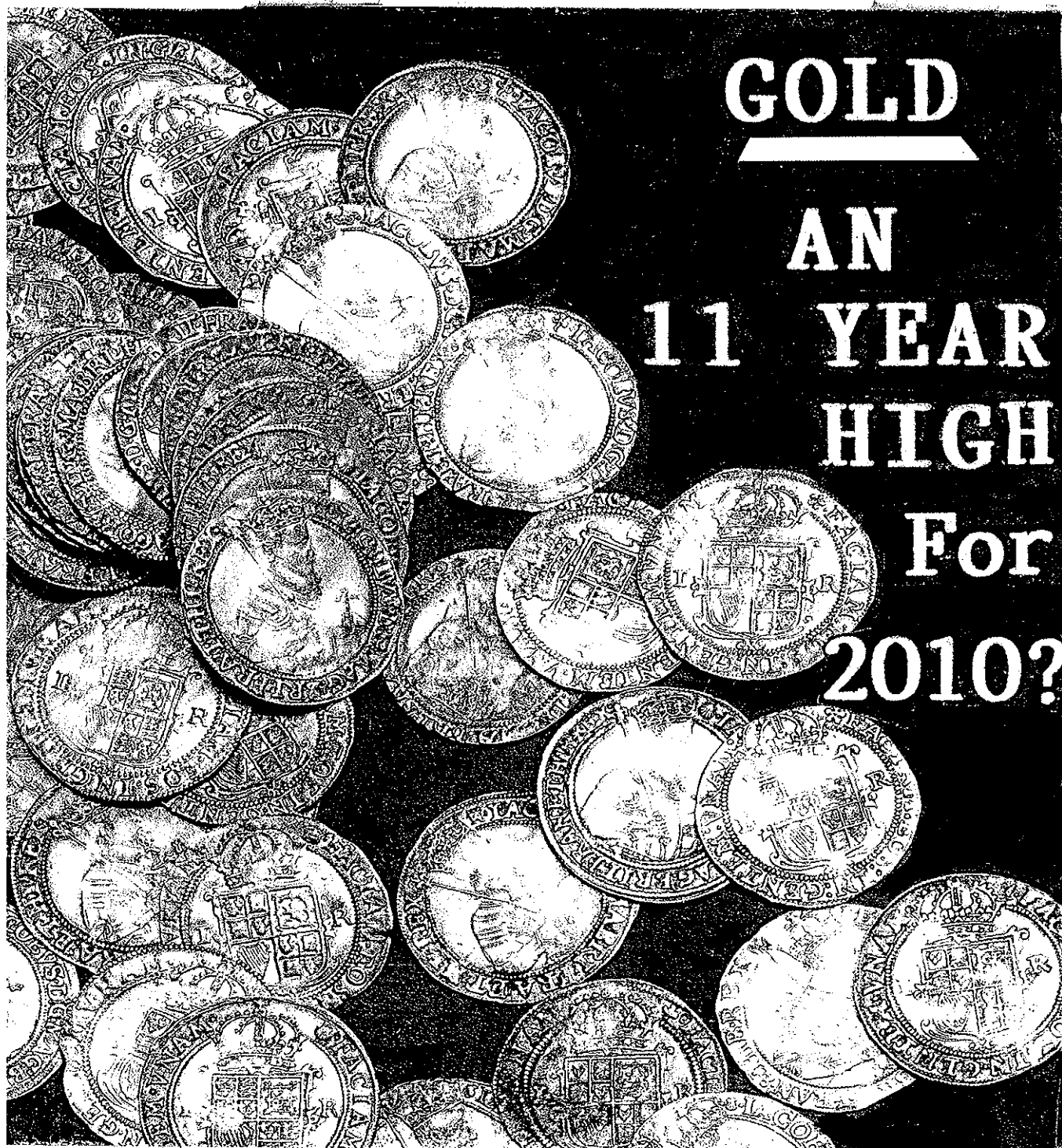


Armstrong Economics 阿姆斯特朗 经济

Forecasting the World



GOLD

AN

**11 YEAR
HIGH**

For

2010?

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

By: Martin A. Armstrong Copyright All Rights Reserved September 17th, 2010
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A C K N O W L E D G E M E N T S

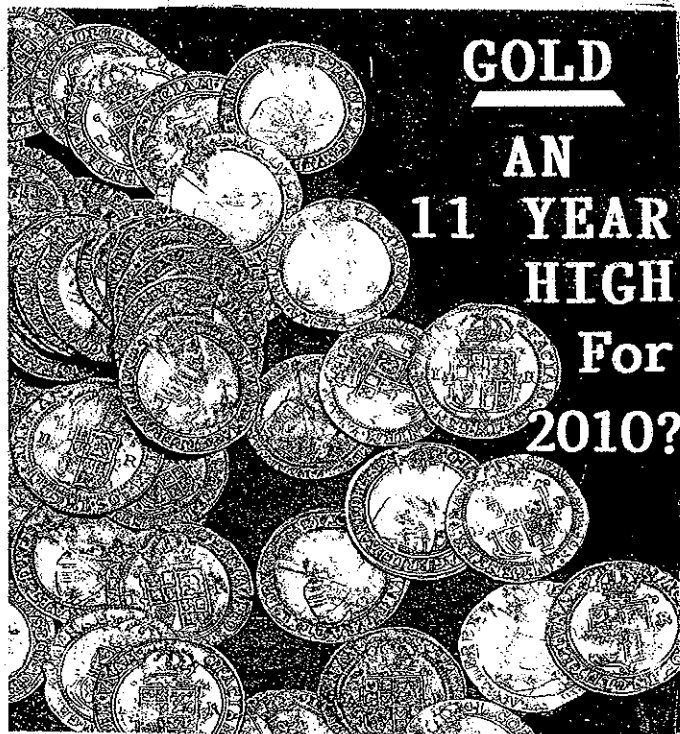
I would like to thank all the former employees, associates, sources, and contacts for their ongoing support and efforts to contribute to the writings I have been able to continue through their great efforts. I would also like to thank those who have looked after not just myself, but my family, and shown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

The purpose of these reports is to broaden the understanding that is so vital to our personal survival. Government cannot save us, and will only assist the very economic disaster we face. This is a Sovereign Debt Crisis that threatens our core survival. There is no plan to ever pay off debts. The majority of debt increase is paying interest perpetually to roll over without any long-term plan. What you see in Greece and in the States, we have run out of other people's money. The socialists keep pointing to the rich. But to fund the deficits, we need to borrow now from foreign lands. We ran out of money domestically and to support the current system like Greece, we need foreign capital. But all governments are facing the same crisis and we are on the verge of another widespread government default. Adam Smith warned in his Wealth of Nations that in 1776, no government paid off their debt and had always defaulted. We will have no choice either.

There is no hope that politicians will save us, for they only form committees to investigate after the shit-hits-the-fan. They will NOT risk their career for a future problem that may hit on someone else's watch. There was a politician and a average man standing on top of the Sears' Tower when a gust of wind blew them off. The average man being a realistic-pessimist, immediately sees he is about to die and begins praying. The politicians, the ultimate optimist, can be heard saying "Well so far so good!" as he passes the 4th floor.

At Princeton Economics, our mission was simply to gather global data and to bring that together to create the world's largest and most comprehensive computer system and model that would monitor the world capital flows. By creating that model, all the fallacies of market and economic theories were revealed. The world is far more dynamic and every change even in a distant land can alter the course of the globale economy. Just as has been shown with the turmoil in Greece, a CONTAGION takes place and now capital begins to look around at all countries. We can no more comprehend the future but looking only at domestic issues today than we can do so in every other area, such as disease and the spread of flus.

We live in a NEW DYNAMIC GLOBAL ECONOMY where capital rushes around fleeing political changes and taxes just as it is attracted by prosperity. All the people who migrated to the United States in the 19th and 20th Centuries, came for the same reasons as those still coming from Mexico - jobs and prosperity. In the 19th Century, America was said to have so much wealth, its streets were paved in gold. We must now look to both the past and the entire world to understand where we now are today,



By: Martin A. Armstrong

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

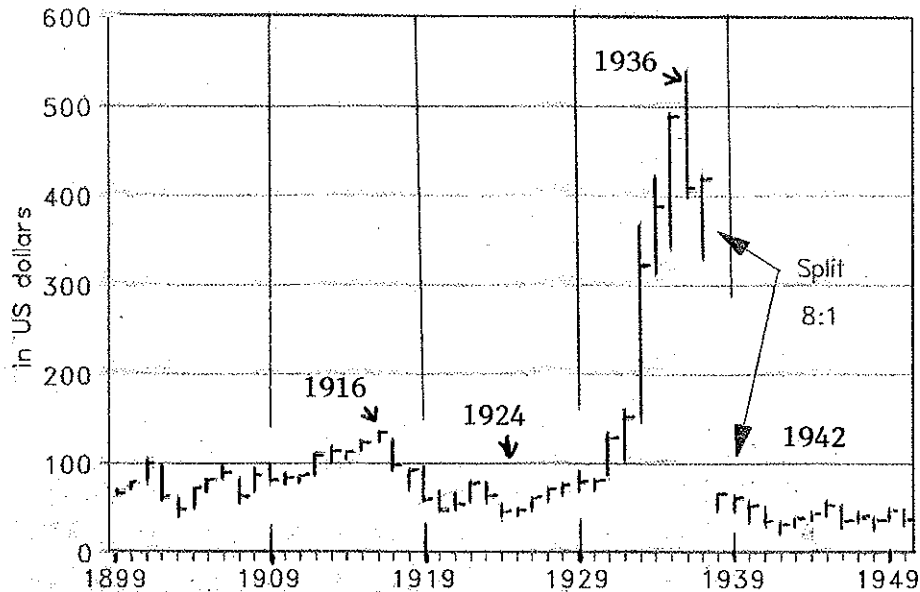
GOLD has remained strong despite those who hold prayer meetings hiring witchdoctors to come up with incantations to force it to retreat. Gold has become the modern scarab of the Free Markets. For you see, the scarab was the Egyptian symbol of resurrection. Gold is becoming the symbol of a modern resurrection of PRACTICAL ECONOMICS. All the excess and corruption within government that is driving the debt crisis, is coming to the surface. We are starting to see the state and local governments putting everything up for sale from airports to tolls. They need money really bad. The Fed is still sleep-walking. They think they can stimulate this mess through buying bonds and putting cash into the system. The problem is, if I was managing money for China, I would be selling those bonds to them and taking the cash back to home. It is long overdue that we need to completely revise how we run the state.

The interesting aspect about gold is that for the FIRST time since 1979 the big buyer is not the jewelry industry. INVESTMENT has exceeded industrial purchases and this is very interesting. It reflects the deep concerns that are rising among smart money and non-Americans in general. The main handicap that Americans have is the fact that the dollar has remained intact since 1789. Europeans (other than British), are use to changes in governments that result in the old currency becoming worthless. The understanding of gold outside the USA is much different than American perceptions.

The World Gold Council began to keep separate track of investor demand reporting it stood at 6.9% in 1998 just as gold reached the major low on August 25th, 1999 at \$252.50. It has reached 51% here in 2010 but its peak stood at 60% going into the March 2009 low in the share markets.

Historically, gold has been the means to store wealth in times of war and economic uncertainty. There are many ancient to medieval gold coins that have survived the vicissitudes of fortune and the perils of time. Gold has been the neutral bet within the eternal political sea.

HOMESTAKE 1899--1950
Price Movement of Common Stock



Source: Greatest Bull Market In History; Martin A. Armstrong
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Gold has NEVER been a hedge against the claims of inflation. There is no such empirical evidence whatsoever. If that were true, GOLD should never decline and should keep pace with the CPI even on a manipulated basis. Gold is the hedge against political instability and government DEFAULT.

Government can DEFAULT in many various ways from internal to external, outright DEFAULT to partial default. Government can outright DEFAULT on their debts like so many have or it can inflate its way out so that the original borrowings can be paid back with much cheaper currency.

Gold cannot be devalued. Nor can it be demonetized. The sole attraction of gold has been (1) its movability and (2) its universal acceptance. One can't take your home with you. When the Jews fled Germany and Russia they could not take real estate, only movable assets. Antiques, gems, coins, stamps, art & gold have become the standard movable asset class.

It is a misnomer to claim gold is a hedge against inflation. That is just total nonsense. Here I have provided a chart of the leading gold stock of the Great Depression. It crashed during the Panic of 1903 known as the "Rich Man's Panic" and it had rallied due to World War I peaking in 1916. Gold Crashed in advance of the Panic of 1919

when commodities were rising and there was widespread inflation between 1916 and 1919. Gold declined BECAUSE it was MONEY. You cannot have gold rising with inflation when its the MONEY that is declining in value.

Gold declined between 1916 and 1924. It then rallied creating its seasonal 11 Year high in 1935 on an annual closing basis with the intraday high in early 1936. Gold fell from 1936 into 1942 and began to rally once more due to World War II. When stocks peaked in 1929, gold exploded to the upside during the 1931 Currency Crisis and continued into 1936. While gold was confiscated in 1934, it could still be traded through gold stocks enabling us to see the real trends. This record shows no such hedge against inflation.

The most explosive rally begins in 1931 when governments are defaulting. Those who keep insisting that gold is some hedge for inflation, entirely misconstrue what is the driving force. They also are judging gold in today's floating environment insisting that money should be backed by gold, which is impractical due to its rare supply and the inability to increase its supply at a steady pace with population growth. When gold is MONEY, it moves in the opposite direction of expectations. It DECLINES with inflation. The record here shows gold rises with war because victory for one means default by the other. Gold is the universal movable wealth.



HERBERT HOOVER

© Fabian Dachtrach

THE 1931 CURRENCY CRISIS AND GOVERNMENT DEFAULTS

"During this new stage of the depression, the refugee gold and the foreign government reserve deposits were constantly driven by fear hither and yon over the world. We were to see currencies demoralized and governments embarrassed as fear drove the gold from one country to another. In fact, there was a mass of gold and short-term credit which behaved like a loose cannon on the deck of the world in a tempest-tossed era."

The Memoirs of Herbert Hoover:
the Great Depression, 1929-1941

Published by Macmillan Company: New York
1952 (Kessinger Publishing's Reprint pg 67)

The rally in gold during the 1931 Crisis was spectacular. Just between 1931 and 1936, HOMESTAKE mining rose about 775%. If we look at where gold began in 1924, the overall rise was almost 1300%. If we were to apply this percentage gains to the low of 1999, this would produce targets of:

\$1,953 (775%) \$3,276 (1300%)

Clearly, those who think gold is just way over priced have their head in the sand. Even looking at gold in 1980 when it hit \$875, the Dow Jones Industrials peak was in the 1,000 area. So if gold were to join just other assets and catch-up, it should be at 5,000 and that would be just a 50% move not the extreme. If the gold rallied on par with the Dow, it should have reached \$12,250.

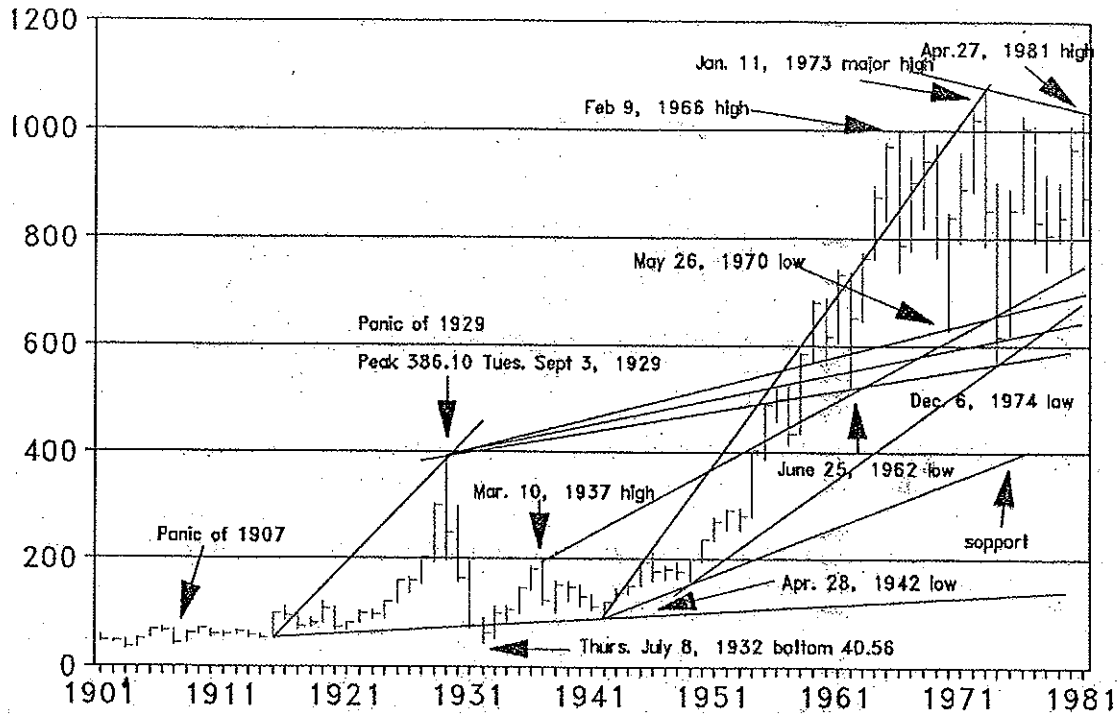
Gold is not a smooth sailing investment to say the least. Commodities overall have tended to be something that lags well behind everything and then suddenly plays catch-up. The real sharp advance in gold has yet to come. When that day arrives, it will most likely make its advance all within a small time space typically less than 3.14 years at best. By no means should you look for a linear move. that will NEVER happen.

Therefore, when we look at gold, we have to filter out the bullshit. It is by no means a hedge against inflation, for if it was, then there would not be these sudden bursts in price activity playing catch-up. The price would advance on a much more linear progression.

What the future will hold is such a dramatic sharp burst to astonishing new price levels of several thousands of dollars. This does NOT even require HYPERINFLATION. It is NOT likely that the United States would enter a HYPERINFLATION mode. The system would collapse long before that takes place. The much more likely result will be a complete currency default with a replacement of a new currency. This is one way government defaults by using a shell game so that the average person does not understand he was just taken to the cleaners.

So what we are looking at is critical overhead resistance that we have yet to exceed. This is the PRIMARY CHANNEL that I provided previously. Gold is trading normal until it bursts through the top of this channel we will review shortly. Exceed that, and we are ready to advance to the next level in this global game of Monopoly.

Dow Jones Industrials Yearly: 1901-1981



When we look at ANY market, we find that all things considered, there is no such thing as a nice, neat, linear progression. This is why FUNDAMENTAL analysis tends to be so wrong. People (1) assume there is a single reason for each move, (2) there is logic behind each move, and (3) markets are efficient on some mystical daily basis so then end like fictional movies - HAPPILY EVER AFTER!

Fundamental analysis fails largely due to the absurd myopic review of purely the domestic events. Sometimes, events are set in motion domestically by external events in other nations. Thus, domestic analysts who ignore international trends and events become lost in their back streets of their own mind. Thus, sometimes earnings can come out and they were positive, but less than expected and the stock drops. Not everything functions on a linear logical basis. You have to look at the whole world, not just local events. For these reasons, there is no nice and neat logical progression that you can predict the future on a handful of domestic events of the latest bullshit explanation or political statement. Japan kept implying they would support the Nikkei

giving false hopes to business who then held stock investments only to what their companies decline and a recession be converted into the LOST DECADE.

Markets do not move in some mythical and unrealistic linear logical progression. Market activity always carves out a broad-band range within which it trades. When it bursts out the top of that range, it then makes what I have called a "PLATEAU MOVE" whereby a given market advances to a higher trading range where the bottom of the new range is usually the top of the previous range.

As shown above, the Dow Jones Industrial Average did that breaking through the 1929 high closing on the high in 1954 moving into a high in 1956 and retested the 1929 high in 1957. The Dow rallied into the 1960s reaching 1,000 falling back to test 600 for 1974, and retested the 1000 level 3 times with the 4th breaking out running into 1987 testing just over 2600, the 1987 Crash proved to be simply a retest of the breakout support. Once that took place, the market was off to a brand new plateau move that has been confusing to most, yet a natural progression readjusting the asset value to the real economy.

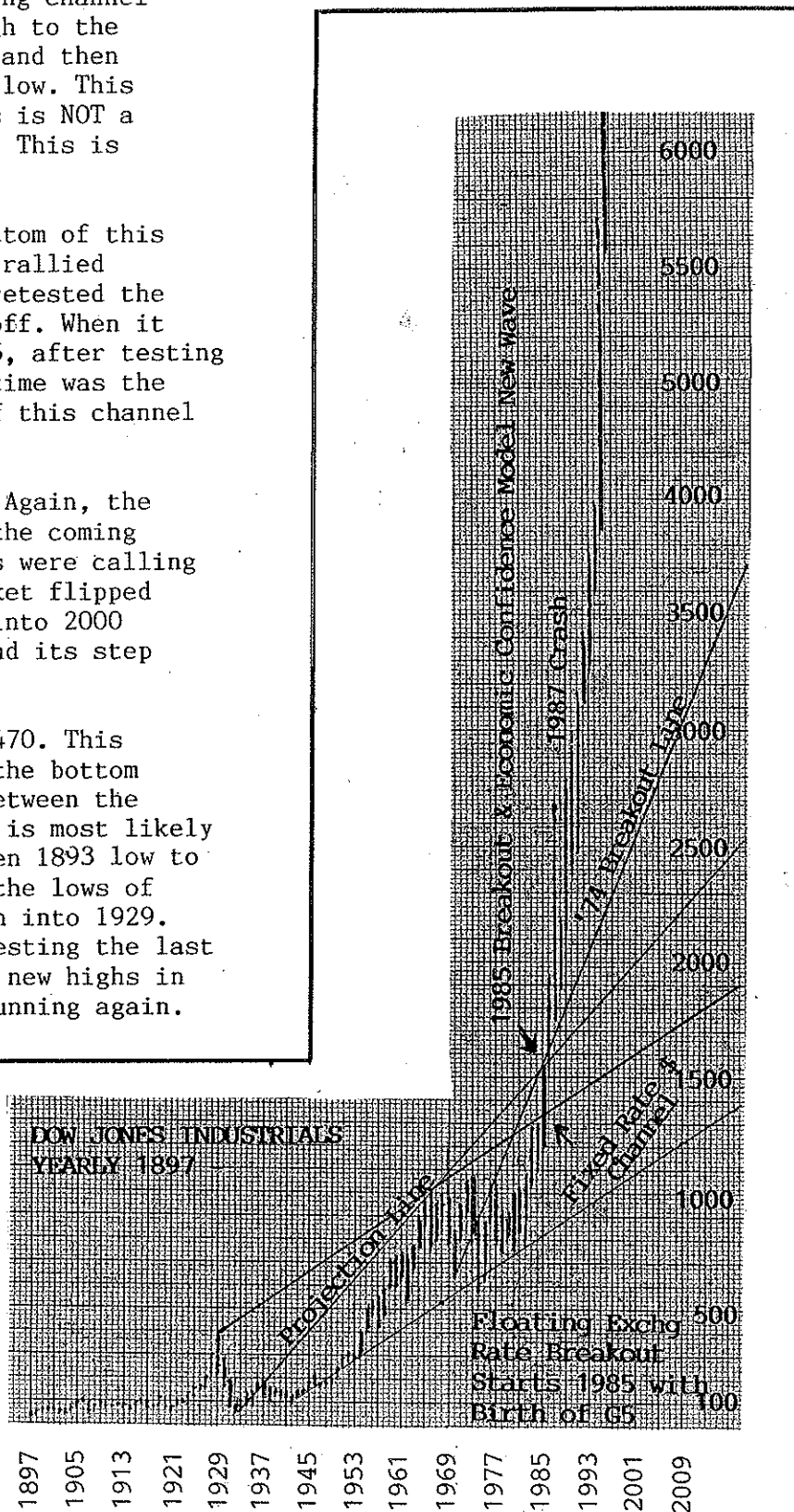
Here is a yearly chart of the Dow Jones Industrials from 1897 onward. Rather than use a log scale, I have cut off the top of the chart since we all know that the Dow went up to 14,000. The real significant factor about this chart is it illustrates very clearly what I call the "PLATEAU MOVE" where the Dow Jones is within an upward trading channel that is created by tying the 1929 high to the high of 1966 (the first test of 1000) and then constructing a parallel from the 1942 low. This gives us the broad trading range. This is NOT a technical tool for short-term trading. This is a broad indicator.

The 1974 Crash penetrated the bottom of this channel, yet the next year the market rallied back up through it. In 1980, the Dow retested the bottom of that channel and then took-off. When it reached the top of the channel in 1985, after testing it both in 1983 and 1984, the third time was the charm. The Dow blew through the top of this channel and never looked back.

The 1987 Crash was just a pause. Again, the overwhelming majority had pronounced the coming Great depression: The Elliot Wave guys were calling for the end of the world, and the market flipped and took off again running this time into 2000 before making a pause, and then refound its step running into 2007.

The Dow fell from 14,198.1 to 6,470. This immediate decline into 2009 retested the bottom of the new PLATEAU that was defined between the high of 2000 to the low of 2002. This is most likely a new PLATEAU just as there was between 1893 low to the 1932 low. The 1932 low retested the lows of the 1890s after it made the spike high into 1929. Currently, the Dow fell into 2009 retesting the last low of 2002 and when it breaks out to new highs in the years ahead, we will be off-and-running again.

Gold is doing the very same thing. The 1999 low of \$252 retested the 1974 high of nearly \$200. We are now going through the \$875 high of 1980 preparing for a completely new trading range or a new trading PLATEAU. Breaking through the PRIMARY CHANNEL will be the same pattern as the Dow in the 1985 breakout. You must look at all markets from a long-term perspective if you want to see where you are really going in the years ahead.



If we now turn to the monthly chart on Gold, you will see the **PRIMARY CHANNEL**. I provided this channel in the August 28th 2009 report. I wrote on page 14:

"The first real resistance is formed by the **Primary Channel** that shows \$1,350 - \$1,750 between 2010 and 2012. This **represents** still a plain old normal technical move with nothing that would reflect a melt-down. It is breaking this overhead resistance where it becomes support that we enter the 'danger zone' of a true meltdown in **Public Confidence**."

id/Armstrong Economics, 8/28/09
page 14

This **PRIMARY CHANNEL** is taking the 2006 high on a monthly basis tying that to the 2008 high. This provides the **NORMAL** trading range for an uptrend. As long as gold stays within this channel, there is simply nothing abnormal. Thus, if gold were to rally up to \$1480 during the last quarter of 2010, it would still not be a sharp **PHASE TRANSITION** as was the case for 1980.

Also provided is the Yearly Chart that shows gold back to 1968 when it was first legalized to trade in Europe as a free market on the LME (London Metals Exchange). For those who may not know their financial history, the opening up of the gold market was a two step process. Where Americans could not own gold until 1975, gold had to trade at the official price of \$35 up until 1968.

The first crack in Bretton Woods took place in 1968. This is when the solution was to allow gold to freely trade and this gave birth to a two-tier market. Between nations, government retained the \$35 price. In the free markets, gold now traded in London and rose to \$42. It then collapsed and fell into January 31st, 1970 bottoming in the free market at \$34.75. Gold actually fell below the official price of \$35. That was truly amazing. It then took-off like a rocket ship and rallied up to almost the \$200 level for 1974 (\$195.25).

This move taught me a lot. The fact that gold fell **BELOW** \$35, sucked in all the goldbugs and caused them to give up. That

fake-out move with time, I began to notice that **EVERY** market makes a **FAKE-OUT** move just before a major advance. The market needs to swing the sentiment back to bearish **BEFORE** it rallies. You need the energy to rally and that is created by the wrong traders who fight the tape. They provide the fuel for the early stages of the rally. As the rally begins to mature, it now attracts new money for investment. The tape fighters continue because they refuse to believe that they were wrong. This is the **ENERGY** that creates the move.

In reverse, government **ALWAYS** wants to hunt down that short-player who somehow just overpowers the market and forces it down. Just as we saw with the **FLASH CRASH**, the SEC can't find anyone. It is just a myth that regulators refused to accept. Somebody has to go to jail. They refuse to listen to how perhaps their theory is dead wrong.

The market declines whenever you scare the longs. They suddenly want to see and there are no bids. When confidence is simply lacking, panic sets in. When the longs turn like a herd of animals, they trample over anyone who falls. You create a **"FLASH CRASH"** because the longs are trying to sell and there is a lack of confidence underlying the market and that keeps bargain-hunters away and the market goes into no bid.

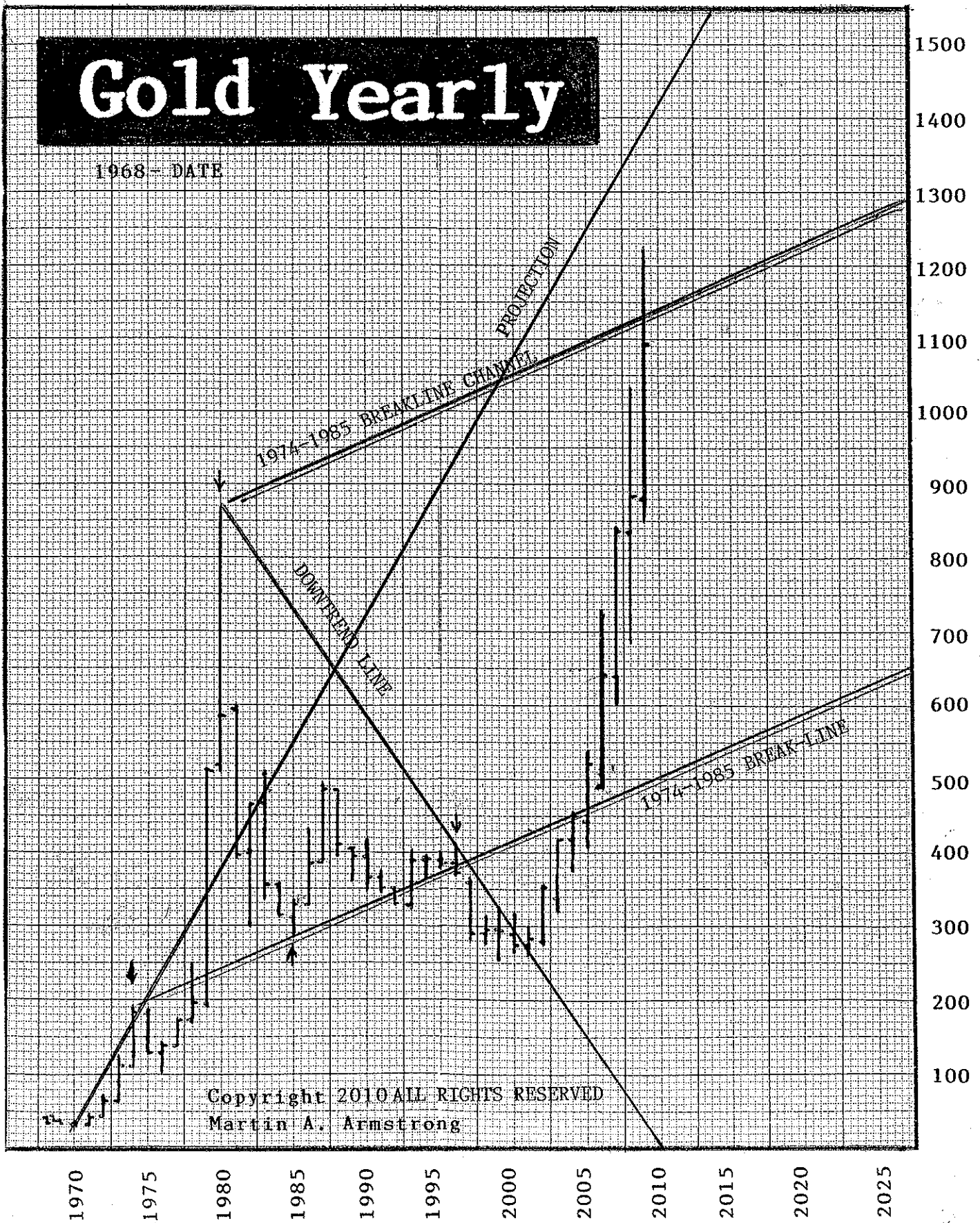
The same will take place in reverse on the upside. Gold rallied from about \$400 to \$875 within the last 6 weeks into 1980. Again, there was no smooth linear move. There was a lack of sellers and thus the bidding went into hyper-active mode.

When we look at the Yearly Chart, I created the 1974-1985 **BREAK-LINE** (1974 high to 1985 low) and then ran a parallel from the 1980 high. We have come out the top, which stands at \$1,140 for 2010, and a year-end closing **ABOVE** this will provide a long-term signal that gold is starting to prepare for a new **PLATEAU MOVE**.

From a broader perspective, gold needs to close 2010 above \$850 to stay bullish short-term. To generate a sell signal, gold would have to close below the \$600 level on an annual basis **WHICH DOES NOT SEEM LIKELY AT ALL**. A close above \$1,227 will signal new highs into 2011 are possible.

Gold Yearly

1968 - DATE



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Martin A. Armstrong

THE DYNAMICS OF THE GOLD CYCLE

There has been a most interesting aspect behind gold that is very compelling from a dynamic perspective. Understanding cycles is the key and pretty much essential to comprehending the future. I have often been asked why do cycles exist? The answer is simply that this is how ALL energy moves just like a rattlesnake that has to move side-to-side. Light, sound, and life itself are all driven in cycles. It is how energy simply travels! This is the way things are and it is the reason we grow, mature, age, and die. It is just one cycle.

When we look at cycles, there is also multiple dimensions. There are phases that can be shifted, inverted, and understanding how all things move is critical to just about everything.

I have written before about the 64 yr Gold Cycle. But this is just one dimension. I have also been asked how can such things work out to a precise day? The answers to this seems to be a very interesting complex subject that I will save for a upcoming book I have been working on - *The Geometry of Time*. But let us look at just one such very interesting aspect: If we take the precise day of the Panic of 1869, September 24th, that comes out to 1869.7315. If we look at the day of the low in 1999, August 25th, we end up with 1999.6493. The difference is 129.9178 and divide that by 2 and we get 64.95. Divide by three and we get 43.305 (8.6 x 5).

In reality, we may have the same date show up by multiple wave lengths and different phase shifts. When that takes place, the precise day seems to be carved in stone. Lacking the proper equipment at this time, you are not exactly catching me at my best. Right now, getting it down to the week is possible manually for now. But to get more accurate requires a database and computing power. Still, looking into the eyes of the future, is producing some scary results.

I have written before that in gold we look at TURNING POINTS rather than highs or lows because sometimes gold is money and declines with inflation and sometimes it's a commodity taking the opposite position. In US history we were on a floating exchange rate system also during the Civil War. There is no STANDARD of money that has simply EVER lasted. Everything has risen, crashed, and burned - WITHOUT EXCEPTION. Those who tout a return to the gold standard as some sort of panacea cure-all, are clinging to some golden pantheism unsupported by history.

After the fall of Rome in 476AD, gold vanished from the money supply because the gold mines known at that time were in North Africa. Europe fell into purely a silver standard and the first gold coin to appear came in the 13th century.

There were so many different monetary systems it would make your head spin. Even in Florence, famous for its bankers, there were TWO monetary systems, one based on silver used in daily transactions and the gold Florin standard used by merchants in international trade. Only some merchants were allowed to keep their books in gold while all others had to use silver as the unit of account. There was no fixed basis between gold and silver. The two floated independently. This is only one example of one city in medieval times. There were at this time almost 50 different cities with different monetary systems. Even what was known as a "mark" being 300 grams or so, varied greatly plus or minus 20% because there was no standard weight system among all nations. This led to monetary chaos and this is why the first trade to emerge was the moneychanger rather than a banker.

We have to understand that NOTHING is forever. We have to see things from a state of perpetual flux. The 1935 high in gold on an annual basis produced a 64 year cycle inversion for a 1999 low.

11 Year Bull Market Cycle

The 11 Year Bull Market Cycle has often dictated the short-term rallies. I say short term for that is in reference to the broader view of decades. Sometimes this is measured on a closing basis, and other times it can be measured intraday.

Gold rallied from the 1924 low on an 11 year cycle that peaked on a closing basis in 1935. The intraday high went into February 1936 before it crashed and continued largely into 1942 completing a 6 year decline.

If we look at the Year Chart, here we have the intraday low at \$34.75 in 1970 with the major high at \$875 on January 21st, 1980. However, this cycle is reversed whereas 1980 still closed higher than 1979 so the split took place at the beginning where 1970 was the intraday low while 1969 was the lowest annual close.

Even if we look at the low in 1903, the overall rally was 13 years into 1916. But we have the Panic of 1907 where Homestake also declined because this was a banking crisis and not perceived as a government default. If we subtract the 1907 Panic, we are back at 11 years.

This 11 Year Bull Market Cycle is by no means a long-term indicator. In other words, we are reaching that short-term reflection point where there can be a temporary high. The intraday low was 1999, but the lowest annual closing was 2000. This suggests that while 2010 could produce a temporary high on 11 years from 1999, the door remains open for a rally into 2011 since the low close came AFTER the intraday low rather than BEFORE it as usual.

I have provided both Yearly and a Monthly Charts showing the 1974-1985 BREAK-LINE Channel on the Yearly that points up instead of down. This in itself has been a long-term warning that gold would come back.

The top of that channel in 2010 stands at about 1140. The Monthly Chart shows a PRIMARY CHANNEL that stands at 1400-1480 for 2010 and 1480 - 1660 for 2011. It is this later Channel on the Monthly level that is likely to present the overhead resistance. The Yearly 1974-1985 BREAK-LINE CHANNEL is support that must hold and a yearly closing below this level will warn of a correction.

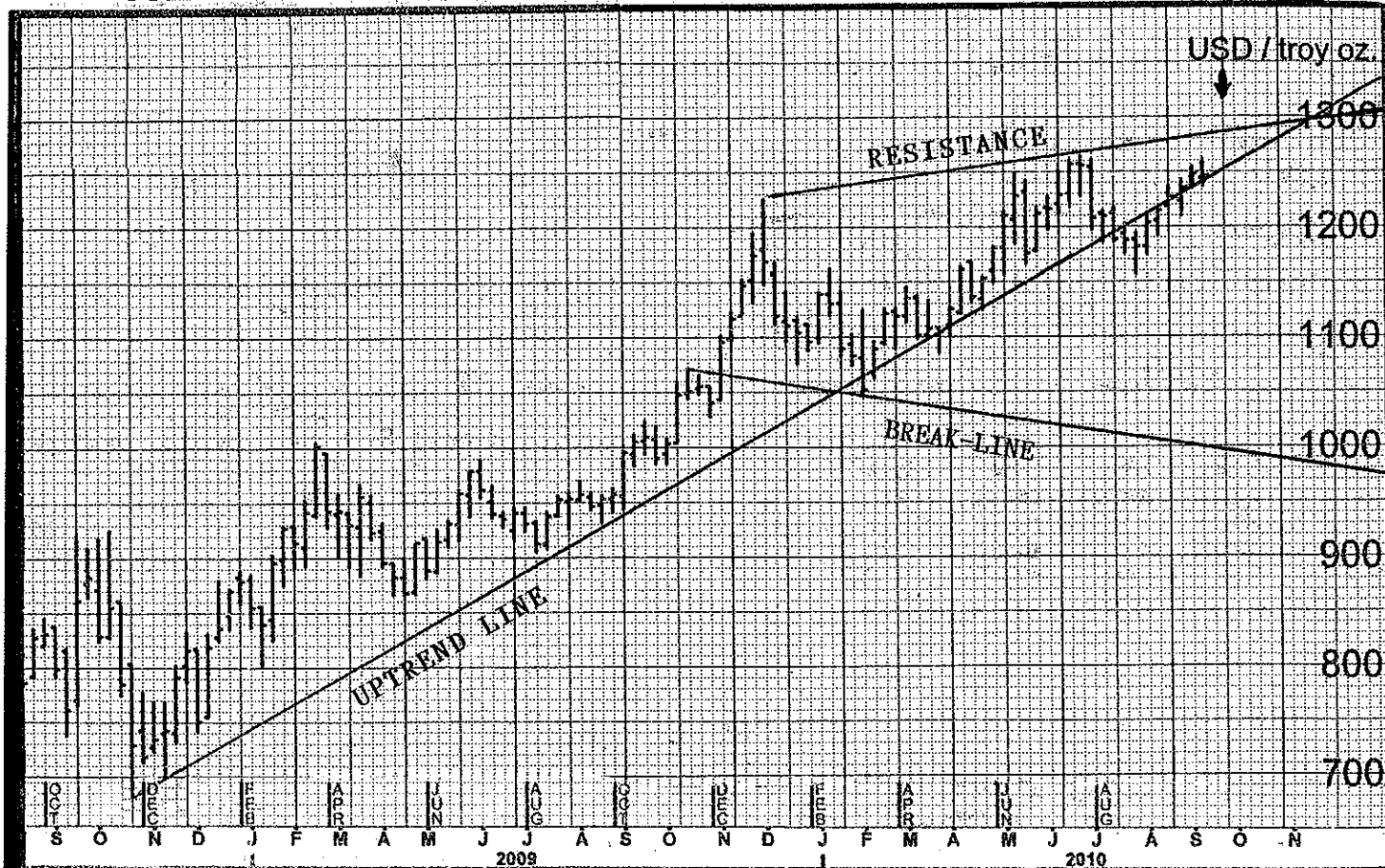
Looking ahead, the main bank of support lies at 1030-1047 level. This will be the pivot support throughout 2011. This suggests that the broader long-term trend on a near-term basis will remain bullish as long as gold stay above this area for 2011.

When we look at the cyclical perspective at this time, there is a possibility that we can establish a temporary high if we do not get through the top of this channel resistance, we could then see a pull-back for about 17.2 months, and then a rally that will be off and running through the top of the channel. However, the 1000 level will become support, but expect this to be faded slightly. Cracking \$1000 will scare a lot of people forcing them to sell creating the next low.

This 11 Year Bull Market Cycle does not appear to be a major high for there has been no exhaustive PHASE TRANSITION creating a major spike high as was the case in 1980. This is still a normal trading market that is simply following the channel movement and nothing more. Therefore, we could see a high close for 2010/intraday high in 2011, retest of support creating a 2012 low, with a major explosive rally into 2016 where we may see the highest close with a potential intraday high going into Jan/Feb 2017.

The TOP of these channels is resistance. Failing to get through them will signal that we may retest support; get everyone bearish, and then explode to the upside thereafter.

GOLD Weekly



When we look at the Weekly Level, we see roughly the same support at the BREAK-LINE that will be running in the 1000 level to high 900s. The resistance is a bit lower hanging beneath the 1300 level. The warning provided by the UPTREND LINE is that gold may be getting tired right now. Failure to burst through the RESISTANCE LINE and then cause that to become support, means we will see a decline with a retest of support.

From a Cyclical Perspective, we have September as a potential high on a short-term basis during the week of the 13th/20th with a change in trend for the subsequent 4 to 5 week period.

Monthly timing also warns of a high is possible in September. This would then imply a decline for 6-7 months with a key change in trend beginning Oct/Nov 2011. The most bullish signal would be to establish a low in Gold on the Pi Cycle due on the 2011.47346 target (1980.057534 = 1980 high on January 21st, 1980). To achieve a good precise low next June will be extremely long-term bullish. (June 22nd 2011).

The biggest problem we have is that we are moving far too rapidly toward the END TIME from an economic perspective. As the debt crisis gets worse, EVERY government turns against its own people. Everything then becomes the fault of the people and that leads to ECONOMIC TYRANNY marking the end of that government as we know it. In the immediate period, the United States will be the worst insofar as becoming ruthless against its own people. It will blame the people and target them to raise money in a last desperate hope of clinging to power.

For those who have NOT heard of the NEW GOLD TAX, it is something that is very serious, and demonstrates the pure hatred of government toward any dissent. The NEW GOLD TAX is that anyone selling just \$600 worth of gold (half ounce) must be reported to the IRS. This is such a minimal amount, it is clearly a covert effort to get at people who distrust government and are seeking to have at least a hedge against the mismanagement of government. The last time they started this type of attack was in 1980. It was the primary reason I retired.

I was one of the top three market-makers in gold during the 1980 boom. All the stores that were out there buying gold jewelry for scrap, had to sell it. But the COMEX minimum was 100 ounces. At \$800, that meant just one bar was \$80,000. To refine the gold, took a process of about 6 weeks. That meant the working capital required for someone to buy scrap gold from the public was about half a million to fund the purchases for 6 weeks.

I made markets and thus bought the scrap gold from countless dealers. We would then combine the purchases and have armored cars haul generally 3,000 ounces at a clip to Englehard located in New Jersey as all the major gold refiners were at that time.

We were probably the largest in the nation in 1980 because using my overseas contacts, we created an overnight market that did not exist. A friend in Hong Kong would execute a sell order but that was for London delivery the next day. I then had a friend in London who would make that delivery for me, and the next day I would then swap a COMEX contract in its place. This was HOW the overnight markets really began. My competitors were convinced I was just speculating. No one would make markets after COMEX closing except myself. I had eventually showed a London brokerage house how to do this, and I was at last able to sleep at night.

In came the IRS flashing their badges. They informed me that gold was never officially demonetized and thus it was still legal under the constitution. They then informed me I was a BANK and subject to the banking regulations that I had to report every such transaction over 10,000 and the fine would be \$50,000 per transaction up to the whole amount of the transaction.

My lawyers said there was nothing I could do. The IRS moved into our offices and began to collect names of every person who supposedly conducted a transaction of \$10,000 or more. I walked by the desk and saw they were pulling out names of just \$5,000. When I objected, I was told "If you don't want any trouble, keep your mouth shut!" The next day they pulled up in trucks and carted off all our records to be audited in private. That was the last I saw of them for 4 years.

The State of New Jersey walked in and then declared I was a MERCHANT and that gold was subject to sales tax. I explained that when gold became legal, I was requested to write the law for the State of New Jersey by Senator Walter Foran and it was their intent that gold was not subject to sales tax fearing that New Jersey was the center of the gold industry (Engelhard, Handy & Harman, and Johnson Mathy) were all located in New Jersey. I wrote the law stating that "Gold was not subject to sales tax unless converted to use" being jewelry. The State claimed the "use" was investment. I tried to fight in court. I was not allowed to testify because whatever I had in my mind when I wrote the law was irrelevant since I may have misunderstood. Senator Foran testified, but was only allowed to do so as a private citizen and not as a Senator. We moved to call the entire Senate, and was denied.

The dealings with the IRS and the State of New Jersey convinced me to retire. The analysis we were providing to institutions was no different than any Wall Street firm insofar as the forecasting was provided in return for business. This is why the analysis was split off as a separate company because all the institutions were using it and now wanted to keep it even if I retired from any market-making.

The point is this. In 1980, they at that time clung to the \$10,000 limit as was the case in banks. Here the new law is clearly an attack upon ALL people who distrust the government for the reporting is now just \$600. The government claims they expect to raise \$17 billion over 10 years. This is nothing. The point is to create a law that will have a FELONY attached as all tax laws and that means they will be able to confiscate all the wealth of dealers and individuals. There is no court that will defend the citizen at all so this is no different than the Nazi saying "Papers Please!" This is a reflection of the deep hatred harbored against the people and anyone who disagrees with them will be imprisoned.

The consequences of this GOLD TAX is very serious. They will be driving more and more capital into hiding and that is what reduces the VELOCITY of money preventing economic expansion. ALL governments do this as part of the last phase of their existence.

THE NEW YORK TIMES, THURSDAY, SEPTEMBER 9, 2010

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COURT DISMISSES A CASE ASSERTING TORTURE BY C.I.A.

A VICTORY FOR OBAMA

Judges Rule, 6-5, That Secret Data Might Be Jeopardized

By CHARLIE SAVAGE

WASHINGTON — A federal appeals court on Wednesday ruled that former prisoners of the C.I.A. could not sue over their alleged torture in overseas prisons because such a lawsuit might expose secret government information.

The sharply divided ruling was a major victory for the Obama administration's efforts to advance a sweeping view of executive secrecy powers. It strengthens the White House's hand as it has pushed an array of assertive counterterrorism policies, while raising an opportunity for the Supreme Court to rule for the first time in decades on the scope of the president's power to restrict litigation that could reveal state secrets.

This is part of the whole Debt Crisis that is straight out of history. EVERY government historically turns against its own people in a desperate attempt to keep the ball rolling. The courts no longer protect the people and have abandoned the Constitution. The Ninth Circuit, the most pro citizen court in the nation, has now shown it too is no longer honoring its oath to defend the people.

In a Torture Case where the man was NOT a terrorist, the Ninth Circuit has ruled that human rights must be subordinate to the will of government. It dismissed the case not allowing a victim to sue the government because it might force the government to reveal secrets. Of course nobody knows if there are any secrets, or is the secret that there are many people being tortured? Did we not invade Iraq because he tortured his people and did not respect human rights? Here we have American courts using the same claims of Saddam that state interests supersede human rights. Does any one see the hypocrisy in this?

When I was in New York and 911 hit, it was then also national security that we were locked in the cell denied even a shower. The government can claim national security and that trumps everything and Judges don't even ask what it is. There are secrets at stake that the government can't even tell the court. Excuse me, but for judges to rule that way, they must be goose-stepping to the bench. There just are no rights left in America and the government can do as it likes at any time it so desires. The beacon of LIBERTY went out a long time ago. Yet people will cheer and desire to live in such a police state.

This GOLD TAX is a reflection of a war against the people to separate them from any wealth whatsoever to keep the game going. It is coming to an end. Gold may retreat, but it is far from over. Outside the USA gold will be seen as a greater hedge and this new GOLD TAX is confirmation of how bad things have truly become. There will be no need for violence. The state will collapse when they can't sell their bonds. That day is coming rapidly just as it did in China & Russia.

NOTICE

Because the government has begun to require that I provide the name and address of anyone I write to, I have decided that I will await my release if that day really does arrive to reply to those who have been recently writing. I feel it is a violation of the Freedom of Association that I should have to provide any information about anyone so the government can create a database on everyone. I will still take suggestions and try to answer question in my writings, but I decline to comply with this latest infringement upon the rights of the people.

Those who send me info and ask questions, I am glad to receive. It is only outgoing mail that I must report to whom I am writing in advance to the government, which I refuse to do. Once upon a time being an American was a privilege. Today, the silent tears of the Founders and so many who died in all the wars suffer greatly in the face of these ruthless tactics that are anything but American in spirit.

The GOLD TAX is really requiring that a citizen must give his information to the gold dealer and the dealer must report on a 1099 to the IRS that you just sold \$600 worth of gold. This is combined with the also so called national security law that prohibits anyone to withdraw more than \$3,000 in cash from a bank per day.

Allowing Ben Laden to remain free has so much benefit to the state in so many clear collateral ways. Because of terrorists, we have to restrict every American to prevent him from accessing his cash. Now we have the GOLD TAX. They built the wall between Mexico and USA to keep Mexicans out. But it also keeps Americans in and they can be checked if they try to leave with assets. So much for the land of the free and home of the brave. All of our liberties are going just to keep the seizure of money from the very people in the spirit of Marx. The more drastic measures they take, the more it reflects upon the sad state of the union.

Despite these laws, capital will go into hiding as it always does. People will hoard and that will reduce the money supply. We are entering the final stages of a true and profound economic meltdown. All this money is going out the back-door to pay interest on the debt they have no intent of ever paying off. We are just doomed.

We are likely to enter a period of sheer confusion. The months ahead look a bit choppy with turning points in September, October-November, March-April, and June 2011. Clearly, June is showing up on many levels as a big turning point. If we cannot get through this overhead resistance, then we should pull back and retest the support. A June 2011 low will definitively be a long-term bullish indicator. The Monthly Closing support lies at 1196. A monthly closing below that area will signal a retest of support. On the upside, we need to see TWO monthly closings ABOVE the top of the Monthly Primary Channel running in the 1440-1480 level for this year.

We will have major year-end support at 1033. As long as we close above that, gold is still bullish near-term. Keep in mind we are at the 11 year mark. This is a period we we can have a brief retest of support and then a resumption of the uptrend. Gold will be the key indicator no matter what the USA tries to do. There is too much distrust of the USA even worldwide. This is even leading to the Arabs creating a gold back Dinar to eliminate the dollar. We most certainly live in interesting times and that is our curse. The gold tax is a desperate attempt to wage war against the people. At \$600, it is not targeted at the so called rich. This is now aimed at the poor and middle class.