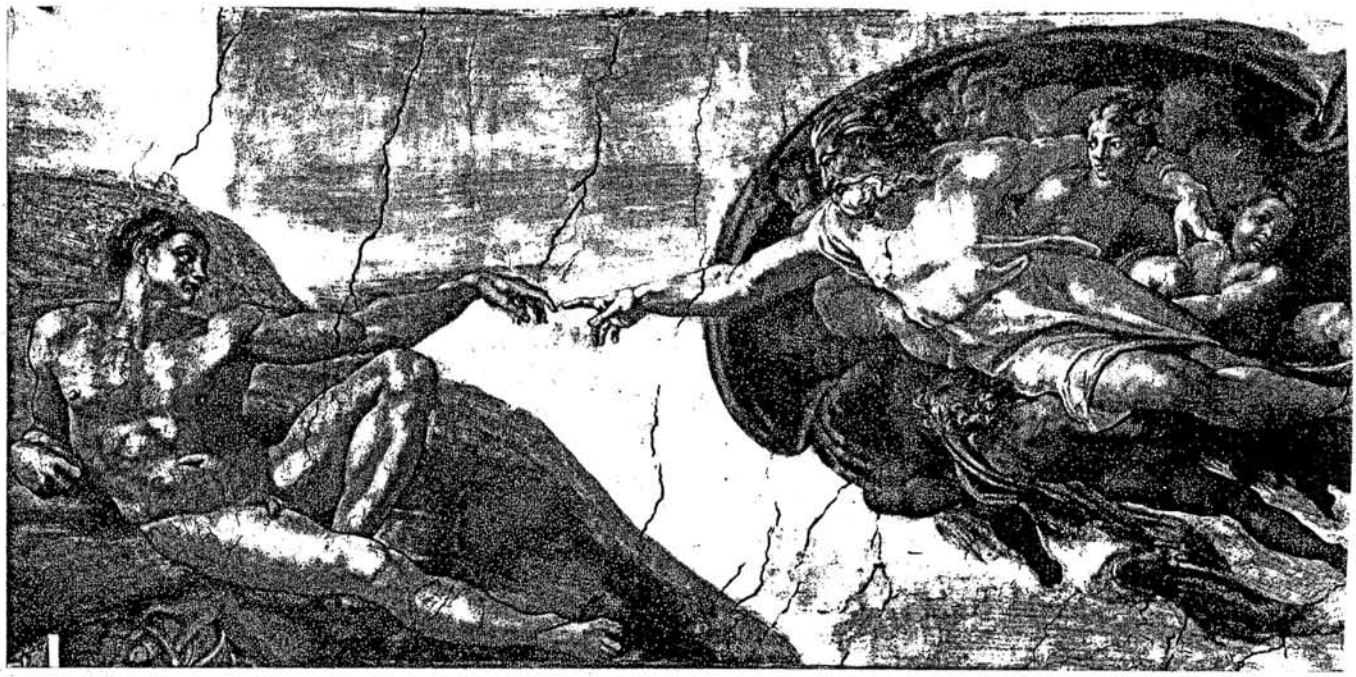
Armstrong Economics™

The Paradox of Regulation



God v Man

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

 June 3rd, 2010
Please Register For Future Updates at ArmstrongEconomics.COM

Comments & Information Please Send by Mail

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

ACKNOWLEDGEMENTS

I would like to thank all the former employees, associates, sources, and contacts for their continued support and efforts to contribute to the writings I have been able to continue through their great efforts. I would also like to thank those who have looked after not just myself, but my family, and shown them support and kindness.

Everything at Princeton Economics that was our mission to gather information, and bring together the most widely covered global economic perspective, has been a effort that is now bringing us to that fateful crossroads in history. There are those who are trapped by the past and cannot see the dynamic evolution that causes history to repeat, but like lightning, never quite precisely the same way twice. In 1914, Britain reached its peak as the center of the global economy. It passed that torch to the United States who by 1929 became the leading world economy and was also a CREDITOR nation just as China is today. There will be no 1930s style depression, for the cards are nowhere near the same. Yet China will become the leading world economy by 2016, and then suffer its 1929. The West is doomed and it will collapse from its own debt. We borrow with no intent of ever paying off the debt, and somehow both Congress and the majority ignore this fact just as they had ignored the problems in mortgages that violated common sense.

No matter what country you live in, it is the duty that falls upon the shoulders of every reader to do what you can to get reality to manifest. Feel free to send this report to every government, friend, and member of the press around the world. If we do not get the debate started, we stand no chance of saving the future for ourselves and our posterity. We can reach that next never in political-economic evolution only through the hard work of everyone. For this reason, this is provided as a free service.

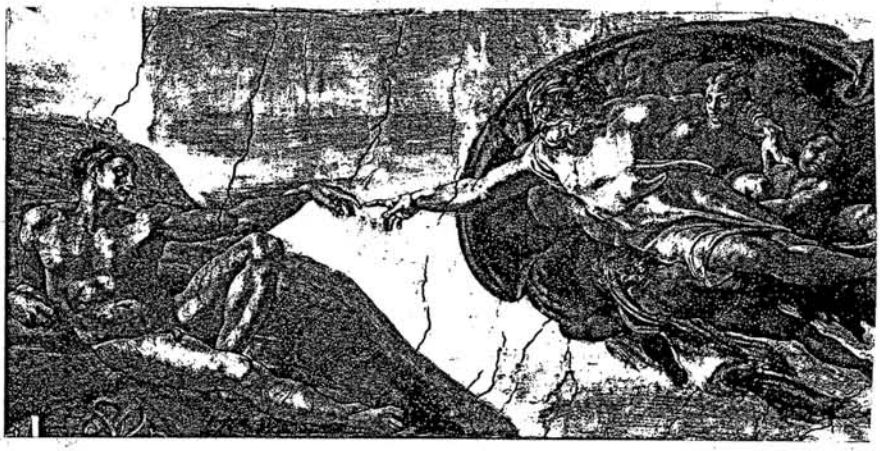
There is a NEW DATABASE that will be used for special updates provided exclusively to those who register. I want to thank you all once more for your support and for your contribution to try to help society survive the coming storm.

PLEASE REGISTER YOUR EMAIL ADDRESS
FOR UPDATES & SPECIAL REPORTS WHEN CRITICAL

ArmstrongEconomics.COM

YOU MAY FORWARD ANY REPORT TO A FRIEND OR TO ANY
GOVERNMENT TO GET POLITICAL CHANGE MOVING

The Paradox of Regulation



God v Man

By: Martin A. Armstrong

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

THERE is a strange phenomenon that is inherent in any action. My mother perhaps had the best maxim: **"Even a good thing to excess is bad."** This phrase she use to say when I was growing up is such a profound wisdom, we get caught up in all the nonsense that we become blind to the effects of what we are actually doing. I have observed this phenomenon for decades both live and in my study of history. I call it the **Paradox of Regulation** for what happens is quite profound. The more we try to regulate something, the more we in fact **Deregulate.** Indeed, where God set down a simple list of just 10 Commandments, man has frustrated his world by trying to constantly improve upon them to the point there are over 15 million laws, rules, and regulations that all try to say the same thing, but in the process turn the world upside down. This is the source of our problems and the torment of political vacillations. If we could just get this one right, we would solve most of our problems in society.

My mother's maxim, the **Paradox of Regulation,** breaks down our society in a way that is so easily overlooked. Perhaps that game of the shells and the pea where the dealer puts the pea under one shell and moves three around so that the player gets lost, is indeed revealing a inherent human problem of being easily distracted from the substance. This problem we have of being easily distracted, is causing real economic hell.

The crisis we face in morals is perhaps best illustrated by the problem we have in the **Goldman Sachs** case. Here we have the majority of the financial press defending Goldman saying what they did was not illegal, just immoral. Immoral is doing something that is wrong, and everyone knows it, but hey, it is not illegal because Congress didn't make a law yet to declare it illegal. This is the source of our moral collapse and it is now caused by OVER-REGULATION!

Now you probably think I am insane. Surely, if there are immoral actions that are not illegal that the average persons sees as corruption, then the soloution is more regulation. **WRONG!** The coloution actually lies in the complete opposite direction!

THOU SHALT NOT STEAL is a simple and straight forward law set down by God. It is the source of our moral understanding of how people should act. There is truly nothing ambiguous about this. Everybody pretty much comprehends what it means and normal people know inside if they have violated that principle.

When we make laws, rules, and regulations, we (1) include things not intended, and (2) omit things we do not think of. Child pornography is a good example of law. The purpose is to prevent the exploitation of children. This is not something that most rational people would argue with. The law then states ANYONE WHO TRAFFICS IN A IMAGE OF CHILDREN UNDER THE AGE OF 18 NAKED SHALL BE PROSECUTED WITH IMPRISONMENT UP TO 25 YEARS. Everyone cheers as if this will eliminate something. Then the prosecutors abuse it for personal gain.

Now comes the problems. Aside from the fact that all nations do not agree on what is the legal age and most use the age of 16, suddenly there appear to be prosecutions of people who merely drew such a image. We are now not preventing the exploitation of children, but we are now prosecuting thought. A huge difference. If someone imagines having sex with a beautiful woman, is he committing adultery as Jimmy Carter admitted? We enter a world that one will argue is immoral, but not illegal. Then there is the case of the 18 year-old boy whose 17 year-old girl-friend took a picture of herself naked and emailed it to him. He emailed it to a friend. Now he is criminally charged with child pornography.

Once you regulate anything, you will quickly create a world of ambiguous gray area. The original intent of the law no one would disagree with - to prevent the exploitation of children. However, once you define one thing, there arises 1,000 other questions.

Expressio Unis est Exclusio Alterius

This is a Latin maxim that is the canon of how courts are suppose to interpret the laws written by Congress. It effectively means that the enumeration weakens the face of the general law as to things NOT expressed. In other words, **expressio unius est exclusio alteris** or **inclusio unius est exclusio alteris** holds that to express or include one thing implies the exclusion of another, or of the alternative.

By creating a law that it is now illegal to rob a retired person, has now opened the door to meaning you can rob a person who is NOT retired. Clearly, this maxim **expressio unius est exclusio alterius**, means that the mention of one thing in a statute implicitly excludes another thing, or its alternative, is necessary on one hand to determine the legislative intent, It thus stands for the principle that the expression of one or more items of a class implies that those NOT so identified are to be excluded.

The maxim **inclusio unius est exclusio alterius** is another doctrine that states when a law EXPRESSLY describes a particular situation in which something should apply, an inference must be drawn that what is NOT then included by specific reference, was intended to be omitted or excluded

The Supreme Court restated this maxim in 2000, that "when a statute limits a thing to be done in a particular mode, it includes a negative of any other mode." Christensen v Harris County, 529 US 576, 583 (2000)

The **Paradox of Regulation** that emerges is once you define a specific act, done in a specific manner, you open the door to a host of other possibilities. If you enacted a statute that says it is against the law to rob a bank with a gun, then what happens when a person robs a bank with a bow & arrow?

The system quickly corrupts itself and we end up with 15 million laws, rules, and regulations that all state the very simple 10 commandments over and over again. This is what happened in the Byzantine Empire that still to this day implicitly means corruption of the legal process. This is where we now stand in the United States giving rise to it may be immoral but not illegal.

This is the danger of Regulation. We seem to think that if we create regulation we can eliminate whatever it is that we are seeking to regulate. This is the biggest crock-of-shit that has ever emerged from the twisted minds of men. You can pass all the laws you want, but you will not prevent a murder. There are crimes of passion that do not in any way cause a person to think before acting. It will not happen.

WE CANNOT REGULATE ANYTHING THAT IS CONTRARY TO SELF-PRESERVATION, COMMON SENSE OR CONTRARY TO HUMAN NATURAL ACTION. We cannot regulate to prevent pre-marital sex nor can we regulate to prevent adultery. Nor can we ever pass a law against robbery, murder, drinking, or drugs, and honestly expect that this will be some sort of a deterrent. It just does not work that way.

There is a presumption that if we regulate something, we eliminate problems. In fact, by regulating, péople will now take action that is not specifically covered and that means because it is not then covered, it is legal!

We have lost our moral compass and all ethical conduct by regulating. Then, by trying to create a criminal penalty for everything, we have corrupted the entire system. Obama even had a criminal penalty in the Health Care with 1 yr imprisonment for anyone who did not pay. They took that out, but this illustrates the mentality in the United States that was supposed to be the defender of LIBERTY and we have simply become the largest prison system in the world with almost one-third of everyone in prison is in the United States. And now in the work force, 10% are felons. Yet America was suppose to stand for the very opposite.

The so called "conservatives" who are pro-prisons, think if judges rule in favor of a prisoner he is liberal and should be thrown off the bench. They drag out the visions of the murderer and rapest creating images that those are the only people in prison. They are either deliberately in fact trying to eliminate all rights and building walls to keep Mexicans out, they are also keeping Americans in. They want national IDs, and the police should be able to ask - "Papers please!" I was behind the Berlin Wall. That is precisely the world they want to create.

At the same time, the extreme "Left-Wing" want cradle-to-grave care. They think government is even capable of running anything. How many regulators covered the mortgage market? SEVEN! Just look at the BP oil spill. It has come out that the regulator MMS, was "too close" to the very people they regulated. In fact, the same is true in the SEC and the CFTC. Why? The people they regulate can hire the government lawyers who do the regulating. This is one giant cesspool of corruption at your expense!

Both the Conservative and the Left-Wing actually come full circle. Both want big government regulating. The only difference between them, is at times who is the target. But both BELIEVE government is the answer and that is strangely the core of what Marx stood for.

The **Paradox of Regulation** is thus very interesting. The answer does not lie in more regulation, but less. The more we define specific acts, the more we bless those acts that have not yet been defined. So how do we deal with this complex subject? We define simple laws that are rooted in common sense.

> WHOEVER takes money from another party for their personal gain shall be punished by restitution or a term of imprisonment not greater than 5 years for a 2nd offense.

This would eliminate most frauds where the fund manager lost money, did not tell the client, but was trying to make it up. How do you prevent such things as Madoff? All money managed by a person on behalf of another must be deposited at a central place with standard auditing provided by the regulator. NO person ever employed by a regulator may EVER work for a firm that he once oversaw as a regulator or the industry!

Eliminate the 7 regulators who failed to protect the mortgage market and replace them with ONE agency that is HIGHER PAID so that there is not this bottom of the barrel problem with government lawyers who are looking to make a name for themselves, and then get one of those high paying jobs elsewhere. We have to stop this trend of trying to regulate everything for all we are doing is creating loop-holes and by doing that we are implicitly stamping with approval everything else. Wake up & smell the oil slick. Its about time.

NOW COMES the real mind twister. By making something illegal that is contrary to human nature, we end up not merely making that product more attractive, but we implicitly create a vibrant and expanding underground industry. **YOU CANNOT REGULATE AGAINST HUMAN NATURE!** The right-wing conservatives complain about the Democrats and call them socialists because they are in favor of regulating society and trying to create utopia where the rich are defanged and their wealth is confiscated and spread around the landscape like manure.

Yet the Conservatives are also the huge hypocrites. They too engage in social laws. They are no different than Marx insofar as they are trying to alter human nature. They say the Democrats claim to be taking the fruits of those who earn more regardless of their work effort and give it to those who are less fortunate either by mental capacity or by laziness in an effort to create a Marxist world of equality. The Conservatives are the descendants of the Puritans. If they could, they would create the perfect religious world as Oliver Cromwell tried by outlawing sports because they led to cursing, plays because actors were lying, and they would no doubt outlaw TV events because someone's breast might pop-out.

The Conservatives do not realize that they do the same thing engaging in social restructuring. During the 20th Century, it was Prohibition. They felt that drinking distracted men and led them to cursing and un-Godly conduct. The reason Prohibition was repealed was two-fold - (1) it did not work, and (2) Roosevelt saw it as a vast way to raise revenue. Doesn't this sound familiar with the numerous states that are making marijuana legal and thus taxable?

This illustrates the entire problem. Prohibition is what made the Italian Mafia who they were. By making alcohol illegal, they put a premium on it. People still drank and others who perhaps would not have taken a drink, did so to be part of the culture. The stories of Elliot Ness and Al Capone are famous. The shoot-outs and the death toll over prohibition was massive.

The OTHER-SIDE of this **Paradox of Regulation** develops whenever government tries to regulate human behavior, that goes against the grain of natural conduct. This whole outlawing of drugs is the same as the old prohibition. What has often been said about the Conservatives, is that they can't sleep at night worrying that someone else might be having a good time.

Outlawing the booze or drugs is socialism for it attempts to regulate human conduct. The same with prostitution. It makes far more sense to legalize prostitution and require the women to have routine medical checks for that will prevent disease spreading and it will STOP THE EXPLOITATION OF YOUNG GIRLS WHO ARE RUNAWAYS AND ARE FORCED INTO PROSTITUTION IN CITIES LIKE NEW YORK!

Just as Prohibition funded the Mafia, the drug trade is undermining not only our nation, but destabilizing Mexico and most of Latin America. The amount of money that flows in cash is funding the corruption of politicians and government everywhere. The prisons are over-crowded with mostly kids who sold drugs, but who are by no means the manufacturers or even importers. Locking up these kids, does nothing because there are two more right behind them ready to sell drugs to make the money. The sad part, is these kids see the guys selling the drugs are rich, have herds of women following them, and thus there is a endless supply of kids who see this as the only path the wealth.

Thus, the **Paradox of Regulation** only reveals that we have a huge problem. You cannot regulate human nature. People will try drugs or booze when it is illegal and removing that status will not encourage people to rush out and try it. Making the booze legal, turned it into a casual thing that was no big deal. But the drug trade is funding a criminal under-culture that then expands into other sectors. Now there are gangs just like the old Families and they all compete. But they are expanding into kidnaping and violent crimes. But it is the money they make from the drugs that is funding under-ground armies. If we do not wake up soon, society will crumble and we are funding that criminal revolution that will destroy everything we once thought was great about society. Look at all the deaths in Mexico. Legalize drugs and you eliminate their funding and use the money to run adds to show what drugs are dangerous.