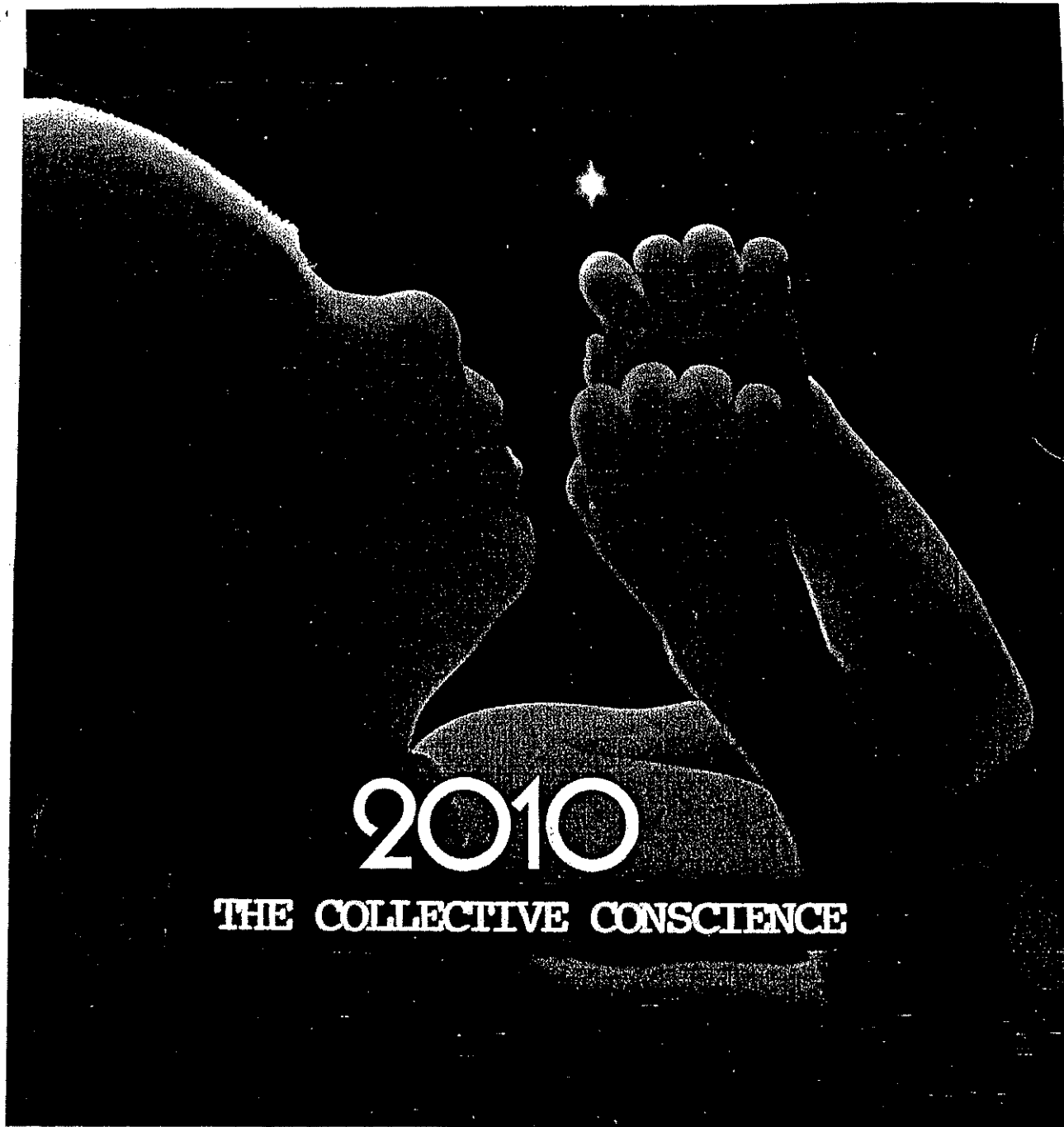


Armstrong Economics 阿姆斯特朗 经济

Forecasting the World

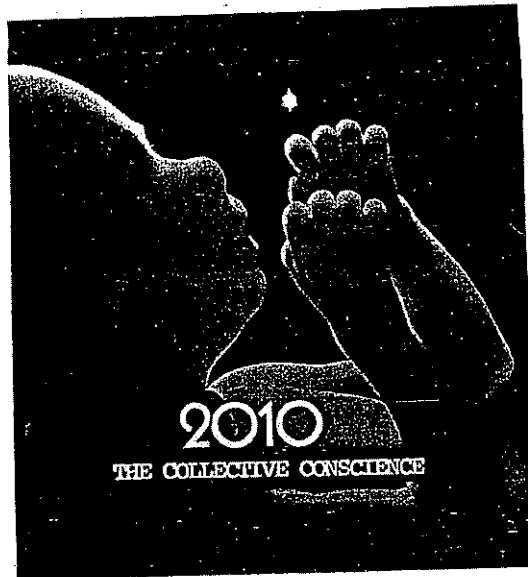


2010

THE COLLECTIVE CONSCIENCE

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

By: Martin A. Armstrong Copyright All Rights Reserved . June 26th, 2010
Please Register For Special Updates At ArmstrongEconomics.COM



By: Martin A. Armstrong

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

ONCE in a while, a glimpse of truth peaks through from the mist that surrounds us. It is so hard to comprehend how we can be advanced in every field, but how to manage a government. Someday, somebody is going to have to take the time to write **HOW TO MANAGE A GOVERNMENT FOR DUMMIES**. In every other field, we acquire knowledge by building upon the shoulders of those who have gone before us. Yet, management of government is like some medieval doctor who starts pulling out body parts until he finds the problem. For as brilliant as we seem to pretend to be, we are about as stupid as a rock with about the same density. There is little hope that we will ever be able to just learn to manage how our society is to function. That glimpse of truth, is never understood, and at the end of the day, all they will ever do is hold hearings and blame someone after the fact. We are beyond hope, and it is a sad day that it is just impossible to ever make a difference or avoid a catastrophe.

There is a Collective Conscience that controls the fate of nations. It is not a abstract metaphysics concept dealing with the fundamental nature of reality that is outside the objective experience of society for it cannot be demonstrated objectively. It arises from the "collective" behavior of mankind. There is a stark difference that emerges from a **COLLECTIVE (MOB)** behavior compared to a **INDIVIDUAL** behavior. When we look at cyclical forecasting, what we are doing is forecasting the **MOB**, not the **INDIVIDUAL**. It becomes the clash of all time where people who refuse to believe in the business cycle assume that this dictates what they will do and therefore they lose free will.

The renoun Stanley Milgrave conducted the famous study following the Nazi trials where soldiers stated they were "only following orders." Milgrave took average people off the street and placed them in a room and were told to give electric shocks to a subject for answering any question wrong. The victim was an actor who was told to scream and plead with the average person to stop the test. To the shock of everyone, the average person was obedient to authority and continued to deliver painful electric shocks. His study was repeated around the world with the same results. He established that the vast majority will follow orders even when it goes against everything that was decent.

While Milgrave's study blew the minds of many and showed how and why judges and prosecutors can become no different than the soldiers of Nazi Germany who executed the Jews with no remorse, Milgrave expanded our understanding of so much about human nature that directly attacks so much of our self-image. Our subordination to authority is a very scary aspect of humanity. Yet, that was just the tip of the iceberg.

Milgrave tapped into another very, very interesting aspect of human nature that I believe goes directly to trying to understand market behavior. While we celebrate our slogan, E PLURIBUS UNUM (One Out of Many) and pretend we really care about human rights and all that bullshit, reality reveals that we are destined to fail and people indeed act collectively most of the time preventing reason from surfacing until it is too late.

Milgrave took one research assistant and placed him on a sidewalk in New York City during rush-hour. He stood there and stared into the sky. Nobody even looked and just moved around him. Milgrave then increased the number of people to five now staring at the sky. Suddenly, people began to stop and look upward as well. In traffic, we call this rubber-necking.

What Milgrave exposed was that crack into our collective behavior. I will make a more detailed account in my upcoming book *In the Blink of an Eye*. However, suffice it to say, there is a distinct collective type of "MOB" behavior compared to individualism from which cycles emerge. When you walk into a library, you are quiet because you know this is the expected group behavior. In many areas, we act like groups and function in a collective manner NO MATTER how much we may think we are a free spirit.

The crude awakening is we are merely the SUM OF OUR COLLECTIVE BEHAVIOR. We are NOT as independent as we may truly believe. It is our tendency to group together that creates to BOOM & BUST cycle. Those who will refuse to accept that are so much apart of that process, they cannot stand back and be objective concerning their own actions.

Markets will rise in a spike of full collective concentration of capital and people, and they will collapse whenever that group now suddenly panics and seeks to move in the opposite direction.

If the majority are long and now start to panic, they will now become a herd of all sellers and there are no buyers. That is what makes a market crash. Government, will hold hearings and seek to punish anyone who they can claim was now a seller. They then turn to the people and try to blame the event of that person and pretend that all is now safe to return.

Take the 1,000 point drop on May 6th. The government wants to investigate and hold somebody's feet to the fire. They could not find anything abnormal. Yet they still now insist upon creating regulations to prevent that from taking place.

We have no idea as a society what even makes us function. How can we regulate that which we cannot even comprehend? There are Democrats who will argue that the FREE MARKETS cannot be trusted and they should have full power to regulate. But they are just clueless. They are so filled with hate for the so called rich, they are blind to what they themselves are doing to society.

There is a COLLECTIVE CONSCIENCE that emerges from the group behavior that we must simply understand. The longer we will ignore this, the greater the potential for inviting our complete destruction.

It is SOCIALISM that is dead. I do not disagree with having a safety net. I do not disagree with even a national base system of health care. I believe that such a thing is a HUMAN RIGHT that is at the very purpose for creating a society. You do NOT join collectively to form a state for no benefit at all. There is a police force and a fire department. These are just two fundamental reasons for creating any collective grouping. However, simultaneously, there can be no power to tax individually and create social laws to dictate behavior that is contrary to human nature. We either accept who we are as a people, or you leave the group. Freedom of Religion and Speech means I must defend your rights even if I disagree in order to preserve my own rights.

Socialism has run out of other people's money. We cannot keep borrowing to pay for things today. You do not put yourself into such a debt pit that you cannot function. Socialism has gone too far and we have to borrow from other nations to keep the game floating.

What emerges is a COLLECTIVE CONSCIENCE from the COLLECTIVE BEHAVIOR of man. By this I mean that there are pretty standard rules that govern the distinctive difference in how a group behaves compared to a individual. We still retain the potential to participate in the group or to leave. But the group moves according to a fairly consistent set of laws governing how it will act and evolve.

There was considerable speculation that a computer could become self-aware and thus emerge as if it were a human being. What was really being postulated indeed the hypothesis that a computer could emerge as a soulless entity, in many ways, this was an abstract of the Collective behavior of a mob.

There were some early entertainment shows such as Star Trek and the movie 2001 with its depiction of the computer HAL. These shows reflected what was being debated in the computer field in my younger years. Well, we have yet to reach the level of Star Trek or the space ship in 2001, but we have made it to that level in computers.

What I embarked upon in computers was to create that collective reservoir of all possible knowledge from every age. By then bringing that together and creating a computer that could think in the manner that a person could insofar as a method of then analyzing what takes place, what emerged was a window into this Collective Conscience that amazingly revealed the essence of how everything functioned.

There is simply a group behavior that dominates how society functions. Milgrave cracked that egg and exposed some very true interactions that blew one's mind. What he revealed was our hidden collective order no matter how brilliant we thought we were or how independent. There was something lurking in the background.

Government takes each and every event. They try to reduce it to a single cause and effect. They then attach that cause to a particular person, firm, or industry. They care nothing about the truth, for laying the blame on someone, exonerates themselves. In this manner, government is never wrong and it is never the cause of anything for it is the one doing the investigation and then the laying of blame.

The Collective Conscience is what then emerges from the collective behavior within society. It is the group activity and the swing within the population that then creates the oscillation in all things, even politics with the rise of one party over the other and then its loss to the opponent.

This is why the FREE MARKETS are never wrong. It is why communism failed in 1989. No system can be sustained artificially. The FREE MARKET is NOT letting Goldman Sachs or any other firm manipulate a market or dominate it. Such artificial manipulations or the attempt to control the economy as was the case with COMMUNISM or even SOCIALISM, are not sustainable. ALL THINGS ARE SUBJECT TO THE FORCES OF ECONOMIC REALITY.

Just as a family cannot live on a credit card indefinitely, government is just no different. We cannot continue to borrow with no regard for the future and expect that we are somehow the exception to common sense.

I write not to try to preach doom and gloom. We are entering a new era where all that once was will come to an end. The real issue is HOW do we rebuild what is going to collapse? We need our disinterested knight in shining armour who will put humpty-dumpty together again who will do it without the monetary self-interest as Cincinnatus did in 519 BC to save Rome. History has always produced that person in waiting who will rise to the occasion to save society. Who he will be is unknown right now. There does not yet appear to be anyone on the radar screen. But when that day comes I believe within the next decade or by 2032 at the latest, the best way to accomplish that is by a keen and educated population. For our saving grace will not come from Washington.

There is a Collective Conscience that emerges from the group behavior that will drive the markets and force events to then unfold. The key is to understand the WHOLE movement of ALL markets collectively together for then and ONLY then will you see the emerging trend of the collective free markets. I am working on a global correlation that will enable you to see the world and how it actually works. It is the revelation of the Collective Conscience that exposes the future laying it out prostrate for all to see. This will take a few months, but it will open your eyes to collective behavior.

The **Collective Conscience** is something that emerges from the **Collective Behavior** of mankind. This is to a large extent, the hard wiring that is instinctive within ourselves. When the 1987 Crash took place, the investigation revealed that people sold because of a **LACK** of information. They saw the Dow down 500 points, the biggest in history to that date, and there was no explanation as to the **CAUSE**. The Brady Commission raw data showed that people sold because everyone else sold. They **ASSUMED** that someone knew something had happened geopolitically that was not yet in the press.

The 1987 Crash proved the very point of Milgrave's experiments. People respond to group behavior. The **ONLY** explanation for a Panic is people sell because everyone else is selling. The talking heads try to create some explanation, But it is typically just bullshit. They do not wish to report that everyone is selling because everyone else is selling and nobody knows why.

Politicians must have someone to throw on the fire just as Nero selected the Christians. **SOMEBODY HAS TO GO TO JAIL EVEN IF NOBODY IS TO BLAME.** This is just the way government operates.

In reality, we can step back and look at everything from a far with hindsight and we can then see the major trends. But panic is not always a cause & effect event. There is a **COLLECTIVE CONSCIENCE** that emerges and reflects the collective individual decisions made among many different diverse groups. In 1987, the foreign investors bailed out since G5 was publicly declaring they **WANTED THE DOLLAR** lower by 40%. That brain-dead idea to supposedly increase US exports and thus domestic jobs, was telling all foreign investors to **GET THE HELL OUT!** They looked at the Dow and had to ask - **Will the Dow go up by 40% so I can stay even with a 40% decline in the dollar?** Since the answer to that was **NO**, then the answer was **SELL!**

The talking heads only regurgitate the same domestic nonsense as if the rest of the world does not count. Everything is not driven by interest rates, earnings, and local politics. Capital is global, and that means it freely moves in and out of the economy and thus if you ignore that, you cannot get anything right.

Collective Conscience is the net sum of all our fears, aspiration, and current trends. That sum is **GLOBAL**, not **DOMESTIC!** Therefore, the fate of the markets is never determined by the simplistic domestic ideas of raising or lowering interest rates or some other big fictional delusion.

We are in the senectitude of Western idealism. We are terminally ill and Marx has simply wiped out everything that the age of Enlightenment was all about. Instead of an age of democratic government, we ended up with the worst side of republicanism that has devolved back into an oligarchy. Under the pretense of supporting the people, we have fallen back into merely government by decree. By blaming the rich, government has simply increased taxes constantly. Sixty years ago, a mother stayed home to raise the kids. Now, most women who even desire that situation, can no longer afford it for it now takes two incomes to survive. And this was supposed to improve our living conditions? It is one thing if a woman desires a professional career. It is another if she cannot stay home and raise the children if she wanted to.

Everyone acts out of their own personal self-interest. That means that **COLLECTIVELY**, the sum of all actions is the real trend. It is never some easy and single domestic event that changes trends. Therefore, we must look to the sum of the global trends to determine the future of even a domestic trend. This is what I mean by the net sum is a **COLLECTIVE CONSCIENCE** that means economic reality will always work out.

FREE MARKETS mean that we cannot prevent economic reality. You can try to do whatever you want be decree. But people do not obey stupid laws. Look at speeding laws, or even parking laws. Merely passing a law does not mean that everyone will obey the law. If you try to tax everyone, they will hoard their wealth and bury it. That is what took place in Rome and caused the economy to implode. Companies can also leave. Citizens can resign their citizenship. America was built that way with people fleeing laws that were unjust and people fled denial of rights and denial of the freedom of religion. Unjust laws set in motion a vast migration.

The trend has reversed. Over the past 10 years, more Americans are resigning their citizenship than ever before. We cannot ignore the sum of our **Collective** behavior.