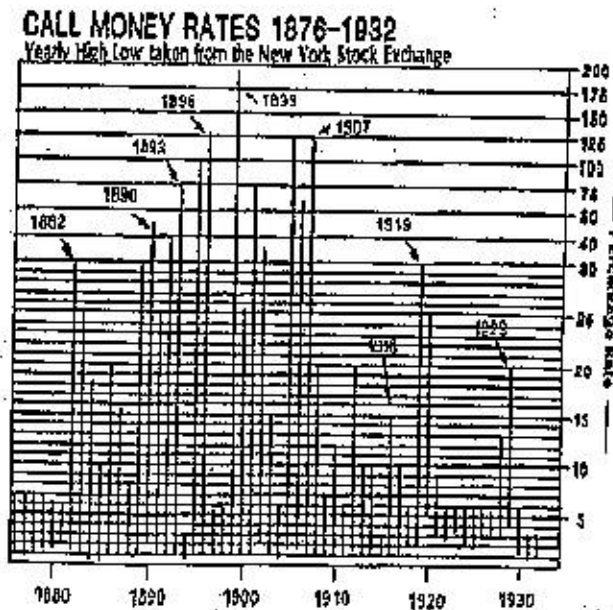
The Central Bank Conspiracy?

When everything we measure with is printed on a rubber-band, you can imagine that we are honestly clueless. How can we compare GDP growth of one nation to another? My secretary had one of those metal stick figures on her desk holding a sign that said it best - "Shit Happens." Things are not what they may seem. I have actually sat in the room with some of the central bankers post-1985 where they had a red phone connecting the G-5 (Group of 5 nations) formed in 1985 where they were conducting currency interventions. One day, the phone rang while I was there and the banker was not answering it. I asked why not? He replied: "No! It's the damn Germans trying to get me to buy more DMark. I have enough!" (you'll have to wait for the memoirs for which bank).

There were a number of central banks that gave us information that they wanted published, but politically speaking, they could not. This was true from Europe to Asia. I gave a lecture in Toronto where the Central Bank of Canada came to listen bringing perhaps 10 people or more. I would take questions from the audience, and they were often about what the central banks were looking at. I would answer, and everyone turned to see if the folks at the Bank of Canada flinched. The bankers were so cold-faced, afterwards, I went up and apologized if I offended them. My friend the head trader Pete, remarked: "Marty that was a great lecture. I wish I could tell these morons what you do." Of course Pete was referring to the fact that their hands are tied politically. I even had the Finance Minister of Nova Scotia try to argue that the central banks are in control, they just don't speak about it. Pete was there at the same party, so I asked: "Would you like to meet the guy at Bank of Canada?" Pete smiled.

The Central Banks are far more independent than one expects. They are not part of a grand conspiracy. The danger that exists is more along the lines of a Goldman Sachs trying to put forth their trained people for political jobs. That is the real danger. If the central banks were on board as some of the conspiracy theories claim, why would GS need political candidates?

It is also a disinformation service that seems to go around the purpose of the central banks and the value they once served, if we can keep the political characters away from pulling the strings.



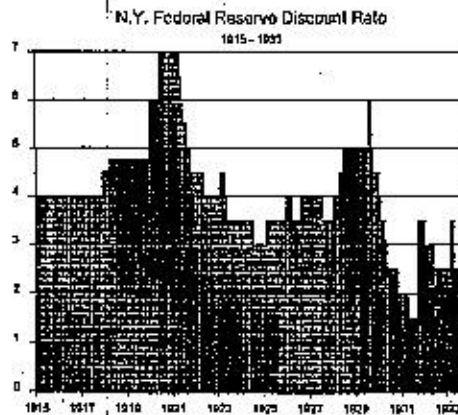
To the left, please find the call money rates from the NY Stock Exchange. Notice that the peak in rates was nearly 200% in 1899. The Fed was created in 1913. I find that the early history seems to be ignored, or overlooked perhaps even intentionally.

Before there was the Fed, the man who put together consortiums to save the nation and even the the Government in 1896, was J.P. Morgan. He came to the rescue on a number of times. But the age of the Religious Right was there and furthered the ideas of Karl Marx profoundly. They backed the age of the Progressive Republicans who perhaps did more to destroy American rights until Bush.

J.P. Morgan was seen as evil by the Progressive Republicans and he was summoned before the Senate basically for an inquisition. Teddy Roosevelt's Trust-Busting days saw evil-doers everywhere they looked. Morgan was grilled in public and they tried their best to destroy him. He died shortly thereafter in 1913. The Fed was created essentially to replace Morgan and to do what he had been doing, stepping in from time to time to provide stability.

A central bank provides the liquidity that helps to smooth out the economic seasonality of the economy. For example, in many industries, at least 1/3rd of their annual retail sales takes place at Christmas time and thus are lined up with the fourth quarter. Likewise, gasoline is consumed more in the summer than in the cold winter. There are just seasonal adjustments that a central bank does help to smooth out.

Most people overlook the entire purpose of the Federal Reserve. From its origin, it was meant to smooth out the capital flows nationally that had created the Panic of 1907. Unlike the Fed today, it did not buy Government debt, it stabilized the economy by the purchase of corporate paper. Each of the 12 branches operated independently and the chart to the right shows the interest rates only at the New York Fed, that was the dominant branch, not Washington.



It was Franklin D. Roosevelt who usurped the Federal Reserve into a single rate system and controlled it from Washington. Because of the confiscation of gold from all the banks during the "bank holiday" and the funding of World War II, the Fed was usurped for political purposes and was under orders to support US government bonds until 1951.

We cannot overlook that between 1943 and 1951, the Government virtually dictated interest rates to the Fed. It was the Korean War that broke the strong grip of the Government that they maintained for 8 years manipulating by decree the value of its bonds. President Truman stood up and also tried to use his office to bully the bond markets. The market had paused between June and December 1950, as if the market was confused, trying to figure out would this be inflationary reflected in higher rates, or was this going to be another period of austerity with interest rates kept by decree artificially low? The Muni-bonds rose sharply in price as expectations of higher taxes and wartime price controls would be reflected in that market as well.

However, it was at this time of February/March 1951, that the US Treasury and the Federal Reserve reached an accord with the government that ended the policy of a rigid support for government bonds at par. The politicians could no longer then dictate the price of bonds and the result was a sharp drop in long-term debt of 4 to 7 points in the market, corporate debt also fell by 7 points, yet muni bonds declined 13%. Prices of US debt eventually dropped 83% from 1946 into 1981.

Most of the events from the start of the two-tier gold market in 1968, the closing of the gold window by Nixon in 1971, to the abandoning of usury laws by Paul Volker, none of these actions were planned. They were the typical flying-by-the-seat-of-your-pants types of moves. Unfortunately, the problem with a Democracy and subjecting the politicians to vote, shortens the ability to ever plan ahead. Everything is for the moment to win the next election - nothing more!

The Real Club

We are doing ourselves a great disservice by assuming plots and long-term plans to even Goldman Sachs and the "club" because they cannot see past the next bonus check. There is no conspiracy to control the world. Nor is there a conspiracy to create a one world currency, that is coming one way or another!

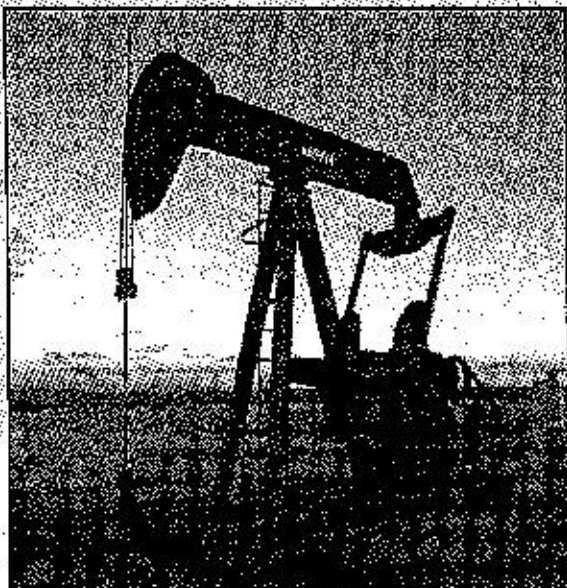
If we want to survive and truly fix this mess, recognize GS for what it is. A clever market manipulator who was never interested in helping society, just to fill its own pockets. GS is interested in remaining top dog and it will do whatever it takes to keep that position. This is about manipulating the financial economy, not about creating a political state of a one world government.

There is a vast dis-information campaign going on to cloud the real issues that are taking place. The more one throws everything at the wall, the more it sounds like just fiction. This is why you will see also attacks upon myself because they do not want you to understand the core of the real Goldman Sachs Conspiracy.

You have most likely read about "Dark Pools" that are being portrayed as an off-exchange system that allows people with size to participate away from the small investors and markets. Let us make this very clear. He who runs the "Dark Pool" sees all!

What Michael Miken went to jail for as "Inside Trading" in stocks under the SEC regulations, is standard and open practices off-exchange, and in all other markets including currency, bonds, and in Dark Pools. There is a conflict of interest when the so called broker-dealer is making the markets, has access to huge funds, and trades against his own clients. You will notice that J.P. Morgan Stanley is said to be trying to go back to the brokering trade, whereas Goldman Sachs is clinging to the proprietary trading model against its own clients. Controlling politics and the Dark Pool System provides a look at inside information for proprietary trading. If Goldman Sachs had not been a major proprietary trader, they would never have placed key people into the political world. There would have been no self-interest in terms of Smith's Invisible Hand.

The collapse we have endured was not planned. It was never conceived that this would be the outcome. GS does not create long-term models. The "club" is only keen on guaranteed trades - never risk. They assume they cannot trade consistently, so to make money consistently, they need to control the game. Inside info on stocks may be "illegal" for everyone else, but when you control the Justice Department and the Courts throwing in the Treasury, you get one of those "Get Out of Jail Free Cards" from the game Monopoly we played as kids. No one will be criminally charged ever unless they sole from the "club" and then they will be prosecuted.



Uncovering the "club" is not very hard. Just follow the trading. You will see the clustering of trading in commodities or currencies among the key players. They buy and sell together against the public and corporations, often getting governments to guarantee any loss covertly. They will buy and sell together. Take oil, for example. Yes, our model came out in 1997 and projected crude oil would rise from \$10 to \$100 going into 2007. The Department of Energy requested that Princeton Economics build a energy model for them. There was a court hearing on this before Judge Richard Owen in the Southern District of New York on October 3rd, 2000 (99-Civ-9667). The SEC and CFTC objected, and the Judge went with Alan Cohen, chief Compliance Officer of Goldman Sachs, to block Princeton from creating any model to help the American public. Why?

Looking Behind the Curtain



Who is charge
Anyway?

I cannot stress enough, that the game is not to control the politics of the world. The object is just to consistently make money by inside information or by controlling that information. That is why we must be more concerned about the plain background of those appointed in charge of the Fed, World Bank, International Monetary Fund, and the various major Treasuries. It is by placing key people in these roles that extracts the key information sought to achieve that goal of always being smarter than everyone else, and never being wrong. This, unfortunately, is a matter of self-delusion.

If you believe you can control the game, why bother with honest analysis? My contacts with the "club" were never about providing advice. It was to solicit me to become part of the "club" and then use that position of giving global advice to control the market for the "club" that they assumed info can do, but the record of events since **Long-Term Capital Management**, demonstrate otherwise.

The "club" believed they controlled the IMF and thus had the inside track on the loans going to Russia. Edmond Safra invited me to join in with their **Hermitage Capital**, where after his death, the CEO was banned from Russia by Putin. Just like with **AIG**, bailing out **AIG** was an indirect method of covering the losses at **GS**, for example.

Look at December 2008. This is where all the **AIG** bailouts to **GS** took place, and what do we find? **GS** suddenly delayed that for December because their fiscal accounting year ended with November. Then they changed their accounting year to a standard calendar so they reported \$1.8 billion profit for January-March making it appear like Goldman is now OK. What happened to the December number? Well, they will not be discussed until the quarter comparisons at the end of 2009, when they will be old news, and any profit will be able to show a glowing report.

The **IMF** support of Russia was operating the same way. The "club" purchased the Russian short-term paper at unbelievable rates of interest, and they were banking on the **IMF** to make sure that the money kept flowing. I personally warned the head of Republic National Bank that Russia was going to collapse. He just about laughed. I was invited to Washington to the National Gallery to show me the power of the "club" and the inside information they controlled. They believed they had the **IMF** in the palm of their hand. You can check the London Financial Times for the summer of 1998. I delivered that forecast that Russia was about to collapse and the **FT** put it on the front page of the second section, more-or-less stating that if everyone listened to Princeton, Russia was doomed. The collapse came and with it, a contagion that caused massive liquidations around the world to cover what could not be covered with the Russian debt. That created the **Long Term Capital Management** collapse and again we find the "club" getting the Fed to bail them out, taking the money indirectly to pretend they did not lose in the debacle.

The Trading Conspiracy!

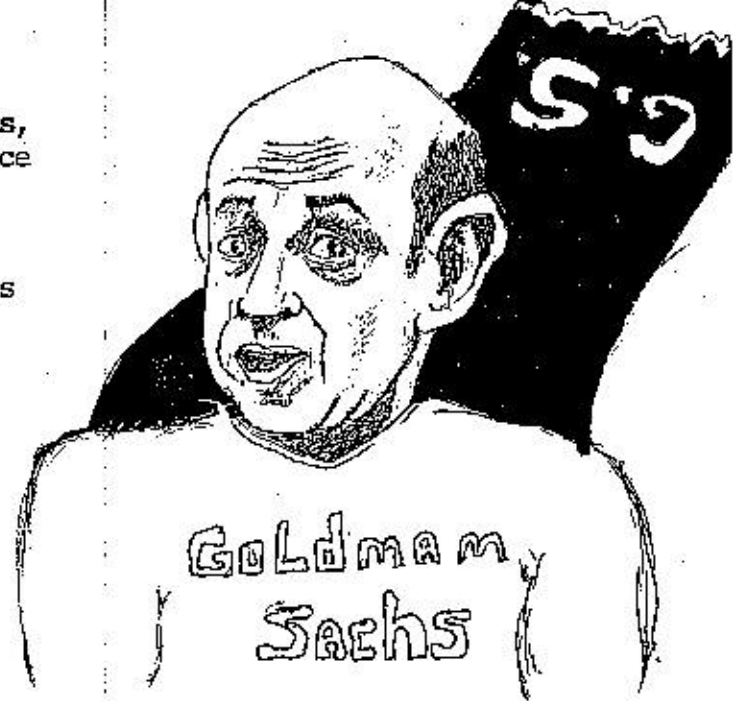
The **IMF** and **World Bank** have a long-time reputation of being just a bit corrupt. They are used to create indirect flows of profits to the "club" to avoid the direct transfer route to prevent most people from seeing what goes on. There are a host of problems in this area, and that included the **European Development Bank** that spent so much money on building a palace in London, one would be shocked.

The only conspiracy is to make money and create guaranteed trades. There is no grand master-plan to take everybody's liberty. Even the tyranny of the English king made every felony death because it was cheaper to kill a prisoner than to feed him for life. It was always about the money, and the "club" is no different.

Lloyd Blankfein, head of Goldman Sachs, goes on the internal speaker-box at GS twice a week in recent months trying to keep morale up among the ranks. While everyone may focus on the "missing month" in GS's accounting assuming this is hiding the loss of about \$1.3 billion and the AIG money transactions, there is another issue that is closer to the core survival. What GS is really trying to hide is the amount of loans to its own staff to help them cover their own margin calls.

Goldman Sachs has been quick to repay the TARP money because they want the government out real fast. Everyone assumes this has only to do with the bonus structure. It goes a lot deeper.

The payment system has always been performance, and since GS is holding on to the proprietary trading model and has eliminated Lehman and BS while effectively humbling Merrill Lynch, they cleverly had hoped to gain an effective monopoly of the US financial markets. Controlling subvertly the Treasury, Fed, World Bank and the IMF, they hoped to create not a company that dictated your personal rights, just controlled your personal finances.



It's The Spreads!

Anyone who has been a big trader, knows that in dealing with the "market makers" there use to be competition. By eliminating Lehman, Merrill, and Bear, the net "real" effect is that the spreads between bid and ask have widened to the point that one needs only trade perhaps 1/3rd of the previous volume to make the same amount of money. Goldman Sachs has risen powerfully by eliminating any such competition. They are not trying to destroy the economy, although they have done a good job by their own self-interest, but they are trying to establish a real monopoly that have not existed in recent memory.

Even the Democrats will do nothing against Goldman Sachs because they need them to be able to continue to float their expected trillions of new debt. Who will get it sold if Goldman Sachs goes to jail? The courts are owned by the "club" and that is evidenced by an attempt in New York to file a major lawsuit on a class action basis against Merill Lynch several years ago. The suit was given to Judge Pollack who dismissed the lawsuit protecting the Investment Banks and the excuse was a clever weaving of legal principles that were highly doubtful and the Southern District of New York will not allow such suits. You cannot prevail in New York ever against the "club" or the government. They enjoy a 99% victory rates and all other courts will back them up. So Goldman Sachs has reached the level of being untouchable, and the politicians will allow this to go on because it serves their purpose. They need somebody to sell their debt. It is called a Primary Dealer.

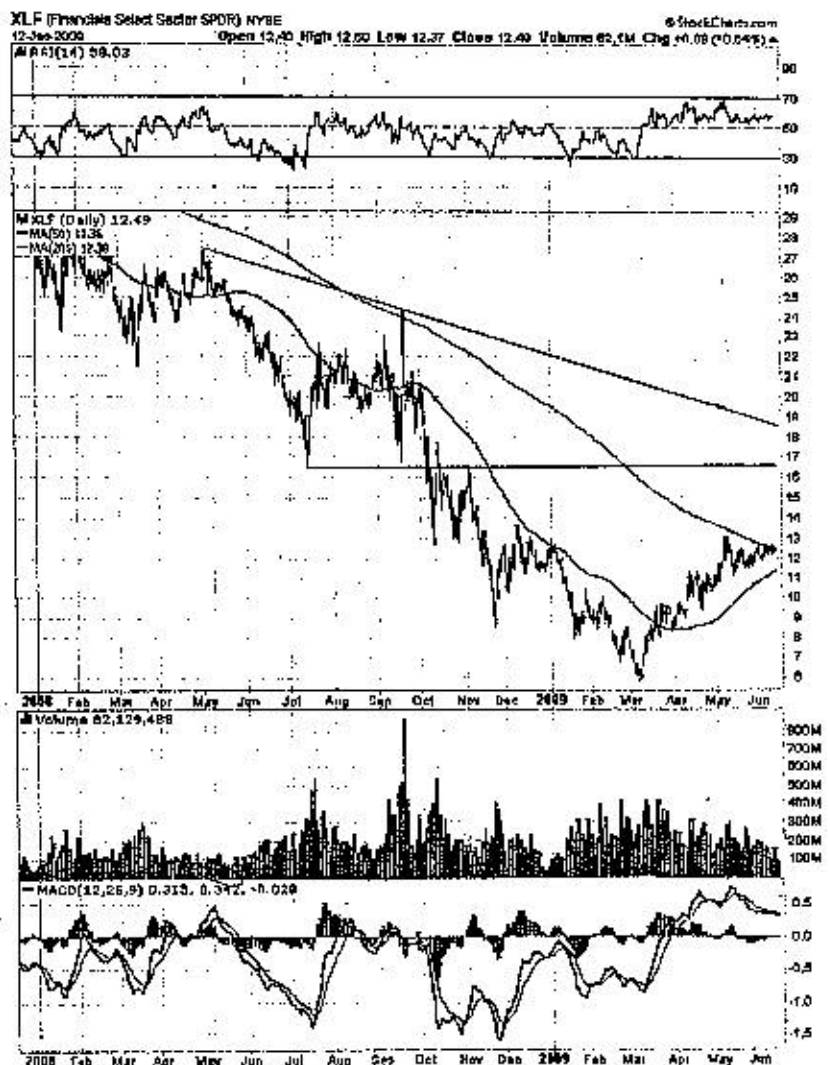
There was a lawyer who tried to file a suit against the corrupt Second Circuit at the Supreme Court. That illustrated why capital is just not safe in America any

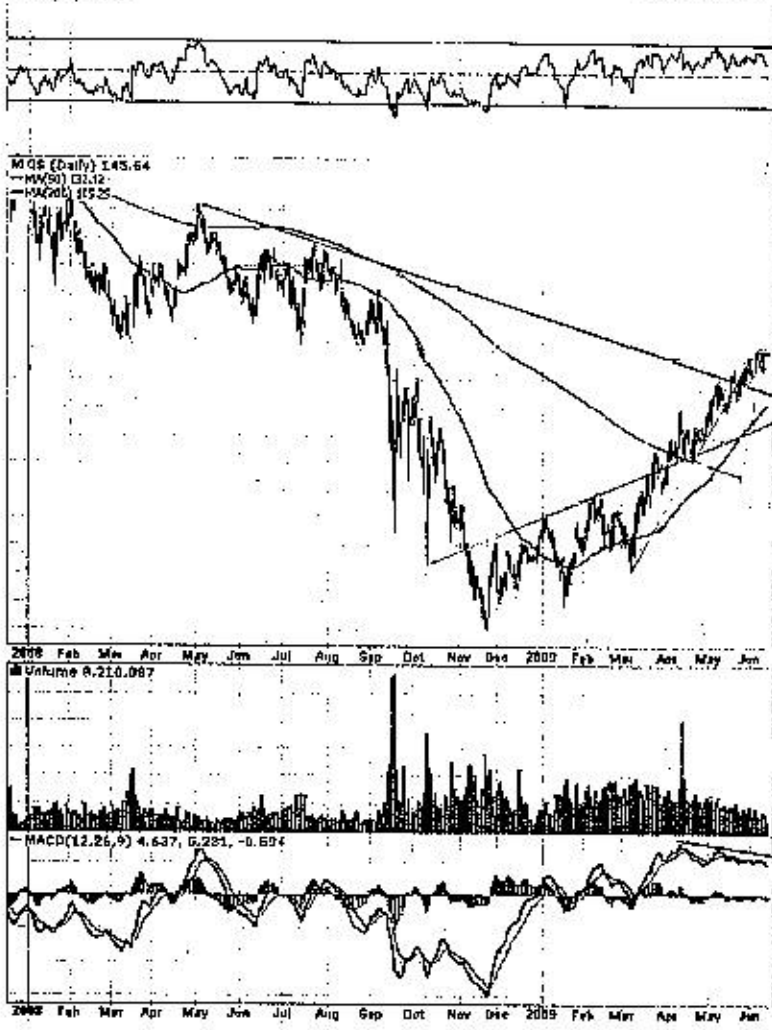
more. He demonstrated that never do citizens win, and that the decisions often contradict the last one, and every lawyer I ever spoke to about New York, says the same thing. The Judges manipulate the rulings so that the Government never loses. We are no better than a banana republic with nuclear weapons. You just cannot invest in a system that is rigged. This is the code word that Judge Sonya Sotomayor made - "Judges make policy." When policy objectives are that the state must always win, then there is no rule of law. That is tyranny. So the courts are firmly within the hands of the "club" and the politicians will do nothing. In fact, where the Senate has oversight committees for the CIA, Homeland Security, and just about every other department, there is no such committee that assumes any oversight committee following judicial rulings. Write you any Senator. Tell him you were treated unfairly by a judge. If he responds, he will tell you he does not interfere with the courts. Thus, you have no rights to property at all, for the judges can do as they like, whenever they like, and that serves the government very nicely. That is why there are no oversight committees to ensure you are treated fairly. Even if everyone voted tomorrow and demanded to change this law, judges are not subject to vote, and they claim they have the final say as to what any law means. Goldman Sachs controls the courts in New York. That is even more powerful than the Fed.

It's Still The Financial Sector!

It's the Financial Sector that peaked with the Economic Confidence Model in February 2007 whereas the overall market was not the center focus of excessive speculation and the concentration of capital. The politicians are like deer frozen in the headlights of Karl Marx who hated the concentration of capital among all people, but that is how capital works on all levels. If the concentration of capital in the hand of the "rich" is immoral, then the same is true among sectors, and among nations. So we should give our assets to Africa and everyone should share equally. Why stop at the border?

The concentration of capital in sectors within an economy is what not creates innovation. A lion will take down a zebra for a meal, and we can pronounce it is unjust, and we should all be a vegetarian, but that is not the design of nature. Capital will in fact concentrate and it is the fall of that sector that creates the next wave of innovation. The Financial sector peaked. Goldman Sachs may now appear invincible, but even they will fall for their own self-interest is their undoing. They can pass a law and prevent short-selling in their stock as Paulson did before. But it will not alter the game.





When we look at the performance of Goldman Sachs shares, the standard technical analysts will focus on the old double bottom at 150, and see this as the wall of resistance. This is by far not a 100% result. Often this is faded and that at times will sucker-in new buyers just in time for the sheer collapse.

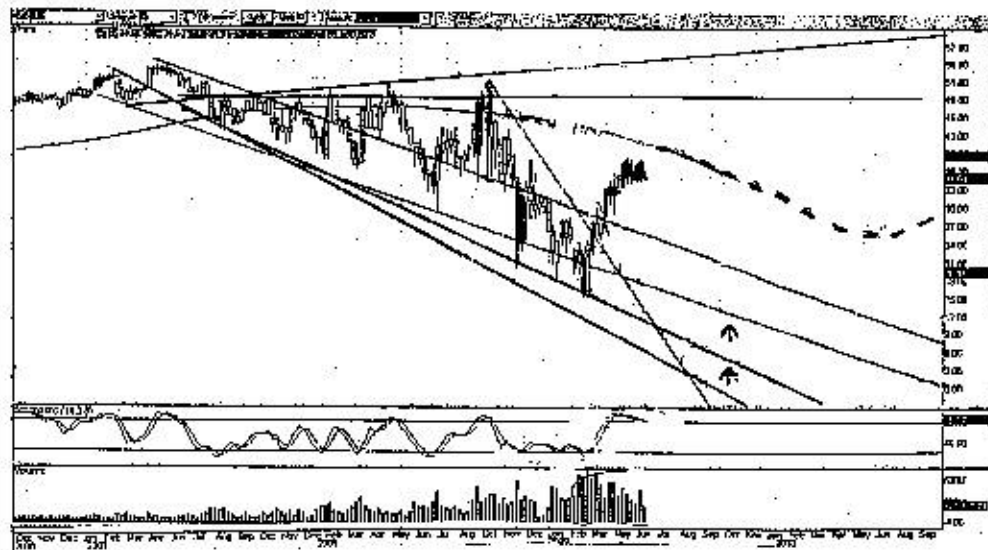
The standard downtrend line of 2008 has been exceeded and resides in the mid 130 range. Here also, exceeding it means nothing. What we need to see is that this transforms into support for any decline. If share prices fall below this area, this will be a signal of future weakness.

It is the Breakout Line drawn from either side using the opposite reactions taking place around the November 2008 low. This line was exceeded in April, retested in May, and then the rally into June to retest the 150. This now rests at the 125 are in July and penetrating this will signal the rally is most likely over.

If we head to new lows, they would unfold going into perhaps the May/June time period in 2010. Ideally, the final low generally forms 31 months from the major high.

When we look at Morgan, we come away with a much different picture. Where Goldman Sachs created a November 2008 low, JPM declined into February 2009. On first blush, one might assume that JPM is weaker than GS, but in reality, it is reflecting far greater long-term support, and this implies that JPM may be the last one standing after all. GS may not survive as well even for all its cunning and political machinations.

Do not get confused if we see JPM bottom before GS and this may provide even a leading indicator. JPM is officially claiming it is moving away from the conflict of proprietary trading. If this proves correct, we could see the evolution of JPM being transformed into the major house. Goldman Sachs may lose talent who realize it is more lucrative overseas. Nevertheless, for now the Goldman Profits are going to rise, but this is from proprietary trading, not business and is therefore not a reflection of the economy.



Dark Pool



It's the Dark Pool that is a clever name for enhancing proprietary trading. He who makes the rules, owns the gold. That is what we are looking at with the new concept in Dark Pools. For decades, one called the broker in inter-bank and he would try to read you and then he shifted his quotes trying to squeeze an extra dollar. Once he knew where you were, they in fact kept track of your positions. What Milken went to jail for, was standard practice in

commodities and currencies. Creating Dark Pools so that big traders are not effecting the small traders, is the greatest bullshit story since death insurance was called life insurance to increase sales.

A Dark Pool will allow the same inside information to aid the proprietary trading of Goldman Sachs. The government will look the other way, and what use to be a crime magically becomes legal. The problem with the whole Goldman Sachs Model, they are really a hedge fund with favored status.

If one must speculate to earn a living, then the business is a failure. You might as well become a fund manager since the business you are operating is just not working. Goldman Sachs lost big the last few times. A sudden collapse in the market, and they get wiped out. There is no real business if one has to speculate to make money.

The government should outlaw what Goldman Sachs is doing. Either you are a bank, a broker-dealer, market-maker, or a hedge fund. You cannot be everything rolled-up in one entity. The crisis this presents, is that confusion will dominate during any period of uncertainty.

If Goldman Sachs loses big in trading, what everyone thought was business profits reflecting a rebound in the banking sector, will be suddenly left standing an empty hand, for what they thought was taking place was the opposite.

The REAL Goldman Sachs conspiracy is only about trading. They have sought to be the masters at manipulating the events and government only to seek personal gain. They have no plan to benefit society. They are not even a reflection of how the economy is doing. They are traders - and not much more.

When Goldman Sachs share prices fall, do not assume that this is a true and real reflection of the economy. They are a symptom of the problem, not a solution for the future.

I have previously written about the history of the "club" and the organized effort to rig the markets. I stand by those comments and invite anyone to dig up the trading records and you will see who was long and short when.

Morgan claims to be returning to the broker-dealer model and away from the high risk of proprietary trading. Goldman Sachs sees only the money, not the business model. The advice of its former Chairmen who have held the lofty places of public office are no more educated in the real world economy than any politician. They have presumed power is to manipulate and to hell with the free markets. Their views are no different than their political conspirators.

There is no one on our side because they are driven by self-interest. We have far too many politicians, and no statemen.