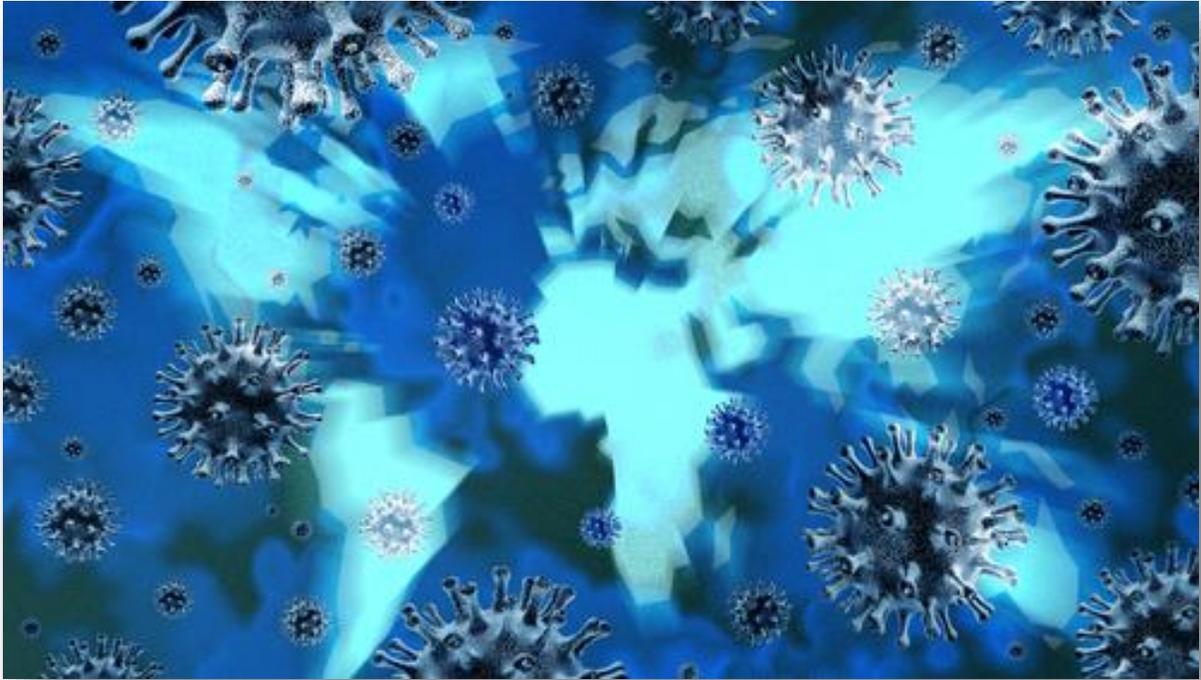


Coronavirus & Next Great Depression



The Insanity of Caution

*Forgive them for they Know Not What They do
Or are they just Corrupt?*

By Martin Armstrong



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Preface



IN the *Manipulating the World Economy*, I concluded that the central banks were done. Keynesian Economics was finished, and the only way out was political reform. I myself was very pessimistic that they would ever be able to come to an agreement in time. What I never anticipated was that they would stage some sort of James Bond plot to take this to the next level and create an unjustified health panic where people would surrender their rights and politicians could alter everything in the name of saving the world.

What is the world going to look like Post-Coronavirus? People do not realize but calling this an emergency grants elected government totalitarian powers to the point they can even postpone elections and imprison you without a trial. The state can oblige citizens to provide services, seize companies, and all legal protection is being postponed around the world in the blink of an eye.

The news has been dominated by this coronavirus pandemic created by academics on nothing more than a guess. I am not a doctor and offer no opinion in that regard. I just look at the data and it appears to be something that tops rather quickly if we look at Asia.

The role of governments has expanded to deal with the virus in tremendous ways that would have been unthinkable just at the end of 2019. This has been the most dramatic extension of the state power since the second world war which has even exceeded the powers seized following 911. Worst still, this has taken

place with almost no time for debate or review and the press has failed to defend the people as their role was to be under Freedom of the Press. They have interpreted that as the freedom to choose sides exercising opinion rather than integrity and impartiality.

However, this power-grab is no accident. Only the state can enforce isolation and business closures to stop the claimed virus. Under Keynesian Economics, the theory of dramatically expanding the money supply in accordance with **Modern Monetary Theory** is again claimed that only government possess the power to help offset the economic collapse being caused by questionable models and proposals that if we are all forced to stay home, we can beat a virus which is less aggressive that even the annual flu.

Those who have believed in limited government and free open markets, this virus has been used to forever silence any such opposition to the leftist agenda. The various state governments are encouraged to act decisively and rashly without and debate or vetting of the analysis being put forth.

History warns that governments always seize more and more power with every crisis and will never relinquish that power once they have grasped in their hand. Today the implications of what has taken place goes beyond the economy, it justifies the full surveillance of individuals and the justification of arrests under the expanded theory that if you are infected and move about, you are engaging in terrorism.



The U.S. Justice Department has quietly asked Congress for the ability to ask chief judges to detain people indefinitely without trial during emergencies — part of a push for new powers that comes as the novel coronavirus spreads throughout the United States. They are suspending Habeas Corpus which is entirely

unconstitutional. The Habeas corpus first originated back in 1215, through the 39th clause of the Magna Carta signed by King John, which provided ***“No man shall be arrested or imprisoned...except by the lawful judgment of his peers and by the law of the land,”***

The US Constitution clearly states:

Article One, Section 9, clause 2

The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

The DOJ is seeking to take the Constitution and focus on “Invasion the public Safety may require it” using the coronavirus. The Founding Fathers never anticipated such an interpretation, but this ends all freedoms whatsoever. There is no authority to suspend the right to Habeas Corpus for a virus. This is a power



grab that can deny the right to trial by jury and simply imprison people claiming they have some disease and no ability to even prove that they do not.

France passed a law giving the government the power not just to control people’s movements, but also to manage prices and requisition goods. The fear-factor has reversed political fortunes for now President Emmanuel Macron, who was so hated with the Yellow Vest Movement, has seen his approval ratings soar for now being dictatorial which they protested against when he raised fuel taxes to save the planet.

When we look at the 2007–2009 crisis, what the America Congress has just past with \$2.2 trillion in spending, is about 10% of GDP which is twice what was promised during the last financial crisis. In Europe, we see credit guarantees offered by Britain, France and other countries that are even greater than the United States reaching about 15% of GDP.

Hong Kong adopted apps on phones that show where you are in order to enforce quarantines. China has a passporting system to record who is safe to be out. South Korea has justified these new police powers stating that this will allow them to automatically trace the contacts of fresh infections, using mobile

technology, and they will be able to fight future viruses gets results in ten minutes instead of 24 hours. What we are witnessing in Asia is a warning for the what the world will look like after this virus. Medical and electronic privacy will no longer exist. It is the most dramatic evolution of state power since the second world war that no one ever imaged was possible in peace time.



We have others advocating we need to implant chips in everyone under ID2020 to verify if we are health. The government will be able to find us like a GSP to locate a lost car or phone. We have crossed a line here where the power behind the curtain have seized control of our future and it appears to be right on schedule.

This unimaginable increase in state power has taken place with no time for debate no less allowing actual people to consider if they are willing to surrender all their freedoms from privacy to movement. Oh, there will be those who falsely believe that these powers are only temporary. The powers seized following 911 have not subsided. You are pre-screened before you can get on a plane both by your destination and your port of embarkation.

Nevertheless, the sheer magnitude of the response to covid-19 has been more akin to wartime but the enemy is not some invading army, it is a virus from within. History is our witness that that crises lead to a permanently larger government with many more unlimited powers and the never-ending expansion of taxes to pay for them. The welfare state, income tax, nationalization, all grew out of conflict and crisis of the Great Depression and World War I which even altered the Federal Reserve.

There are so many conflicts of interest taking place it is hard to really sort out the truth. We have reports that WHO (World Health Organization) is accused of being influenced by Beijing after a senior official 'hung up on' a journalist who asked about Taiwan's response to coronavirus.



Dr. Anthony Fauci has a \$100 million conflict of interest which is why he was opposing Trump. He is in league with Bill Gates who has pledged \$100 million for Fauci to play with. The National Institute of Allergy and Infectious Disease (NIAID, a division of National Institutes of Health, NIH) director Dr. Anthony Fauci, who was against using chloroquine, said in an interview with CNN's Anderson Cooper, "There's no magic drug for coronavirus right now," and lectured, "Let me put it into perspective for the viewers .. there has been anecdotal non-proven data that it [chloroquine] works... but when you have an uncontrolled trial you can never definitely say that it works."

I have warned that the CDC takes private money through its foundation. Gates even gave Fauci's Foundation \$13.5 million. I do not believe we can trust Fauci in the least. The CDC should **NEVER** be allowed to be bought in this way. It is Gates who wants to inject us all with microchips. I seriously do not understand if all his money has simply gone to his head.

Trump should fire Fauci first shut down all private donations from anyone, especially Bill Gates.



Creating Models to Hide Human Opinions



One of the people who has assisted in this panic over the coronavirus has been Neil Ferguson, who led the [@imperialcollege](#) authors who warned of 500,000 British and 2.2 million Americans would die all from this coronavirus. Now, low and behold, Ferguson has himself tested positive for the virus and has suddenly announced a change of view.



J-IDEA's Neil Ferguson tells MPs lockdown can help NHS man...

CORONAVIRUS LOCKDOWN - Imperial's Neil Ferguson, Director of J-IDEA, has told MPs that the current UK lockdown could keep the coronavirus outbreak at manageable levels.

<https://www.imperial.ac.uk/news/196477/j-ideas-neil-ferguson-tel...>

I find this very curious that he would advocate shutting down the economy when he knows the economic damage this would have. The number of people whose jobs will be lost, and small businesses destroyed around the world is incalculable. Ferguson now says both that the U.K. should have enough ICU beds and that

the coronavirus will probably kill under 20,000 people in the U.K. and interestingly he now admits that more than half of whom would have died by the end of the year in any case because they were so old and sick. Ferguson now predicts that the epidemic in the U.K. will peak and subside within “two to three weeks” after advocating 18+ months of quarantine would be necessary.

Computer modeling in medicine as well as economics/finance has tended to work only in theory. When these same systems are actually attempted to be used, they inevitable fail.



IBM's Watson was simply a giant **Neural Network**. The idea was that IBM's Watson could search the entire internet and gather every piece of information possible. The false belief was that Watson would find the cure for cancer and other diseases.

The University Health Network is using Watson to help them find new treatments for Parkinson's disease.

It was simply believed that gathering all the data and throwing it into a **Neural Network** and shazam – out would come the cure. That was the easy part. What IBM lacked was the expertise in how to do research. How do you know that one piece of info is the key or more important than another? They lacked the talent to create a real analysis capability.

Ferguson's model that has destroyed the world economy was highly questionable just from a programmer's perspective. This model was obviously based on human assumptions that were WRONG! Once you start with a presumption there is no possible way the model will ever produce meaningful results for it will be as biased as any human judgment to begin with.

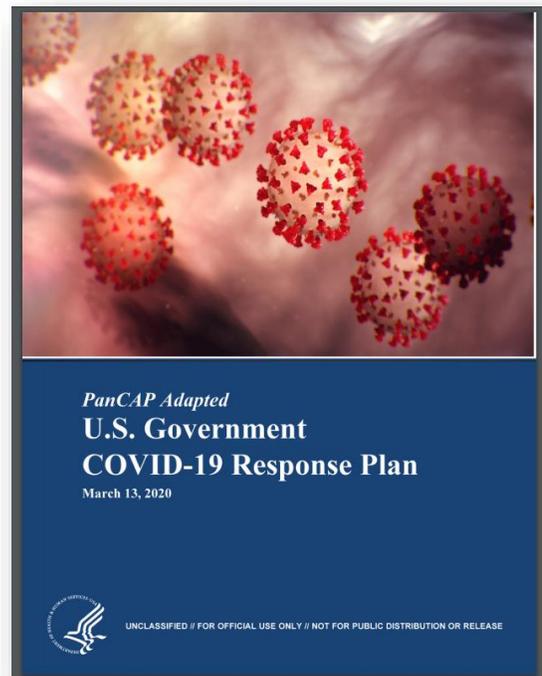
There can be NO HUMAN INTERVENTION, nor any HUMAN ASSUMPTION imposed. Once you start with such a rule, it is not an **Artificial Intelligence** system but only an expert system that looks up the answer based upon the assumptions. What Neil Ferguson explained before the British Parliament why he was wrong.

"We based our recommendation on early data from China saying 20% of those infected would end up in critical care"

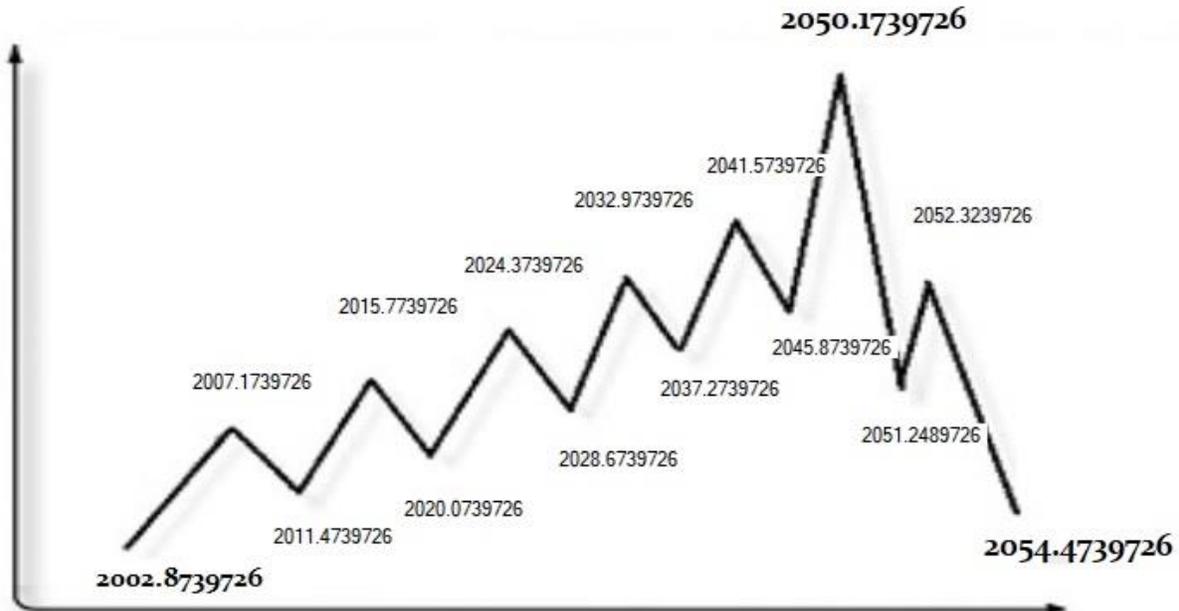
An Oxford Study suggested than one in a thousand would require hospitalization. They actually used the data as things began to develop. Yet it seems as though despite the fact that this model was nothing more than a human presumption that was drastically wrong, governments are not quick to reverse their newly found powers.

In the United States, a federal government plan to combat the coronavirus warned policymakers last week that a pandemic "will last 18 months or longer" and could include "multiple waves," resulting in widespread shortages that would strain consumers and the nation's health care system.

A simple comparison with other viruses and their lifespans would have been helpful. Coronaviruses are common in different animals. However, rarely does an animal with coronavirus infect humans. It certainly seems possible by eating animals that might carry such a virus. As of March 10th, 2020, 4,087 deaths had been attributed to COVID-19. However, 64,385 people had recovered from the illness. So, it was not serious justified health issue to warrant such a panic. That does make it seem that there is something else behind it.



Cycle of Coronaviruses



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There are many different kinds of coronaviruses. Most seem to cause colds or other mild respiratory (nose, throat, lung) illnesses. There have been far more deadly versions such as the coronaviruses that are known as **Severe Acute Respiratory Syndrome** (SARS) and the **Middle East Respiratory Syndrome** (MERS).

Cyclically, it is very curious that SARS took place two 8.6-year cyclical intervals previously — 17 years ago. Some people say this version must be serious because China has cracked down really hard. However, at the time of SARS, the Chinese government was highly criticized for not addressing the issue. This time around, it seems the response is in relation to the criticism they got with SARS rather than a reflection of its deadly nature.

Interestingly, when we run our models exclusively on Coronaviruses, they conform to the 8.6-year cycle. This outbreak came precisely on target – 2020.073 or January 25, 2020. Coronaviruses are named because they appear different under the microscope. Coronaviruses look like they are covered with pointed structures that surround them like a corona or crown. Therefore, it appears differently which is why it is called a coronavirus.

Experts track puzzling origin of SARS

Finding the source could help prevent further outbreaks

By MALCOLM RITTER
Associated Press

Where did the SARS virus come from? Probably an animal, many experts say. One even speculates the germ might have come from some wild bird captured in southern China.

But scientists have precious little evidence for exploring that basic question, let alone figuring out which animal it came from — or even ruling out the notion that the virus is a previously harmless human germ gone bad. Now the World Health Organization is pondering lab studies to get some new clues.

The question of where the SARS virus, a member of the coronavirus family, came from is not just a matter of curiosity. While it doesn't directly affect efforts to contain the current outbreak, which is spreading from person to person, scientists say finding the ultimate source of the virus could help them prevent future outbreaks.

"If we're ever able to control it, we want to make sure it doesn't rise again," said Dr. Robert Shope of the University of Texas Medical Branch in Galveston, an expert on emerging diseases. "If you know the source, then you can at least design your control measures around that."

So if an animal source can be identified, potentially dangerous populations might be vaccinated or even slaughtered. A 1997 outbreak of the flu in Hong

"If we're ever able to control it, we want to make sure it doesn't rise again. If you know the source, then you can at least design your control measures around that."

Dr. Robert Shope, an expert on emerging diseases

Kong that killed six people was spread by poultry; Hong Kong slaughtered 1.4 million chickens in response.

Identifying an animal source could also help scientists find drugs to treat SARS, said coronavirus expert Dr. Mark Denison of Vanderbilt University. For one thing, that animal or its tissue might be used in experiments to test medicines, he said.

For another, if the ancestor of the SARS virus can be isolated, scientists can look for the crucial genetic changes that made the SARS virus so nasty. That could indicate targets for drugs and vaccines, he said.

Denison said his own guess is that the SARS virus emerged from an animal.

Scientists had hoped to get clues into the origin of SARS recently when two laboratories announced they'd determined the genetic makeup of the SARS virus. The idea was that by looking for similarities between the SARS virus and other coronaviruses, they might be able to figure out the new germ's ancestry.

But the SARS virus turned out to be far different from previously known coronaviruses. Wherever it came from, it's been evolving on its own for quite a while, not mixing genes with known coronavirus cousins.

And its genetic makeup didn't even indicate whether it had come from animal or human virus ancestors, said coronavirus expert Brenda Hogue of Arizona State University.

"It's possible it could be an animal virus we just haven't seen before," overlooked because it didn't cause disease in the animal, she said. It could have jumped to humans by chance contact or by mutation that allowed it to infect human tissues, she said.

Experts say the most likely way of getting infected from animals is by living in close contact with infected creatures or slaughtering or butchering them, rather than eating them. Sufficient cooking should kill the virus.

Hogue said she believes the virus probably came from animals. But scientists must also keep an open mind about it's being an unknown, benign human

virus that turned dangerous through mutation, she said.

Coronaviruses are particularly prone to mutations. Scientists can look for evidence of a human origin by screening people, especially in China, for certain blood proteins called antibodies that indicate past exposure to something resembling the SARS virus.

Dr. Michael Lai, a coronavirus expert at the University of Southern California, said the structure of the SARS virus genetic makeup shows some similarity to bird coronaviruses, but not known examples from chickens or other domestic animals.

So that makes him speculate the virus came from a wild bird, he said. People in southern China, where the SARS epidemic began, like to capture wild animals for food, so maybe that's how the virus made the jump to humans, he said.

The lack of antibodies to the virus in healthy people tested so far makes him think the virus hasn't had much time to get around, suggesting the transfer from animals came perhaps in the last year or so, he said.

Francois Meslin, who coordinates a World Health Organization team in Geneva that deals with diseases that can jump to humans from animals, said as yet there's no evidence SARS came from animals.

In any case, the World Health Organization is studying an idea with some labs worldwide, including those in Australia, Canada and China: exposing various animals to the SARS virus to see if they get sick or become infected without symptoms, and shed the virus. That could give some clues about which animals might have been a launching pad for the human epidemic, Meslin said.

Virus seems stable but could mutate, some warn

By EMMA ROSS
Associated Press

GLASGOW, Scotland — The SARS virus does not appear to have mutated significantly in the eight weeks since it spread from Asia, but a leading expert said yesterday that the virus still could evolve into a more dangerous form if it enters a race of people with a different genetic background, such as sub-Saharan Africans.

So far, most of the world's 7,200 SARS cases and 536 deaths have been in Asia, with the vast majority in China and Hong Kong. The biggest outbreak outside Asia has been Canada's Toronto area, with 22 deaths, though the World Health Organization says the disease has been contained there.

"There may be pressure on the virus to change again. This is what we see in many other viruses," said Dr. Christian Drosten, a virologist at the Bernhard-Nocht Institute for Tropical Medicine in Hamburg, Germany.

He was speaking at a conference of the European Society of Clinical Microbiology and Infectious Diseases in Glasgow.

In a study published in *The Lancet* medical journal earlier this week, researchers compared the genetic makeup of SARS virus samples taken from 14 people to examine how much the bag is mutating. The results indicated that the virus has remained surprisingly consistent as it has passed from person to person — even though the SARS virus is a new member of the coronavirus family,

a group of viruses known to have a high mutation rate.

Some scientists believe the genetic comparisons of the 14 different samples indicate that the SARS virus mutations have run their course.

But Drosten noted that the virus samples analyzed so far were called from people who became sick within only a few weeks of each other.

"But it has only been a few weeks. It took decades to get more virulent strains of HIV, and that is a retrovirus, which should mutate more than (SARS)," Drosten said. "What will happen to the virus when it jumps from Asians into a genetically different population, say sub-Saharan Africans?"

Experts say the SARS virus certainly will keep mutating, but they do not

know whether those mutations will change the seriousness of the disease. So far, World Health Organization scientists say there is no evidence that this is happening — the disease looks the same around the world.

The group estimates that about 15 percent of people who contract the disease die, suggesting the illness is more deadly than influenza or other common respiratory infections. For people over 65, the death rate is about 50 percent, the group estimates.

The outbreak, which began in November, is waiting in some parts of the world, though it still is spreading quickly in China and Taiwan. Vietnam is now SARS-free and health officials hope Hong Kong, Singapore and Toronto will soon follow.

If we look at the Severe Acute Respiratory Syndrome (SARS) outbreak, it was first discovered in Asia in February 2003. It was believed to have begun in November 2002. We ran our model starting November 15, 2002. The outbreak lasted approximately six months as the disease spread to more than two dozen countries in North America, South America, Europe, and Asia before it was stopped in July 2003 and died out. Therefore, if the timeline holds for most viruses, this one should top out in April/May 2020. Perhaps the last case may be June/July. There is **NO INDICATION** that this will last longer than any other virus issue.

SARS Scientists identify virus that causes illness

By EMMA ROSS
The Associated Press

LONDON — Experiments in monkeys have confirmed the identity of the virus that causes severe acute respiratory syndrome, the World Health Organization announced Wednesday, an important step toward developing new drugs to combat the disease.

It will also help scientists trace the evolution of the virus and could help them determine whether it jumped from animals to

humans, and if so, from which animals. Tests are underway in pigs and poultry to see how susceptible those animals are to SARS.

SARS, which emerged in China in November, has sickened 3,293 people in 22 countries and killed 161.

Scientists have now determined it is caused by a new member of the coronavirus family, so named because a crown shape is seen when the viruses are inspected un-

Please see **VIRUS**, A7

Thursday, April 17, 2003

CONTINUED

Virus: Has killed 161 people worldwide

Continued from A1

der a microscope. Scientists had been almost certain the new form of coronavirus first isolated from sick patients March 21 by the University of Hong Kong was the cause of SARS. But they could not say for sure until they had satisfied what is known as Koch's postulates — four scientific tests that verify whether a virus causes a certain disease.

"The Koch's postulates have been fulfilled, so we can now say for certain that the new coronavirus is the cause of SARS," said Dr. Klaus Stohr, a World Health Organization virologist who is coordinating the scientists' work.

The first test requires that the virus be found in all the sick people, but not in healthy people. The second isolates the virus from a sick patient and shows that it multiplies in a lab dish.

The third step uses the virus from the petri dish to make a lab animal sick with the same disease as that seen in humans. The final step requires isolating the SARS virus from the sick lab animal and showing it can grow in a petri dish.

A team, led by Dr. Albert Osterhaus, the director of virology at Erasmus Medical Centre in Rotterdam, Netherlands, carried out the final two verifying steps.

Early in the hunt for the cause of SARS, scientists found a virus belonging to the paramyxovirus family in some patients. It was later determined that this was the human metapneumovirus, which is known to cause respiratory problems in children, the elderly and people with weak immune systems. A few days later, scientists in Hong Kong found the new coronavirus, providing a new track for researchers to pursue.

This prompted a theory that perhaps both viruses play a role, with one causing the disease and the other making it worse.

Osterhaus said they infected two groups of monkeys with either the coronavirus or with the human metapneumovirus. In a third group, the monkeys were infected first with coronavirus, then with the metapneumovirus.

"The animals infected with the coronavirus alone developed the full-blown disease. They developed clinical symptoms and the lesions that are identical to what we

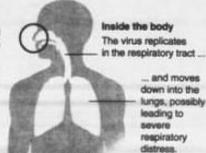
New pathogen causes SARS

The World Health Organization announced Wednesday that a newly discovered pathogen — a member of the coronavirus family — is the cause of the severe acute respiratory syndrome, or SARS. Globally, SARS has sickened 3,293 people in 22 countries and killed 161.

Spreading the virus
SARS appears to spread by close person-to-person contact. Most cases of SARS have involved people who cared for or lived with someone with the virus.

The virus can also spread by touching contaminated surfaces then touching your eyes, nose or mouth.

It is possible that SARS could be spread more broadly through the air or by other ways currently unknown.



- Symptoms**
- ▶ Begins with a fever greater than 100.4 F
 - ▶ Headache
 - ▶ Overall feeling of discomfort
 - ▶ Body aches
 - ▶ Mild respiratory symptoms
 - ▶ After two to seven days, a dry cough may develop. It may also become more difficult to breathe.

SOURCES: Centers for Disease Control and Prevention; World Health Organization
THE ASSOCIATED PRESS

Studies indicate that the SARS virus shares some similarities with the mouse hepatitis virus and the avian infectious bronchitis virus

have seen in people who have died from SARS," he said. "The animals infected with human metapneumovirus developed only very mild symptoms and definitely not the typical SARS pattern."

The third group did not develop a more serious version of SARS, Osterhaus said.

"The conclusion today was that the coronavirus alone is capable of causing the typical symptoms," he said. Symptoms of SARS include fever, shortness of breath, coughing, chills and body aches.

The findings were announced in the middle of a daylong meeting at the WHO's Geneva headquarters of scientists from laboratories around the world working together to find the cause of SARS and tests to diagnose it.

WHO said the scientists agreed Wednesday to name the new virus simply SARS virus, despite earlier proposals that it should bear the name of Dr. Carlo Urbani, the WHO doctor who first alerted the world to the existence of SARS in Hanoi, Vietnam, and who died from the disease on March 29.

The U.N. health agency said the lab network paid tribute to Urbani by dedicating to him its work in tracking down the virus.

The scientists stressed that although the SARS virus is part of the same family of viruses that cause the common cold, it is quite different from the common cold virus. Genetic studies have indicated that the SARS virus shares some similarities with the mouse hepatitis virus and the avian infectious bronchitis virus, which come from a different branch of the coronavirus family.

Experts said it is reasonable to imagine that the SARS virus came from animals, although its genetic code does not give any clear leads as to exactly where it came from. The genetic makeup is not very close to any of the known animal or human coronaviruses, they say.

Dr. Masato Tashiro, director of the National Institute of Infectious Diseases in Tokyo, said he believes the virus has probably existed for a long time in animals in the southern Chinese province of Guangdong, where SARS was first detected.

WHO experts in China said Wednesday they discovered unreported SARS cases in Beijing military hospitals but had been barred from giving details. Another WHO official estimated there had been 100 to 200 cases in Beijing since March; the official total is 37.

On the Net:
World Health Organization SARS page:
<http://www.who.int/csr/sars/en/>

When we look at MERS-CoV, it was during September 2012, when WHO had been notified of 2494 laboratory-confirmed cases of infection with MERS-CoV in the Middle East. The fatality rate was 34.4%. MERS-CoV appears to have come from an animal source in the Arabian Peninsula. Researchers have found MERS-CoV in camels from several countries. Studies have shown that direct contact with camels is a risk factor for human infection with MERS-CoV.

In this incident, MERS was first identified in September 2012 and had subsided by June 2013. There was a second outbreak in 2015 in South Korea. The first patient of the outbreak developed symptoms on May 11, 2015. WHO and the South Korean government estimated that the outbreak ended in July 2015, after about two months. By the end, there were 186 confirmed cases and 38 deaths.

Therefore, despite all the doom and gloom and the level of outright panic, we should see this subsidence probably no later than July 2020 with the peak April/May. It clearly spreads easier than SARS or MERS, but it is about on par with the version of influenza that mutates each year.



We may see this reappear again in the next flu season of 2021/2022. If it mutates like influenza for each season, then it can perhaps become more deadly at that period in time. Therefore, SARS came 17.2 years ago and MERS 8.6 years ago. Cyclically, there may be a resurgence in two years which would be in 2022. For any new type to appear or a serious mutation, that might be 2028 if this continues to follow the 8.6-year cycle.



There is no doubt that Ferguson's model was nothing more than using a pocket calculator and building on the flawed theory that corrupts most forecasts even the Climate Change prognostications. They assume whatever trend is in motion will stay in motion. They totally ignore a cycle and presume that if 10 people get sick today, they infect 10 others tomorrow, and we end up with millions in 3 weeks. It's great that they learned how to use a pocket calculator. Now the next step is cyclical analysis which just so happens to be even the reason behind the flu season as well as the rise and fall of the ocean tides.

Modeling Reality



Many people have dreams of creating an **Artificial Intelligence** (AI) computer and then there are those who theorized that somehow it would become alive and wipe out humankind. Yes, 99% of what people pretend is **Artificial Intelligence** is nothing but an Expert System, which amounts to a look-up table. An Expert System is simply a list of, let's say, diseases with their symptoms. You ask questions stating your symptom and it looks up predefined conclusions and says – wow, you have this disease. There is nothing remarkable to this sort of look-up program, but it will be marketed as AI. Real markets and disease, like everything else in this world, are nonlinear and the process by which they move appears to be random on the surface because people do not understand cyclical movement and patterns. Therein lies the tremendous problems in modeling for if you cannot see the hidden patterns, you cannot achieve a valid result.

Real **Artificial Intelligence** is something that **learns** and analyzes on its own to create its original conclusion. The countless claims of using AI to forecast markets and the economy can be distinguished rather easily from rule-based systems.

Some may look at seasonal cycles taking a chart, calculate the seasonal cycle how retail sales expand during the Christmas season, and then project the potential future pattern. This will appear nice and neat, but that is just making a calculation which can be done with a pocket calculator. There is nothing original in this process.



Then we have claims of using **Neural Networks** like IBM's Watson where it was hoped that it would be able to find a cure for diseases. That did not work very well because just accumulating data does not result in being able to predict the future. It only illustrates the difference between **Book Smart** and **Street Smart**. **Book Smart** may memorize every fact, but they cannot apply them for they cannot see beyond the data. The **Street Smart** may not know every fact, but they have creativity and can move quickly with the change in their surroundings.

Degrees from school mean something to doctors and lawyers. There are no degrees to become a hedge fund manager nor a politician no less President of the United States. Even President Abraham Lincoln had only about a year of formal schooling of any kind! President Andrew Johnson never went to school at all. The list of people who became President of the United States and dropped out of college or never went to school includes George Washington, James Monroe, Andrew Jackson, Martin Van



Buren, William Henry Harrison, Zachary Taylor, Millard Fillmore, Abraham Lincoln, Andrew Johnson, Grover Cleveland, William McKinley, and Harry S. Truman.



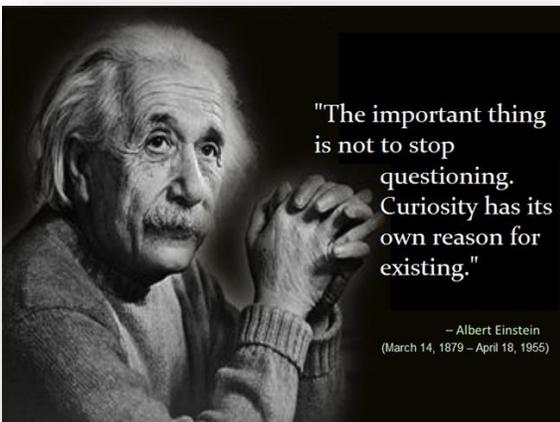
Sidney James Weinberg
(1891-1969)

When we look at the private sector, some of the greatest entrepreneurs also dropped out of school. Sidney Weinberg of Goldman Sachs, who indeed was known as Mr. Wall Street, started as an assistant to a janitor. He dropped out of school at 13. Richard Branson is now Sir Richard Branson and he dropped out at 16. Charles Culpeper also dropped out of high school and founded Coca Cola. Then there was Walt Disney who dropped out of high school at 16, Henry Ford, Bill Gates, Steve Jobs, and Michael Dell. Add the people who their teachers thought they would never amount to anything because they were dreamers included Winston Churchill and Albert Einstein.

What this list proves is why **Neural Networks** have failed to deliver the promised land of computer in a new world of Artificial Intelligence. There is no degree of formal training that will ever be able to teach you **CREATIVITY** which is the critical element combined with **CURIOSITY**. If you are not curious, you will never

discover anything new. The entire foundation assumed that a **Neural Network** would discover something profound is the stuff made up for bedtime stories of plots for Sci-Fi movies.

Neural Networks can predict the next words and what you are looking for in Google or Apple's Siri. Yet these are fairly rudimentary and far from

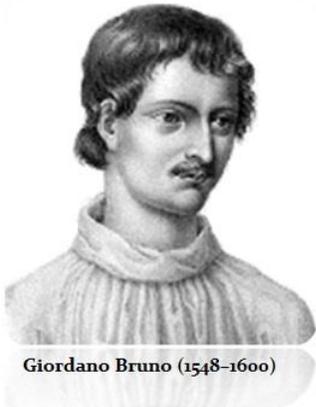


the complexity of predicting the world economy. All that is taking place is that some words will never follow each other. Using the rules for language creating past, present, and future tense are all basic simple solutions for Expert Systems or Neural Nets,

Nevertheless, attempts to forecast the future of markets or disease no less war have been met with a dismal success rate of far less than even 33%. The design of such models has been flat insofar as attempting to forecast a single market or statistic in isolation.



Virtually every computer program from **Black-Scholes** to **Random Walks** on down have failed over the past decades for the same reason – they were based upon tiny slices of historical data that led to false assumptions. There was a 14th-century Franciscan friar by the name of William of Ockham who is credited with having formalized the principle that **“simpler solutions are likely to be more correct than complex ones.”** Hence, we seem to always try to reduce everything to a single cause and effect. Some have rephrased this as **“keep it simple, stupid,”** and it has emerged with the label **“Ockham’s razor,”** which is supposed to be a tool that cuts through complexity to get from point A to point B. However, when it comes to forecasting the world economy and all its components from disease to war, you must take the complexity as a whole otherwise you cannot forecast the component parts.



However, is **Ockham's razor** the very problem that prevents us from seeing reality? It was, after all, this very principle that supported the flat earth theory. It prevailed and even led to the execution of people such as Giordano Bruno (1548–1600) for daring to propose that the universe was not revolving around a flat Earth.

Even Galileo Galilei (1564–1642) was charged in 1633 by the Roman Inquisition and forced to sign the confession or suffer the same fate of Bruno that the Earth was flat. He observed how moons revolved around planets and were round. Nobody would listen nor would they dare look through his telescope.

In funds management, the statement that proves there is complexity is a legal requirement: **Past performance is not a predictor of future success. All investing involves the risk of loss.** While there is a desire to make complexity simple and understandable, this is really completely misguided. Clearly, simplicity rather than complexity is by no means the proper course of action for we then cannot see the interconnections of how everything truly functions.

The greatest mistake in the analysis is always trying to reduce any effect down to a single cause. The world is a complex mechanism. It is indeed like a rainforest. There are countless species, and each is interconnected. Exterminate one and you will find that it was the food source for another. That species, in turn, was the food source for yet another and so on.

The world economy is equally complex. This is why I say we are **ALL CONNECTED**. Create a war in one region, we may not be involved with our troops, but the capital flows shift. How can we forecast anything by ignoring all the interrelated influences?

There are those who advocate that the best way to achieve your long-term investment objectives is to keep it simple. Yet they are looking at history and banking everything on a continuation of inflation.

Rapid technological development in recent years across industries has helped to expose the fact that we live in a global economy and are all interconnected. Fund managers, because of regulation, are blinded by this interconnected world for they are not allowed to invest globally in a diversified portfolio. Obviously, we have so many specified funds and people claiming to “just keep it simple” with

a hold policy because it always comes back. But the buy and hold strategy will often lead to a collapse in confidence that people cannot endure such prolonged periods of time.

Markets, on the one hand, appear deep and complex, rendering them impossible to understand fully when limited even by law to a purely domestic view. This has resulted in the advice of buy and hold as a strategy to fight against complexity with simplicity. Then there are investors who believe they need investment solutions that are nimble and flip positions based upon the talking heads on TV. They are brainwashed by their market myths. This has merely become grand sophistry trying to fight complexity with a simplicity that sounds logical by reducing all activity to a single cause and effect.

Asset allocation philosophies have emerged which invest other diverse market sectors knowing that they are polar opposites. They assume that the world is too complex beyond their comprehension so spread the wealth and hope for the best. These strategies have expanded as of late beyond the traditional stock/bond mix of 60/40 that was really exclusively domestic-oriented. In modern times post-1985, alternative strategies emerged introducing hedge funds that also incorporated foreign exchange, commodities, options, private debt, venture capital, and even real estate. But the promise of many hedge funds has proven to be just a pipedream as they investment strategy was constructed on just personal opinion. They too have gone down in flames just as the Ferguson model on the coronavirus.

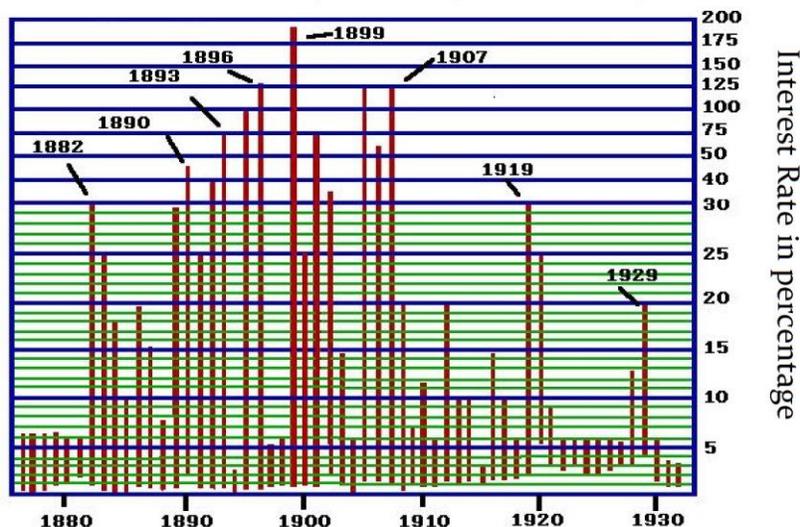


The illusion that simplicity provides the best long-term investment return is really predicated upon an assumption since the Great Depression that if you just held through all the 50-70% corrections you would be OK at the end of the day. The problem with this argument is that we are all human. I have never met someone who can actually do that.

Then there is the problem of surviving the long-term. The city of Detroit suspended its debt payments in 1937 and resumed in 1963. If you owned such

bonds for retirement, perhaps your heirs benefited, but you would have died broke and starving. It all depends where you are in the business cycle.

US Call Money Rates (1876-1932)



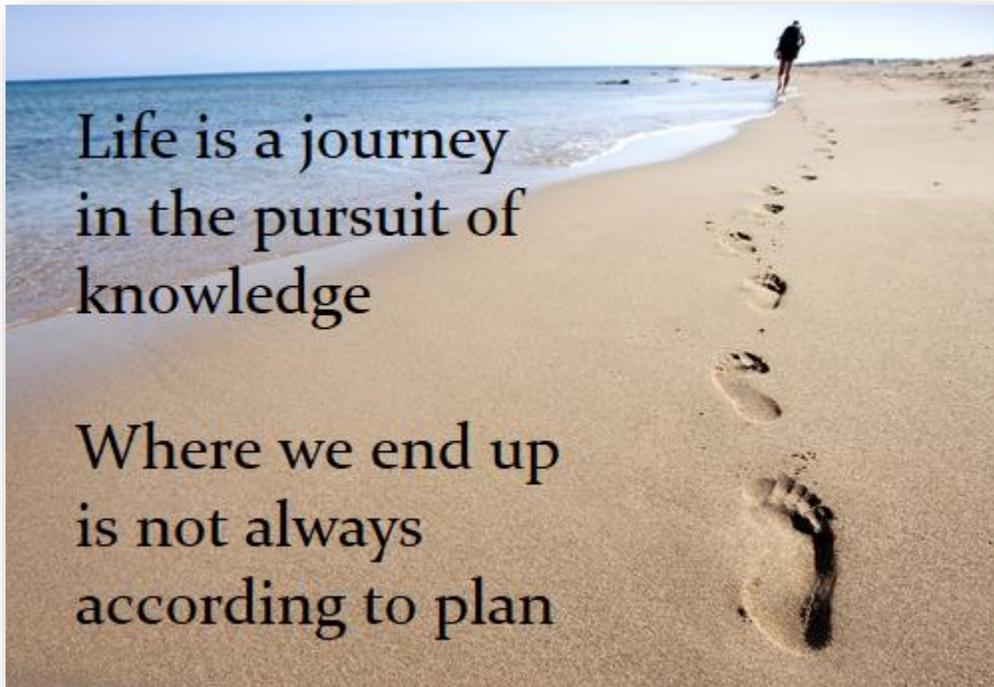
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(Source: Contemporary newspaper reporting of rates at NYSE)

Computer models have failed because of this total lack of historical data that has prevented their ability to survive a great crash. Then we have economic theories such as Keynesian Economics which completely ignore human nature. They presume that they can just lower interest rates and people will then borrow and spend, and banks will lend. They are obvious to the fact that interest rise in a panic because there is a fear of Credit Risk. Bank will not lend in a panic for they do not trust the borrower. People will not borrow to invest when they see no future. Academics just live in a world of theory – not reality.

Forecasting has been plagued by the basic assumption in our political-economic-financial world that expects the current trend in motion to simply stay in motion. They cannot understand the business cycle or that what goes up must also come crashing down. The only question is **WHEN?**

The Journey



Sometimes if you ask a teenager what they would like to do in life they will respond; I don't know yet. When I look back upon my life, I had believed that there was something wrong with me. Many of my friends seemed to have made up their minds as to what they wanted to become – or at least that what they told themselves. I really did not know. There was no particular career that seemed to attract me. That made me feel somehow inadequate.

I enjoyed science and history in high school. I had signed up for Latin, French, and Spanish class. After nearly the first semester I was called down to the principle's office. I was told that three languages at one time was too much for any student and I was told I had to drop one. I explained they were all Latin based so there was no problem. I saw the connections. The word comprehend/understand in English was *intelligite* in Latin, *comprender* in Spanish, and *comprendre* in French. I was told I had to give up one and take a study hall. I sort of lost my enthusiasm for school and began to explore studies on my own.

I have relayed before that my father was a lawyer who had “and son” on the door when I was born. But something in me made me see through the lessons and the hypocrisy that formal education never taught you the real world.



I did not know what I wanted to do in life. I loved history from the viewpoint of trying to figure out what made society tick. Why would it boom and bust be civil in one instance and march to war in another? My father, I felt, was disappointed in me. I tended to be attracted to trading and some distant relative had lost a fortune during the Great Depression, so speculation had a bad name in my family.



I had made a lot of money as a teenager. It was the end of silver coins in 1964 and you could run down to the bank, get a roll of quarters, half-dollars, and dimes, cull out the coins 1964 or earlier for they were silver, take the rest back and get another roll. It was making money from money, as Aristotle had remarked.

I had bought several bags or 1965 Canadian pennies. I lucked out and had rolls of what was considered to be a rare variety, that even today are valued at \$20 each up to over \$700 depending on the quality. My mother would wonder why people would fly in to buy a roll of pennies for so a few thousand dollars.

1 cent 1965

The date on the image can be different from the year selected.

1 cent 1965 prices and values
 The value of a canadian coin depends on several factors such as [quality and wear](#), supply and demand, rarity, finish and more. The melt and minimum value of a 1 cent 1965 is \$0.03.

	Circulated	Uncirculated	PL	SP				
Variety	MS-60	MS-62	MS-63	MS-64	MS-65	MS-66	MS-67	
1965 - Small Beads - Pointed 5	\$1.65	\$3.20	\$7.80	\$19.30	\$61.80+	\$299+	\$1,840+	
1965 - Small Beads - Blunt 5	\$0.03	\$0.25+	\$0.50	\$9.40+	\$18.50+	\$140+	-	
1965 - Large Beads - Pointed 5	\$20.90	\$34.30	\$55.30	\$81.20	\$175+	\$786+	-	
1965 - Large Beads - Blunt 5	\$0.03	\$0.90	\$1.80	\$11.20+	\$15.70+	\$62.60	-	



By the time I was 17 and allowed to drive, I went and bought an Oldsmobile 442 for and paid cash \$3,000. It was delivered to my home a few days before I even got my license. When my father came home and saw the car, he asked whose car was it? I said mine. He said no bank would give you a car loan without him signing. I said I paid cash. It was at that moment when my family began to see I was actually making money with this coin hobby.



When I was 13, my family took me to Europe for the summer. I suppose I always had an independent streak in me. I got a job at the local coin store in the Pennsauken Mart to earn money for the trip. It taught me a lot, not just about coins, but economics and life. People were clamoring for gold coins back then. You could sell gold in

coin form provided they were dated prior of 1947. Austria and Hungary were issuing gold coins dated 1908 known as restrikes to circumvent US laws. Mexico issued its gold coins dated 1947 to be able to sell gold to Americans. Then there was a viable market in US \$20 gold coins as well.





I believe it was that family trip to Europe that impressed me the most and probably shaped my destiny. Aside from seeing the history firsthand, my father bought a Volkswagen bus that we drove around Europe and I was the navigator. Traveling in all the countries from Sweden down to Italy, I would have to change my money with each border we crossed. It exposed me to the world of foreign exchange.

But perhaps because I had the eye of a trader looking for patterns, I would see the currencies rise and fall. To me, the world was in a constant state of flux which I found extraordinarily fascinating.

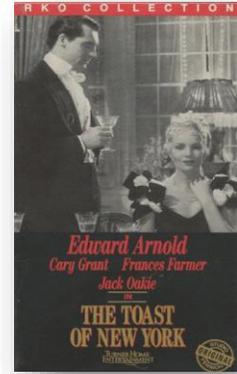
My father, being a conservative man, had convinced me that I should become an investor rather than a speculator. I knew nothing about stocks. I think it was a life insurance salesman who came over and was also pitching mutual funds. I bought virtually the high in the best performing mutual fund in 1966 which was Fidelity Trend. I watched it drop from the \$29 level to the \$18 trading range by 1970. I asked my father if this was the way conservative people made their money? Nevertheless, it was a lesson well paid for – it taught me about the business cycle was in fact alive and well.

Fidelity Trend Fund
Although it has only been in operation since 1958, Fidelity Trend Fund will long remember 1965 as one of its best years. Its share value leaped a whopping 54 percent, from \$19.27 per share to \$28.90, after adjustment of a capital gains distribution of 69 cents in February, 1965. Its total net assets nearly doubled during the year to reach nearly \$636 million.

The Philadelphia Inquirer, Philadelphia, Pennsylvania, March 06, 1966

Because I was working in a coin store that was also a bullion dealer in those days, when I was in my first year of high school, the history professor brought a film in that day entitle the **Toast of New York**. This was about the Gold Panic of 1869 when Jim Fisk was trying to corner the gold market prior to the return to a gold standard after the American Civil War.

The Toast of New York starred **Edward Arnold** and **Cary Grant**, which portrayed the gold manipulation of **Jim Fisk** that resulted in the **Panic of 1869**, his perception of the world was changed forever. This was the Panic when the term "**Black Friday**" was coined



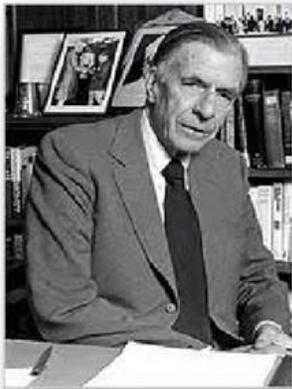
Film Toast of New York
1869 Character Jim Fisk Reading the Ticker-Tape as Gold hits \$164

because the mob stormed Wall Street and was dragging the bankers from their offices and hanging them. The riot prompted troops to be sent in to restore peace.

The scene in this movie which captured my attention was when the character Jim Fisk is reading the prices of gold from the tickertape and says gold hit \$164. Because I worked in that store, I was well aware that gold was \$35

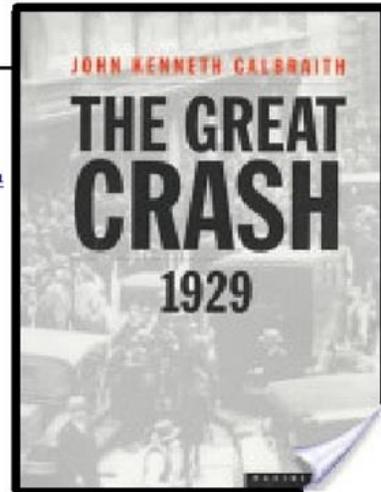
in the 1960s. This shocked me but at first, I assumed it was just a movie. Nevertheless, it bothered me. I went to the library and looked up that date of the Panic of 1869 in the New York Times and there it was in black and white – gold was quoted at \$164.





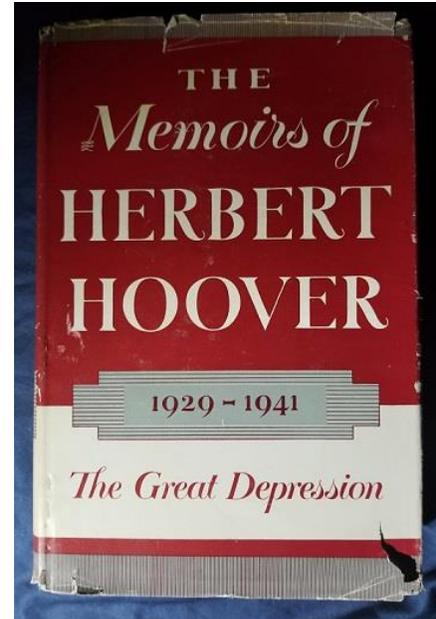
**John Kenneth Galbraith
(1908–2006)**

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This was perhaps the event which set me in motion on to a career of forecasting and comprehending the Business Cycle. Clearly, something was wrong with the whole linear thought process of economic history and what they were teaching me in school. I became captivated by this shocking revelation that there were booms and busts, not just like the Great Depression they were blaming of corporate greed, but the mere fact that gold could have been \$164 in 1869 yet \$35 in 1965 called into question in my mind the entire paradigm they were teaching.

The book I had to read in school, *The Great Crash* by John Kenneth Galbraith (1908–2006) which was published in 1955. It ignored any events that took place prior and it was focused on blaming the private sector. Something did not seem right. It did not fit the facts. Years later, I came across Herbert Hoover's *Memoirs* in an antique bookstore in London. When I read it, I was totally shocked! There was all the documentation about the Sovereign Defaults in 1931 by just about every European country, Asia, and South America. It was the total destruction of capital formation. Galbraith never mentioned anything about governments defaulting. That did not support his socialistic philosophy.





I came to see cycles in the history. I had not come to the idea by studying anyone else. The idea of business cycles was begrudgingly acknowledged back then but they were dismissed as just a curiosity if that. We lived in a new era of Keynesian Economics where government was the master of the universe and would protect us. After all, we would have drills to hide under our desks in case of a nuclear attack which would surely protect us.

Consequently, I pursued my own investigations into the Business Cycle unaware that others had attempted to do so back in the 1880s and during the

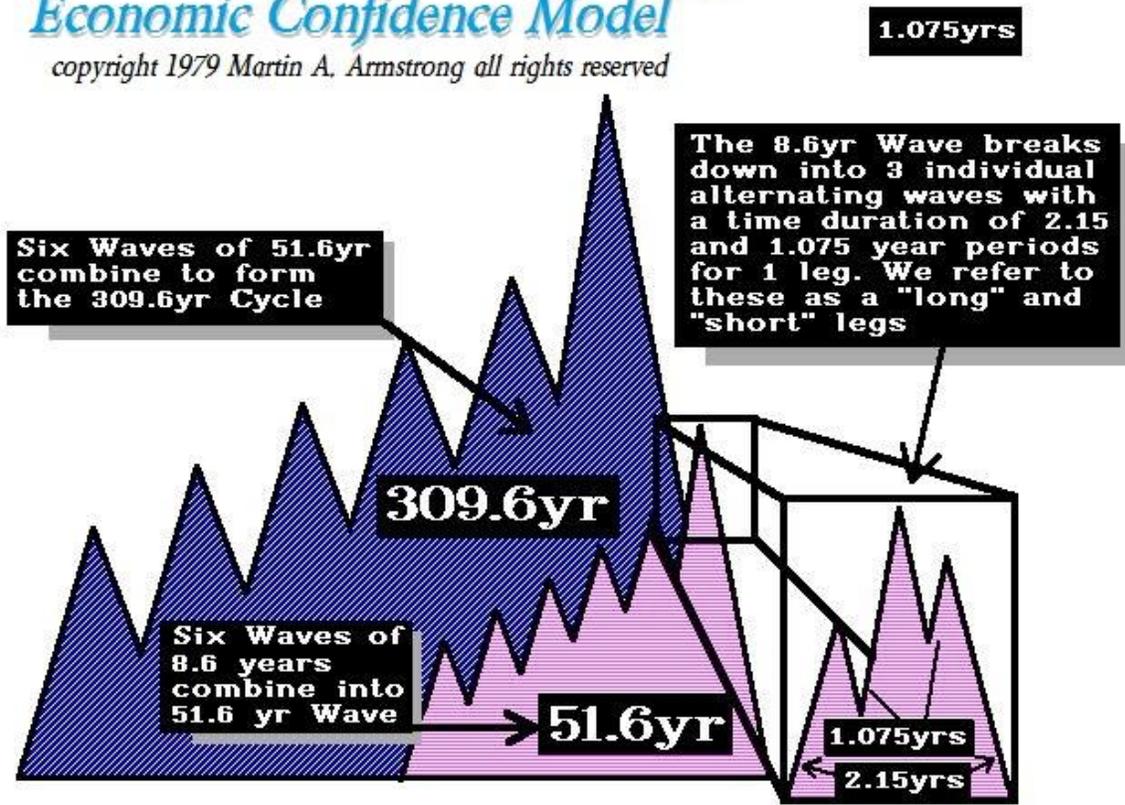
1920s. They had really been silenced with the Great Depression as the world ran into the arms of Keynesian Economics.

LISTING OF YEARS IN WHICH PANICS TOOK PLACE

INTERNATIONALLY

1683							
1711	1720	1731	1745	1763	1772	1783	1792
1814	1818	1825	1857	1866	1869	1871	1872
	1873	1884	1890	1893	1895	1896	1899
1901	1903	1907					

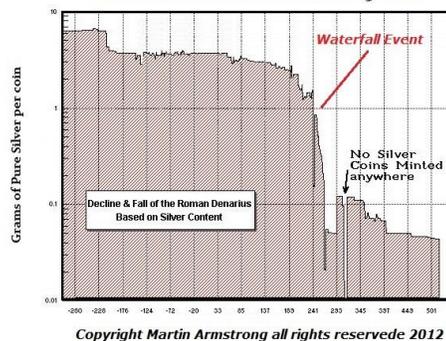
I had stumbled upon a list of panics in a newspaper pre-1929 which began with the Ottoman Invasion of Vienna in 1683, the capital of the Holy Roman Empire. Little did I understand at that moment that because this was an international list, rather than domestic, it was actually capturing global capital flows. I took the span of years which was 224 and divided the number of events 26 and arrived at 8.6153846.... which was a simplistic average. I did not notice at first that this was like the Pi calculation being nearly infinite.



In trying to map history to this as well as current market trends, I discovered the structure was fractal. In other words, the frequency would build in intensity and produce major events as distinguished from minor shifts in trend. Being a history buff, I immediately began to look for its application historically.

Having worked in a coin store, I was familiar with the cycles in coins again both in the rise and fall of gold standards and the rise and fall in the quality of the coinage often known as debasement. I began back testing through history and was shocked to find that this frequency had operated for millennia. The more I explored, the more convincing this 8.6 frequency was becoming. I even noticed that the dramatic fall in the coinage of the Roman Empire took just 8.6 years from a silver content of 50%+ to virtually zero.

Collapse of the Roman Silver Monetary System
 Silver Denarius Basis - 280 BC - 518 AD



WALL STREET JOURNAL THURSDAY MORNING FEBRUARY 2 1932

The Forecast Of An Earlier Generation

A 1810 1820 1830 1840 1850 1860 1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000

B 1810 1820 1830 1840 1850 1860 1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000

C 1810 1820 1830 1840 1850 1860 1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000

A 1810 1827 1837 1848 1858 1868 1878 1888 1898 1908 1918 1928 1938 1948 1958 1968 1978 1988 1998

B 1810 1822 1834 1846 1858 1870 1882 1894 1906 1918 1930 1942 1954 1966 1978 1990 2002

C 1810 1820 1830 1840 1850 1860 1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000

A—Years of Great Prosperity and High Prices. Years in Which Prices and Values of All Stocks
B—Years of Hard Times and Low Prices. Years of War.
C—Years in Which Prices Have Strayed and Are Below Average.

The above chart was sent to The Wall Street Journal by Edward Rogers of Detroit. Mr. Rogers states that it was found in an old desk in Philadelphia in 1902. The original drawing was much discolored. The desk was of a pattern that indicated it was at least 40 years old.

The author of the chart is unidentified and the circumstances lead Mr. Rogers to believe that possibly the chart was made during the Civil War or before. It is submitted to Wall Street Journal subscribers for what it may be worth.

It is submitted to The Wall Street Journal subscribers for what it may be worth.

Newspaper-Specials
 Condensed News of Financial Interest From
 American Newspapers

Current Earnings Reports
 Showing in Plain English the Summary of Earnings Reported by Various Companies, Giving the Net Income After
 Federal Income Taxation After Deductions for the Various Expenses and Losses of Various Years and Months. Also
 Giving in Plain English the Explanation of Each Company's Earnings. It should be read on Jan. 15th, 1932, or
 through the year ending in 1931 or 1930 after each of these dates.

James P. ...
 Frank L. ...
 ...the death of ...
 ...of the ...
 ...director and ...
 ...to ...
 ...the group of ...
 ...in ...

James P. ...
 CHARL ...
 67 Wall Street
 "Everyday"

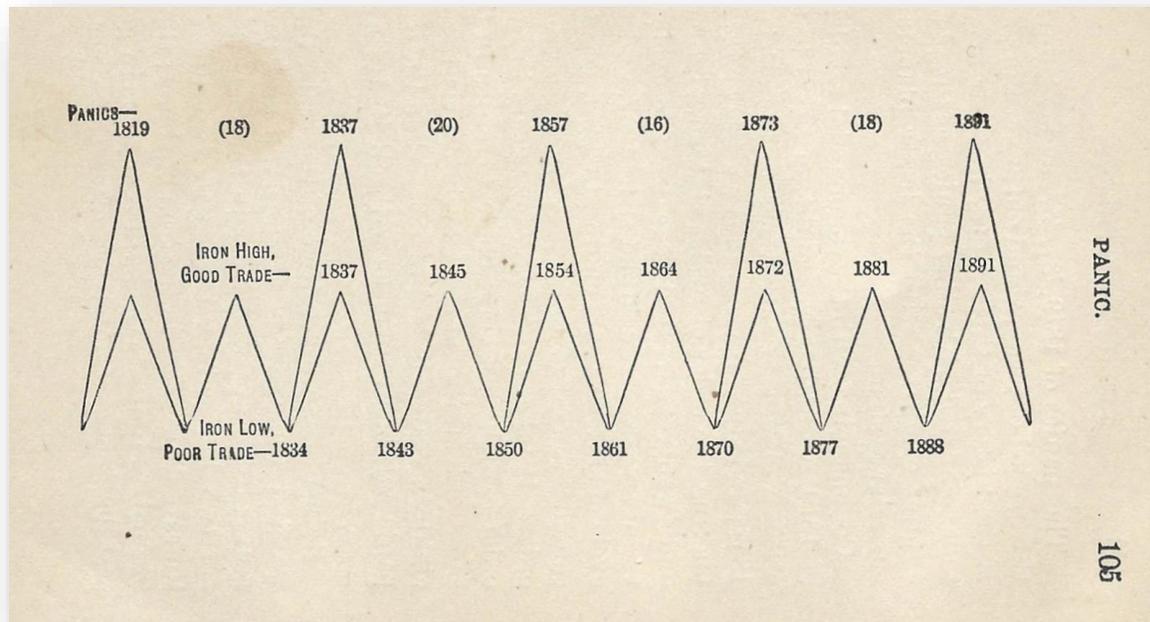
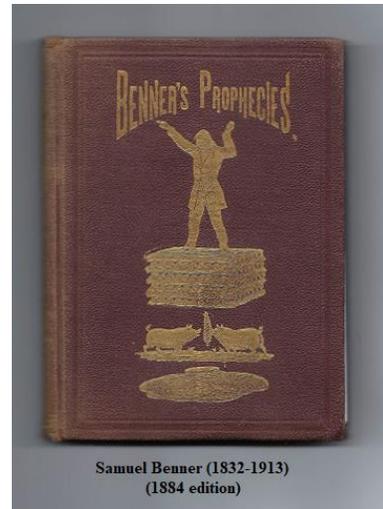
In my research, I stumbled upon this chart in the Wall Street Journal published on February 2, 1932 just a few months before the low.

"The above chart was sent to the Wall Street Journal by Edward Rogers of Detroit. Mr. Rogers states that it was found in an old desk in Philadelphia in 1902. The original drawing was much discolored. The desk was of a pattern that indicated it was at least 40 years old.

"The author of the chart is unidentified and the circumstances lead Mr. Rogers to believe that possibly the chart was made during the Civil War or before. It is submitted to Wall Street Journal subscribers for what it may be worth."

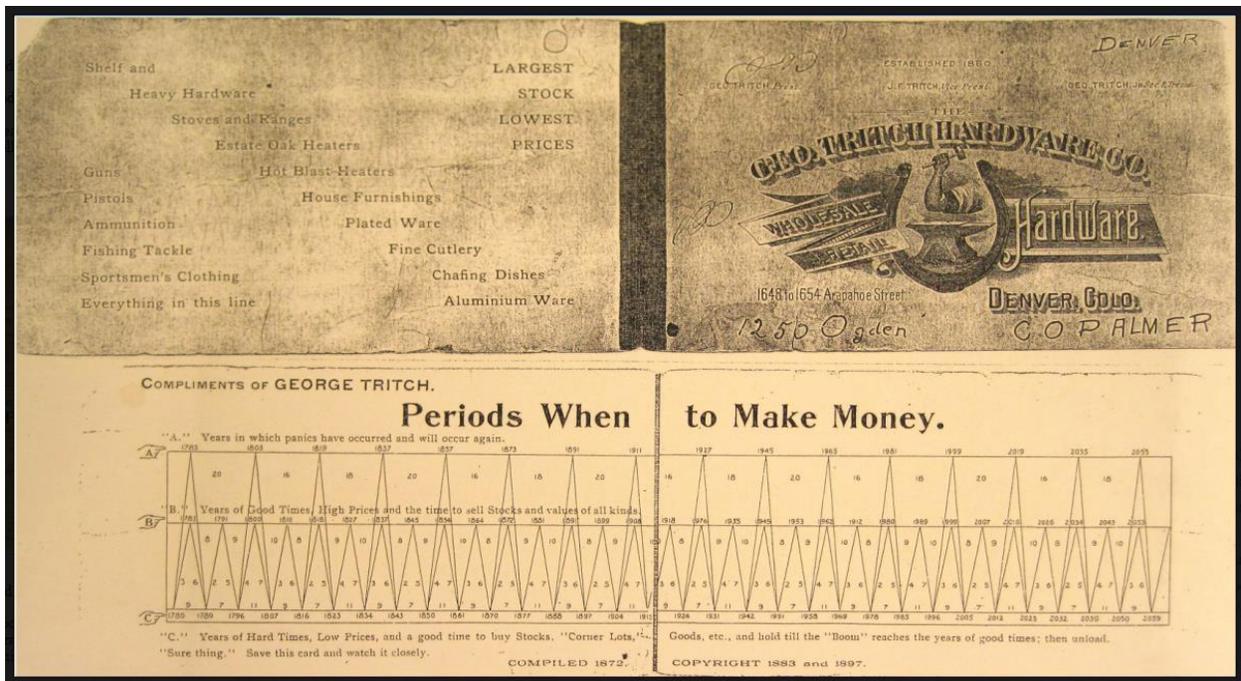
This piqued my interest and it was the first indication that someone else had observed a possible business cycle. I kept digging to see if I could discover who the author might have been. This quest led me to a farmer rather than an economist. Farmers are well aware of cycles in weather and nature whereas those in the Industrialized World believe we are in control of our own destiny.

This is why the very idea of cycle has always emerged from the commodity side of the economy rather than the business/economic side. The farmer was Samuel Benner (1832-1913) was an Ohio farmer who was wiped out financially by the Panic of 1873 and a hog cholera epidemic. In retirement, Benner set about to establish the causes and timing of fluctuations in the economy.



In 1875, Benner published business and commodity price forecasts for the period 1876 to 1904. In his book, charts were produced revealing an 11 year cycle in corn and pig prices with peaks alternating every 5 and 6 years, cotton prices also moved in a 11-year cycle, and a 27-year cycle in pig iron prices with lows every 11, 9, 7 years and peaks in the order 8, 9, 10 years.

What Brenner put out here was a cycle of 18, 20, 16 which would repeat again in that sequence being a total of 54 years. It was interesting that Brenner did not see a fixed cycle but one of an oscillating trend.

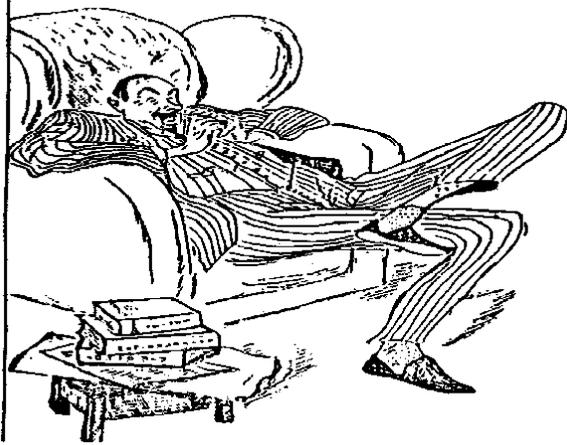


A business card surfaced from a Denver businessman named George Tritch which claimed it was compiled in 1872 three years before Brenner actually published his book in 1875. Curiously, the same sequence exists, and it was extended back in time and forward. The dates he illustrates were:

**1783, 1803, 1819, 1837, 1857, 1873, 1891, 1911,
1927, 1945, 1965, 1981, 1999, 2019, 2035, 2053**

Tritch offers no explanation as to how he arrived at this cycle whereas Brenner issued a book documenting the cycles. Brenner was a farmer observing the cycles in agriculture whereas Tritch created a hardware store. I also found it curious that he claims to have compiled this in 1872 but his copyright is 1883. With no explanation as to how he arrived at this cycle and the fact that it is merely an extension of Brenner's cycle, I believe it was not original.

Upon close inspection of the chart in the Wall Street Journal, that too seems to be a copy of Brenner's work where the minor high is all placed at the top of the chart rather than at the midpoint. The 1927 high is moved to 1929 and the low, which under Brenner's formula would have been 1931 was moved to 1932 to fit the current events of the day. I concluded that the real author was Samuel Brenner who appears to have been plagiarized over time.



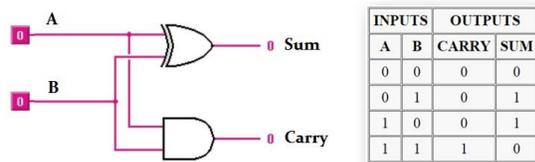
Obviously, I discovered that I was not alone. But what I did discover was that there appeared to be even a cycle to analysis. I later came across Kondratieff and others, but they were all pre-Great Depression. What was rising to the surface was that Keynesian Economics had become the new age of thinking that maintained that the Business Cycle was **NOT** inevitable and that

government could manipulate it and control our destiny thereby eliminating the entire boom bust cycle eliminating recessions.

These journeys into trying to understand that there were booms and busts which they seemed to ignore and pretend that government would prevent that from ever happening again, shaped my life. My father had wanted me to follow in his footsteps into law. But I was captivated by trying to figure out what made the world really tick.

Disappointed that I did not want to become a lawyer, my father pushed me into computer engineering. He saw the future in computers where I was rather indifferent. I went to a specialize engineering school set up in those days by RCA much like Microsoft does today. I complied to appease my father who said I had to do something since he was concerned about me becoming just a trader.

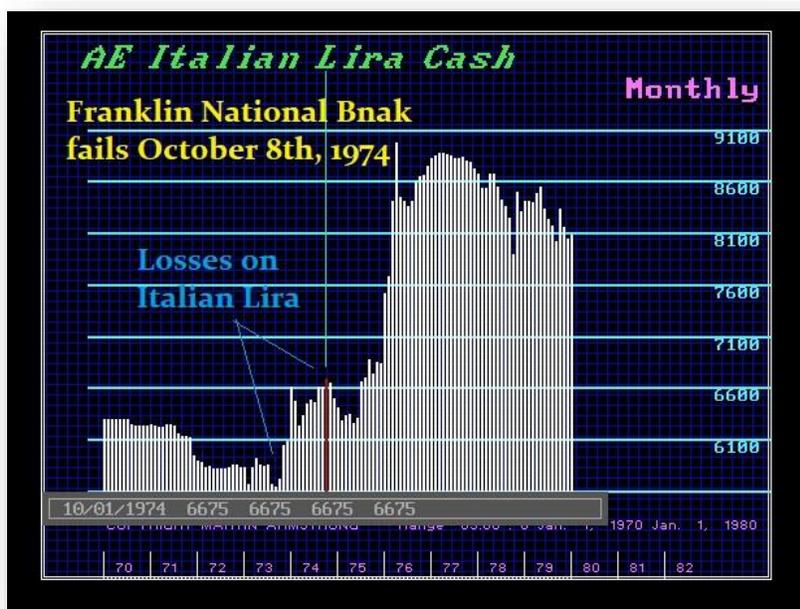
And/Or Circuit Using Binary Numbers Represented as Plus/Minus Charges



ArmstrongEconomics.COM

My professor was terrible at teaching. We lost about 2/3rds of the class within the first three months. Even I had tons of notes and was considering just dropping out. He would show us a mainframe computer that would fill a room and said before we could graduate, we would have to know ever part and how it functioned. Finally, he put up an And/Or circuit. It hit me like a ton of bricks. A computer was just constructed on 8 magnets which formed a bit and millions of these became megabits. The complexity of designing a computer became child's play. He should have just started from there instead of top down.

RCA had sold its computer division to IBM and Univac. They thought the computer would be like the radio and the prices would only fall. They believed they were selling the high. They kept the servicing contracts because they had all the government installations. The married guys were offered all the nice spots. I was offered Thule Greenland, Guam, or Vietnam. I decided I did not want to stay in the computer engineering side. I like the design aspect, but creativity would no longer exist at RCA, so I declined. They were one-year gigs paying even up to \$50,000 but you had to remain there for one year, so they were tax-free. My father was not very pleased with that decision. I returned to trading.

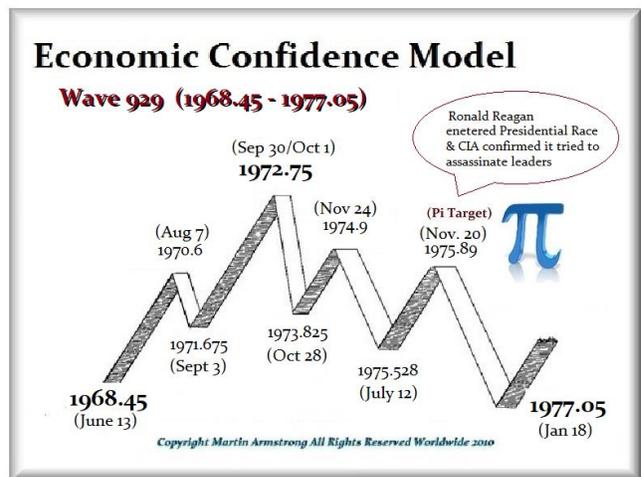


Franklin National Bank was once the United States' 20th largest bank. It collapsed on October 8th, 1974. It so happened that one of its executive VPs was a friend and client of mine. The float exchange rate system of Bretton Woods collapsed on August 15th, 1971. In 1972, Michele Sindona (1920–1986), an Italian financier with reputed connections to the Mafia and Vatican banking, bought controlling interest in the bank. Sindona was alleged to have siphoned off money and led the bank into massive losses in the foreign exchange markets and ever-riskier attempts to recoup. I was called in to look at the foreign exchange for there was nobody who even understood the risks of the floating exchange rate regime. The truth was rather simple. Nobody knew what the currencies would do and there were no hedging programs even contemplated. So, it was easily to claim he was a Mafia man and tried to just defraud depositors.

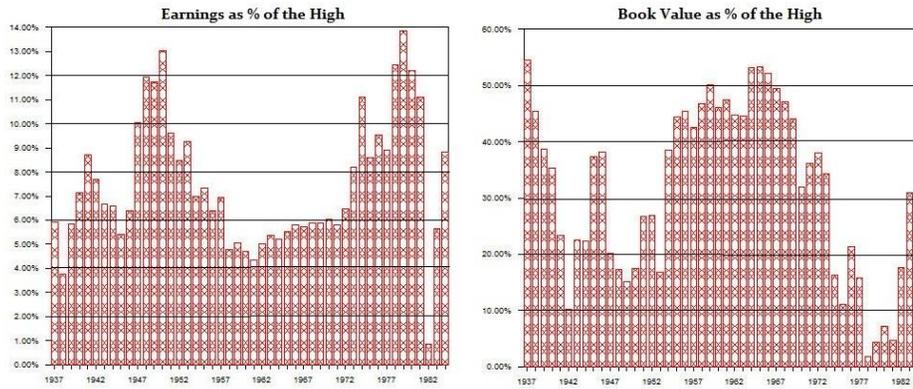


I was the only person around who seemed to have any clue about foreign exchange in the early 1970s. I ended up with institutions coming to me for help just out of word of mouth. Even at the peak in gold in December 1974, the Europeans were buying the high because gold was to be legalized on January 1st, 1975 and the “assumed” Americans would be pouring in to buy gold.

I warned them that I did not see and lines and warned that anybody who wanted to buy gold in the United States had long been buying the coins. I sold all my gold positions simply because I did not see on the ground what they were all claiming would happen. I quickly became known as the gold forecaster as well. The bottom of the wave was coming in January 1977, I had negotiated a lease for 10 years without an inflation clause. They assumed we were headed into a depression and this was the first time I used the Economic Confidence Model myself.



Dow Jones Industrial Average 1937-1982



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What was fascinating was that the 1977 turning point had been correct not just for my personal business decisions, but it also marked the bottom in book value as a percent of the high in the Dow Jones Industrials post-Great Depression. I could see in the data that the confidence in government was giving way to what would become a Private Wave beginning in 1985.



BUYING AND SELLING — Looking to buy, and looking to sell. Traders. Owner Martin Armstrong said the crowds made him think of 1929 and the Wall Street crash.

I was making markets in gold for all the dealers back then. I provided forecasting on a daily basis using my models and they got that for free as long as they sold their purchases to my firm. After gold peaked in 1980, I wanted to retire and gave everyone ample notice to find another market maker. That is when they wanted me to keep providing the forecasting. They offered \$2,000 an hour just for consultation.

For \$33.50, You Can Have a Minute With This Commodities Adviser
By JOSEPH PERKINS Staff Reporter of THE WALL STREET JOURNAL
Wall Street Journal (1923 - Current file); Jun 27, 1983;
ProQuest Historical Newspapers The Wall Street Journal (1889 - 1994)
pg. 31

For \$33.50, You Can Have a Minute With This Commodities Adviser

By JOSEPH PERKINS

Staff Reporter of THE WALL STREET JOURNAL

People who think talk is cheap haven't talked to Martin A. Armstrong.

Mr. Armstrong, a commodity trading adviser in Lawrenceville, N.J., charges clients \$2,000 an hour for private consultations. Those who don't need a full hour can talk to Mr. Armstrong for \$33.50 a minute.

If that's too steep, consider R. E. McMaster of Kalispell, Mont. He gives his views on commodities trading for just \$100—as long as the conversation doesn't last more than five minutes.

Neither man is well known within the commodities fraternity, but their fees certainly make them standouts among the 2,000 registered commodity trading advisers.

Plenty of Customers

"I can't dream of people paying that kind of money," says Morton Baratz, editor of *Managed Accounts Report*, a publication that tracks the performance of commodity trading advisers. It doesn't follow Mr. Armstrong or Mr. McMaster.

Nevertheless, both say they've found plenty of people willing to pay their rates. Mr. Armstrong says he earns more than \$100,000 a year giving phone advice to about 125 clients at \$2,000 an hour; that's the

equivalent of just a little more than a 40-hour workweek.

Mr. McMaster says he earns \$40,000 a year advising about 150 clients on the telephone. Both say they make additional income from newsletters and recorded-message services that dispense commodity advice.

Their trading strategies are rather cosmic. Mr. McMaster calls his approach holistic. He tells clients to plunge into the market "only when you are ready physically, mentally, emotionally, psychologically and intellectually."

No 'Rubber-Chicken Circuit'

For him, that mostly means staying home in Kalispell raising buffalo and llama. "I avoid the temptation to get out on the rubber-chicken circuit," he says. Two months ago, though, he made an exception for a visit to Guatemala's president, Jose Efraim Rios Montt, and his cabinet. He says he talked about "Christian economics and government."

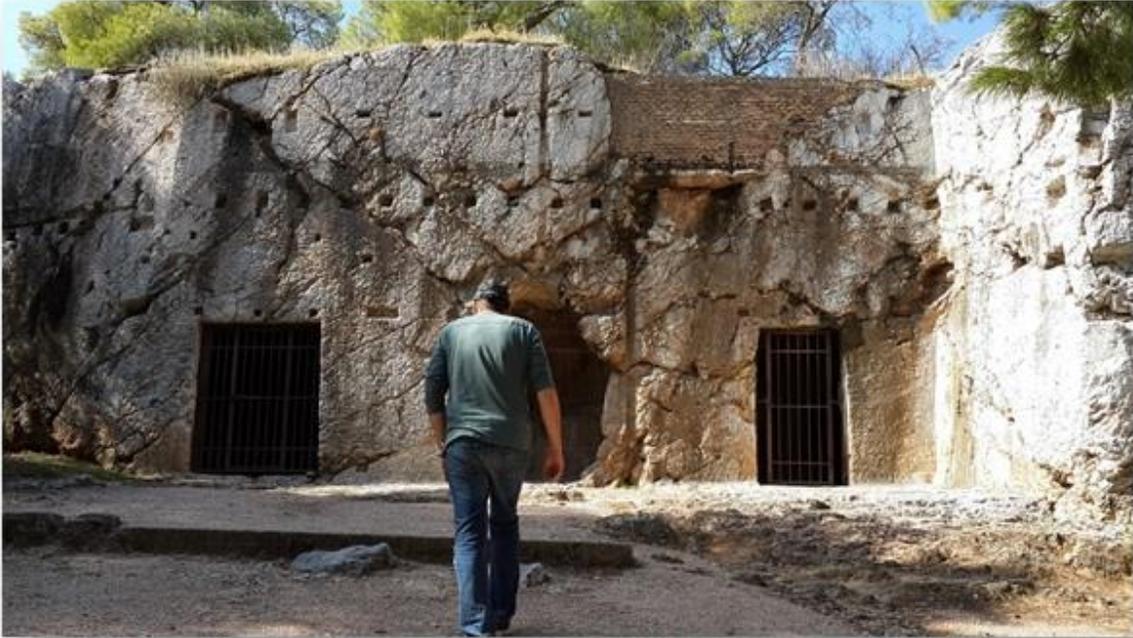
Mr. Armstrong says his strategy is based on enduring values, like fear and greed.

"Our cyclical analysis works because it is totally based upon human emotions," he says. "That is what moves markets. Human emotions are there for every inflationary spiral and deflationary collapse."

Wall Street Journal - June 27, 1983

By June 1983, the world had gotten out that I was an adviser. The Wall Street Journal called and pretended to be a future client. They really did not know what to ask for so I simply said I assumed they were calling for someone else and it would be best for them to call for there was nothing I could advise on with such a vague request.

That is when the journalist, Joseph Perkins, revealed he was from the WSJ. He asked if I was the most expensive adviser. I said I had no idea. He asked if he could talk to my clients. I said probably, but he could not use their names. He agreed. He called clients in several countries. He called me back and said if you charged \$10,000 an hour, they would pay it.



My visit to the cell in Athens where Socrates died

I did not reveal back then that because I had a background in computer engineering (hardware & software) I had seen back in the 1970s that I could write a program to analyze markets. Of course, that was too Sci-Fi for people back then, so I never revealed I had created a computer system I had named Socrates. I had always been impressed with his story how the Oracle of Delphi had declared he was the smartest man in Greece. His effort to prove the Oracle wrong, only proved it to be correct.

However, in the process, Socrates made many enemies for making the best and brightest of each field appear less than brilliant. The common thread that ran between them all was not just their own arrogance, but their inability to see beyond their own field of expertise. For this they put Socrates on trial as the man who ***knew too much*** and ordered his execution.

Socrates' argument that the great statesmen of Athenian history have nothing to offer in terms of an understanding of virtue enraged Anytus who became Socrates' most zealous prosecutor. Plato tells us that he had previously threatened him: "Socrates, I think that you are too ready to speak evil of men: and, if you will take my advice, I would recommend you to be careful."

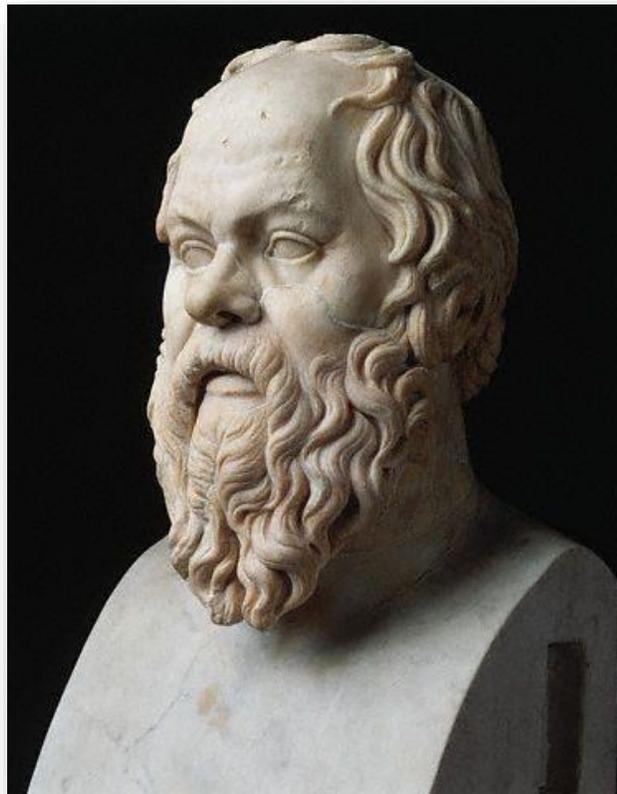
Lycon was a great orator, which Socrates also held in low regard as to the status within society. Meletus, was a poet, who initiated the prosecution against

Socrates, although most scholars consider him to a “puppet” of Anytus. It was the affidavit sworn out by Meletus that made two related charges against Socrates: ***“refusing to acknowledge the gods recognized by the State and of introducing new and different gods”*** and ***“corrupting the youth.”***

Socrates spoke his mind against the corruption within the political leadership. In Plato’s Gorgias, Socrates accuses poets and orators of flattery and says that they move only women, children, and slaves. Thus, all three men hated Socrates personally and they took their revenge.

So too I find myself strangely opposing the corruption within governments. Perhaps I too am tempting fate as did Socrates. Nevertheless, I named my computer in his honor. Socrates is the achievement of gathering the collective knowledge of the human race and learning in a cognitive manner the causes behind the real trends of the rise and fall of markets, economies, city-states, nations, and empires.

Socrates stands as proof that we are on the threshold of a completely new dawn. This is I hope will prove to be the next great advancement in our comprehension of the world around us. We are so close standing on the very threshold of the Age of Reasoning & Awakening. All we need to do is take that step forward for humanity by comprehending that not merely is the world not flat, but we are all connected in ways far beyond our imagination.





This is a journey or quest for understanding that just for once, perhaps we need not constantly repeat history. All we need do is shed ourselves of political corruption and open the door to the future.

Individually, we learn from our mistakes. Collectively, society does not retain knowledge, but each generation appears to set out destined to create the same mistakes over and over again.

The problem with forecasting remains human bias, prejudices and assumptions as we have seen with the Ferguson Model. This is the number one problem as to why forecasts have always failed.

To forecast we cannot afford to ignore the interconnections and attempt to predict the future of a single market or economy in total isolation. Everything is connected. A politician cannot run for office promising prosperity in the middle of a global collapse. Forecasting markets or the economy also cannot be accomplished in total isolation. All politicians do is promise change and always seek to divide and conquer turn classes of people against one another.



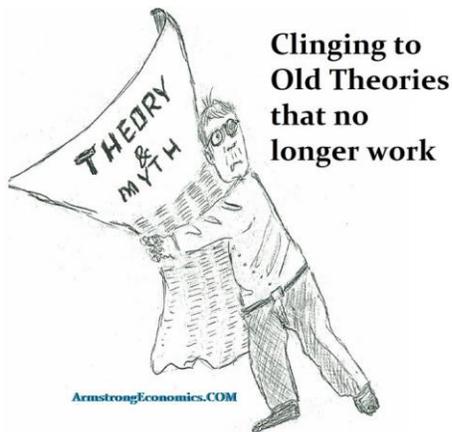
Analyzing the Brain



So, how do we circumvent these major problems of myopic forecasts that not only fail to understand the dynamic structure of the global economy, but the vital human elements so critical to our inventions which are **imagination, curiosity** and **creativity**. Without **imagination**, we cannot ever come up with a solution to anything. It is **imagination** which is the essence of discovery. This feeds our human **curiosity** and that ultimately leads to human **creativity**.

Devoted investigations, exploration of knowledge, and how it is attained in relation to the information process boils down to data processing in all systems of all kinds, regardless of whether we are talking about a human, animal, or machine-based knowledge acquisition. Yet how can a computer make a rational decision if it also lacks **imagination**?

True **Artificial Intelligence Systems** must acquire knowledge, remember that knowledge, and deploy it in the future without predetermined rules (*e.g.* if interest rates rise sell stocks) and without human bias. That results in a serious confrontation with people clinging to their biases as well as the very way politics is operated under the Republican systems of representative government rather than actual democracies where the people vote directly rather than a representative.



Moreover, real **Artificial Intelligence** must incorporate **imagination, curiosity** and **creativity**. Unless one has imagination, there is no possibility for change. The imagination therefore leads to curiosity where all discovery is made in any field. After accomplishing that, we then need the talent of creativity to bring our thoughts into reality.¹

To accomplish **Artificial Intelligence**, there emerged this presumption to map the brain without understanding how it actually functioned would somehow produce the holy grail. This led so many down the path of **Neural Networks**.

IBM's Watson was simply a giant **Neural Network**. I have explained before that I toyed with **Neural Networks** back in the 1980s and quickly saw that it would lead nowhere. Real **Artificial Intelligence** is something that **learns** and analyzes on its own to create its own conclusion. You cannot just throw in every piece of data you can find, shake it up, and pour out a perfect solution. These people have just assumed that there are all these connections 100 billion neurons—with 100 trillion connections—and they assume that consciousness merely emerges magically. These theories deny the existence of the soul or any divine hand in the creation of things.

¹ The true scope of the subject spans the entire range of interests from classical problems in the philosophy of the mind and psychology into issues in cognitive psychology and sociobiology. This involves the actual mental capabilities of a particular species. Ideas that are related to the **Artificial Intelligence** field and computer science reveal, not so much the answer of how to create **AI**, but how to distinguish what is **NOT AI**.

The primary emphasis is traditionally placed upon theoretical, conceptual, and epistemological aspects of acquiring knowledge. Then we turn to reasoning which many expect will emerge from that data set. This introduces a very fine line, which distinguishes problems that are empirical, experimental, and methodological over time. We need to employ **imagination, curiosity** and **creativity**, but it must be tempered and controlled within reality. Otherwise, we can or cannot achieve our aspirations.

There are many aspects to **Artificial Intelligence** that distinguish both input and output. The output must reach something that, at the very least, matches the human ability to reason **without** the expert system structure of a predetermined result. Then the input must be broad enough to cope with humans in order to communicate. So, there must be an ability to determine what you are feeding into the system as information to acquire knowledge and experience in order to comprehend the result reached. To achieve this, interaction must be comprehensible and that also requires introducing language to be able to communicate but the system must understand what words really mean.

Yet there is far more lurking being these connections in the human brain. Most people believe we generally use only 10% of our brain's capacity. That is not true. The majority of the brain is almost always active.

It was an article published in a 1907 edition of the journal Science, psychologist and author William James argued that humans only use part of their mental resources. However, he did not specify a percentage. Later, the 10% figure was referenced in Dale Carnegie's 1936 book **How to Win Friends and Influence People**. The myth was described as something the author's college professor used to say. With modern MRI scanning, we know that the entire brain is always active.



Nevertheless, aside from this myth that consciousness will suddenly appear if we create enough connections is again never been proven to be even remotely some fact. Yet there is another aspect of the brain which Neural Networks are incapable of even contemplating: How not only does the brain function, but how and why do we **dream**? This even involves the subconscious ability to imagine.

There are many theories about **WHY** we **dream**, but no one knows for sure. Some researchers say dreams have no purpose or meaning. Others say we need dreams for our mental, emotional, and physical health. According to research, a significant percentage of the people who appear in dreams are known to the dreamer.

That does still not answer **HOW** do we **dream**? **Dreams** are hallucinations that occur during certain stages of sleep. They're strongest during REM sleep, or the rapid eye movement stage, when you may be less likely to recall your **dream**. Much is known about the role of sleep in regulating our metabolism, blood pressure, brain function, and other aspects of health.

If we cannot possibly answer these two basic questions, then how is it possible to think we can create a **Neural Network** and it will somehow miraculously be the perfect forecasting tool?

The idea behind IBM's Watson could search the entire internet and gather every piece of information possible and the answer would spring forth. That was the easy part. What IBM lacked was the expertise in how to do research. It never even considered the three most crucial elements – **imagination**, **curiosity** and **creativity**. How to create a computer with such human traits?



Neural Networks were a great hope that somehow you just throw in all this information, shake well, and out will magically appear the answer. The presumption was that our minds are just supercomputers and they ignored perhaps the critical understanding of what makes one person brilliant at math and another a brilliant artist who can't balance their bank account. Clearly, there was an entire world of the undefined aspect of what makes us – us.

This theory that our minds are simply supercomputers ignored these critical traits of **imagination**, **curiosity** and **creativity** and how to they ultimately distinguish



one person from another. The theory behind **Neural Nets** of just stuffing in all this knowledge and somehow it will figure it all out was it itself just a hallucination from a **dream** state. This spawned wonderful imaginative movies of then somehow the machine would come to life and decide it wants to rule the world and take over humankind. Of course, it would have to be evil.

The Quest for the Holy Grail or Finance



Fischer Sheffey Black
(1938–1995)

Black-Scholes Equation

$$\frac{\partial V}{\partial t} + \frac{1}{2}\sigma^2 S^2 \frac{\partial^2 V}{\partial S^2} + rS \frac{\partial V}{\partial S} - rV = 0$$

----- Economists -----



Myron Samuel Scholes
(born July 1, 1941)

Like the medieval legend of the cup used by Jesus at the Last Supper, and in which Joseph of Arimathea received Christ's blood at the Cross, has inspired many quests and movies based upon the search for this object. In finance and economics, there has been a similar quest for the model that will predict the rise and fall of nations that reduces to a single equation. This too has led to major panics and financial disasters.

Such attempted model systems have always failed because they confine it to a single time series and then lack a true historical data for back-testing beyond a couple decades. Additionally, like the **Ferguson Model**, they are instinctively coded using a presumption about how the subject functions to begin with rather than trying to explore something which is complex and cannot be reduced to a simple equation.

The **Capital Asset Pricing Model** of the 1960s became a joke. The **Efficient Market Theory** produced nothing that was in anyway even worthwhile. These interesting theories and variations thereof had indeed led to the **Black-Scholes** attempt to create an equation to rationalize the markets without actually comprehending what they are. They succeeded in driving the markets and the economy off a cliff creating false confidence and huge bailouts in 1998.

There is probably no greater example in finance than the failure of the **Black-Scholes Model** which was a mathematical equation for pricing an option contract. In particular, the model estimates the variation over time of financial instruments. It assumes these instruments (such as stocks or futures) will have a lognormal distribution of prices. Using this assumption and factoring in other important variables, the equation derives the price of a call option.

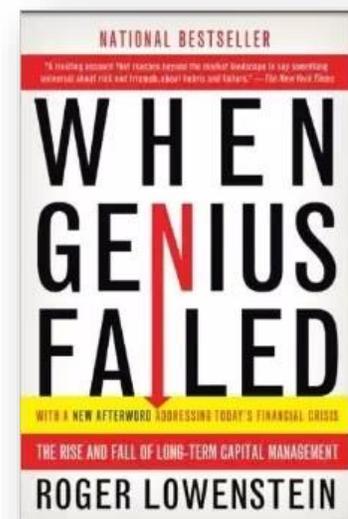
Black-Scholes pricing model is largely used by option traders who buy options that are priced under the formula calculated value and sell options that are priced higher than the **Black-Scholes** calculated value.

The equation was developed by two economists, Fisher Black (1938–1995) and Myron Scholes (b 1941). They won the 1997 Nobel Memorial Prize in Economic Sciences for the equation that created the **Long-Term Capital Management Crisis** of 1998 and the Orange Country debacle in California. That led to the book entitled: **When Genius Failed**.

From the **Black-Scholes** model, one could deduce the formula, which gives a theoretical estimate of the price of European-style options. The formula led to a boom in options trading and legitimized scientifically the activities of the Chicago Board Options Exchange and other options markets around the world.

However, it was widely used, although often with adjustments and corrections, by options market participants. Nevertheless, many empirical tests have shown that the **Black-Scholes** price is “fairly close” to the observed prices, yet there are well-known discrepancies such as the “option smile” as it became known. The fatal flaw was the assumption there would always be a market. During the 1998 Crash, market-makers withdrew and liquidity collapse causing the model to fail.

In 1986, Goldman Sachs hired Fischer Black of **Black-Scholes** fame for valuing the stock options. It was Robert Rubin, later Secretary of the Treasury, who brought in Fisher Black to create formula to trade options. The problem they had was the new embedded options within debt. But the issue they did not understand what they were now walking into. Unless you have been a trader, you will never see the subtlest of the market idiosyncrasies that go missed by the casual observer.





This was a model failed and created the **Long-Term Capital Management** crisis in 1998 because the data used for developing the model was only back tested to 1971 when the floating exchange rate system began.

Models that only function within the “noise” level will work for a period of time and then totally fail. If you do not test something on at least

the Great Depression, how can you expect that model to even survive such an event?

It is **IMPOSSIBLE** to change the long-term trend in any market or economy. Everything is connected. To really make gold suppressed, you have to do that to all commodities. Create deflation when the central banks are trying desperately to create inflation without success, is asking for a nightmare.

Then there was the formula of David X. Li that was used to create the mortgage backed securities and by the main credit rating firms who strolled down that same path to oblivion. The problem with these types of formulas has been rather consistent – they are never tested beyond at best perhaps 30 years with of history.



David X. Li

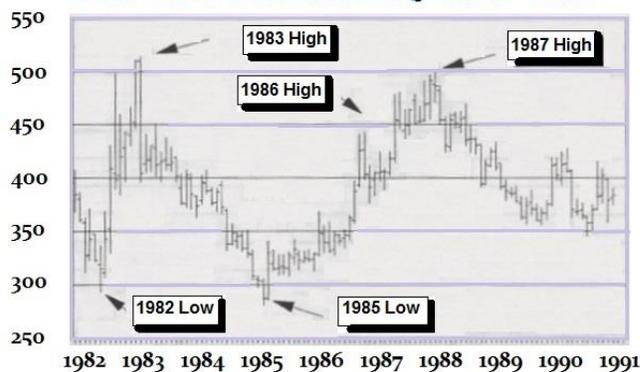
$$\Pr[T_A < \mathbf{1}, T_B < \mathbf{1}] = \Phi_2(\Phi^{-1}(F_A(\mathbf{1})), \Phi^{-1}(F_B(\mathbf{1})), \gamma)$$

- Pr - Probability likelihood that any two members of the pool (A and B) will both default.
- T - The amount of time between now and when A and B can be expected to default.
- = - Equality precise concept
- Φ - Copula/couples the individual probabilities associated with A and B to come up with a single number
- F - Distribution functions of the probabilities of how long A and B are likely to survive
- γ - Gamma correlation parameter reducing correlation to a single constant

Unless you back test something extensively and match it against market liquidity, you are doomed to failure.

All of these models were created by people who had no trading experience or comprehension of how global capital flows drive markets not ascertainable from

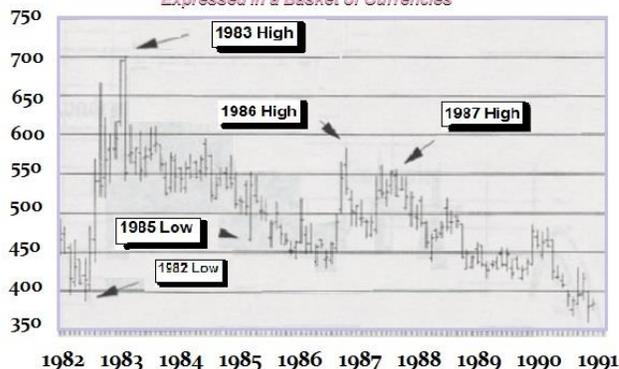
New York Gold Monthly 1982 - 1991



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New York Gold Monthly 1982 - 1991

Expressed in a Basket of Currencies



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myopic domestic models and analysis. The idea that markets are efficient insofar as they are always a reflection of fair value is just absurd. The swing between two extremes always exists like a pendulum.

These excuses are clearly made by the very people who look to justify their "theory" behind some trend even when it fails. The markets move collectively. There is no single trend in an individual market which can move counter the global trend for global market will arbitrage it into its proper place within the general scheme. In other words, gold cannot rise in dollars and decline in all other currencies. Those denominated in other currencies will arbitrage gold and sell it to the dollar-based investors expecting it to rally.

Models will typically fail because they are one-dimensional. They seek to forecast a single market in total isolation. This is the number one reason for failure.

We are all behind the collective movement of the global economy and that includes the average person who does not even trade or invest. The rest focus on unemployment, GDP, trade, etc. and respond to what? To the trend of the whole, which is the common person on the street. While many like to point to the 1%, the 1% cannot dictate the trend when the 99% percent move in the opposite direction.



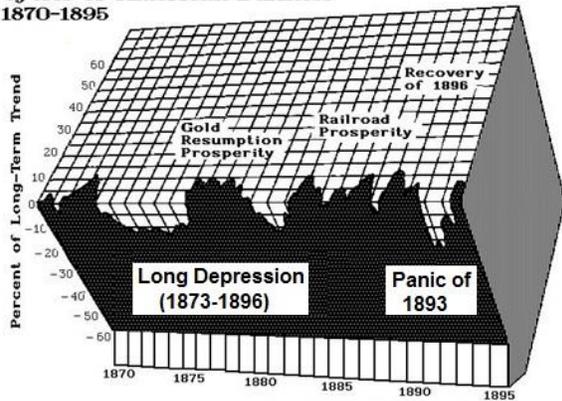
The Complexity of the Global Economy



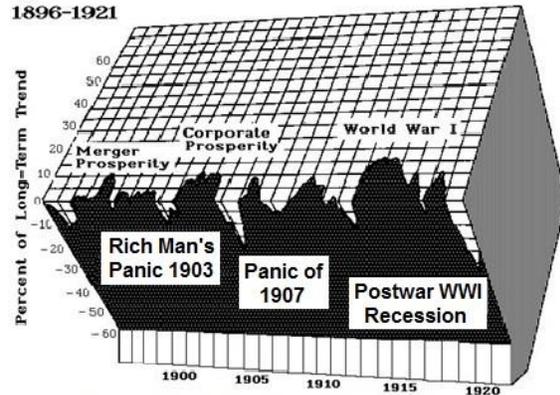
It is true that if we all sequester ourselves every flu season we can beat even the common cold. Yet the global economy is both complex and delicate. The solutions proposed by the medical sector are complete unreasonable for the global economy and they fail to understand that it is also very fragile. The world economy is very much like a rain forest. Science has come to understand that we cannot create a rain forest by merely planting a group of trees. There are millions of species of bacteria and insects in addition to the thousands of plants and animals that interact to form a balance within nature. We cannot hope to duplicate a rain forest due to his lack of knowledge concerning such a wealth of intricate variables interacting with one another to produce the final balanced system.

The global economy is so interconnected that rash decisions in one part of the world will have dire consequences in other countries. Some countries depend upon the food supply from others. Shutting them down for fear of a virus that is by no means substantially more serious than the annual flu can lead to mass starvation and the spread of disease because of malnutrition.

Cycles of American Business
1870-1895

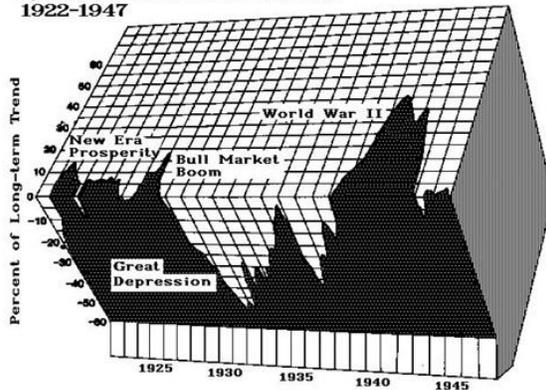


Cycles of American Business
1896-1921

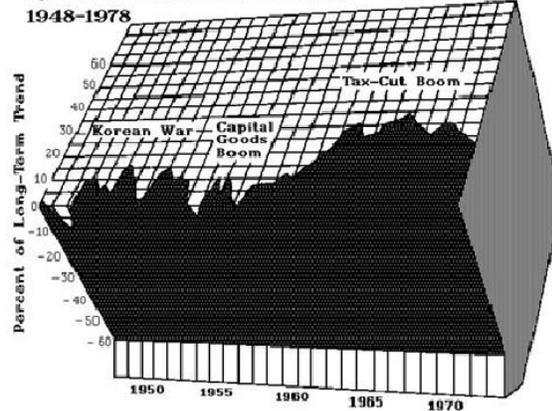


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Cycles of American Business
1922-1947



Cycles of American Business
1948-1978



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Unfortunately, everything around us works on a very myopic view. Politicians run for office promising one thing or another and never deliver because they cannot control the trend which is dictated by global events. We have sought to maintain this prejudiced view of the world for we have ignored the cyclical nature of events and the business cycle specifically. Additionally, we desperately try to reduce events to a single cause and effect, which is never the case. The answers always lie in the more complex dynamic structure that we seem to be incapable of comprehending.

These two human mistakes not merely have blocked any investigation of the cyclical nature of the world outside of physics and natural science, but it has kept humanity blind to the complex dynamic global structure upon which all things function. In other words, everything around us is constructed like a rain forest. We may not see the intricate interconnected structure, but every species affects the whole that is a synergy beyond the mere sum of the parts.



Complex Dynamic Adaptive System

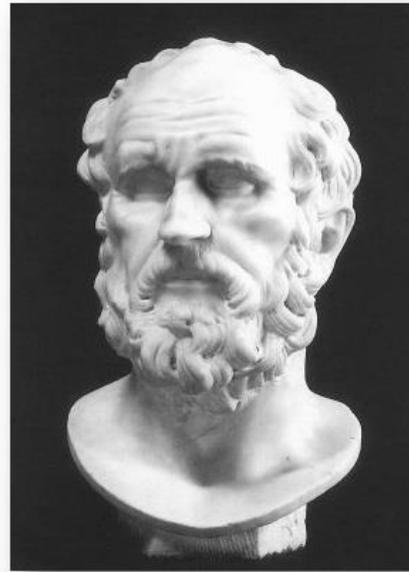
Therefore, a drought in the United States will affect prices in Europe and Asia even if there is no drought in those parts of the world. Poppy fields in Afghanistan affect the drug trade in New York City and elsewhere. Changes in interest rates to negative in Europe have sent capital fleeing to the dollar. The sheer number of variables from weather, wars, political trends and coups set in motion such a diverse set of complex combinations that the end result merely confuses the majority and exposes that we truly live in a Complex Dynamic Adaptive System that is beyond a single cause and effect or a single nation.

The only person to have perhaps stumbled upon this true nature of a what I call the Complex Dynamic Adaptive System, was Adam Smith. Smith grasped the essence of how the economy works which explained was the **Invisible Hand**.

“... he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.” id/ Book Four Chapter II

What Smith discovered was that each of us create the whole by pursuing our own self-interests. Someone becomes a baker which relieves others of having to bake their own bread freeing them to explore their own self-interests. Taking this discovery from the individual level, we then see that governments will also always pursue their own self-interests against the people.

"[T]he different forms of government make law democratical, aristocratical, tyrannical, with a view to their several interests; and these laws, which are made by them for their own interests, are the justice which they deliver to subjects, and him who transgresses them they punish as a breaker of the law, and unjust. And that is what I mean when I say that in all states there is the same principle of justice, which is the interest of the government; and as the government must be supposed to have power, the only reasonable conclusion is, that everywhere there is one principle of justice, which is the interest of the stronger."



Thrasymachus (Θρασύμαχος)
(ca. 459-400 BC)

Plato recorded the debate between Thrasymachus and Socrates. Indeed, Thrasymachus proved to be correct. The different forms of government were irrelevant. The claims of justice would always prove to be merely the will of the various forms of governments for they too pursued their own self-interests. Edward Snowden had to flee to Russia for exposing that the United States government was spying on their own people illegally. Yet the whistleblower used by the Democrats to try to impeach Trump was protected because he served their own self-interest.

Therefore, what I define as the Complex Dynamic Adaptive System is constructed on Smith's observation at the very basic foundation of human society. We will participate in what we call civilization as long as we all benefit from it. Government become drunk with power and quickly begin to transform into tyrants no matter what the political system for they pursue only their self-interest. The dynamic structure becomes extremely complex when we then realize that this is taking place on a fractal basis and permeates throughout human society on every level.



Thomas Paine
(1737–1809)

Common Sense

Some writers have so confounded society with government, as to leave little or no distinction between them; whereas they are not only different, but have different origins. Society is produced by our wants, and government by our wickedness; the former promotes our POSITIVELY by uniting our affections, the latter NEGATIVELY by restraining our vices. The one encourages intercourse, the other creates distinctions. The first a patron, the last a punisher.

"These are the times that try men's souls."

The book which helped to inspire the American Revolution was *Common Sense* by Thomas Paine (1737–1809). He observed that governments forget that the people are the true sovereign because it is the total productive capacity of the people which forms the economy. The government looks upon the people as the economic slaves and forget that they are not the sovereign of the people.

It is this Complex Dynamic Adaptive System that is constructed upon Smith's Invisible Hand on a fractal nature. Just as each individual pursuing his individual self-interest produced the synergy which emerges creating both civilization and the economy as a whole, is the very creation of our society that is far greater than the mere sum of the parts.

For any hope of constructing a model to comprehend this complexity requires a deep understanding of this Complex Dynamic Adaptive System. Only then can we hope to catch a glimpse of the global economy in all its fascinating ways of tormenting the minds and souls of those who seek to reduce it to a simple cause and effect.

This was the key to why Marxism/Communism failed. It replaced this natural mechanism with central planning that could never comprehend the reality of this complexity. It is indeed that rain forest with billions of species of animal and plant life that are intricately interwoven creating a Complex Dynamic Adaptive System within nature. Welcome to the human world where we must learn the same lessons.

The Dream of Socrates



Athens 455-339BC AR Tetradrachm "Owl"

Life is a quest for knowledge. When there is nothing left to explore, it is time to die. Being a history buff, it was clear that capital has always flowed from one region to another. The rise and fall of nations was truly the rise and fall of the Financial Capital of the World. Athens rose as the financial capital of the world after the defeat of the Persia and peaked by 404BC. Its currency, the Athenian Owl (silver tetradrachm) became the first true international currency recognized in Africa to the upper most part of the Europe as other nations imitated its coinage.

That was followed by the currency introduced by Alexander the Great. The coinage of Macedonia was imitated even in Europe by the Swiss and Celtic tribes. The coinage issued by Alexander the Great became a uniform design like the Euro with mint marks as to which city state issued the coins just as the Euro notes all bear which member issued the note.



Macedonian Kingdom. Alexander III 'the Great'
AR Silver Tetradrachm (17.1 g), 336-323 BC. Pella Mint

Of course, the Greeks were conquered by the Romans. Here too their currency rose to become the new world currency accepted throughout Europe and even into Asia where the coinage was regularly imitated for hundreds of years in India.

The Western World Currency Standards 600BC - 1900 AD



Persian Gold Daric
(8.25 grams)



Athenian "Owl" Tetradrachm
(17.18 grams)



**Alexander the Great
Tetradrachm (17.0 grams)**



Roman Silver Denarius
211BC (4.0 grams)



Byzantine Gold Solidus
(4.45 grams)



**Charlemagne (768-814AD)
Silver Denier (1.7 grams)**



15th Century Thaler
(28.8 grams)



Spanish 8 Reals (Pillar Dollar)
(26.4 grams)



British AR Crown
(92.5%, 28.29 g)



United States Dollar
(89.24%, 26.96 g)

The rise and fall of empires, nations, and city-states can be seen throughout history if we just follow the capital flows. Even when we emerge from the Dark Ages, we begin to see internal capital flows within Europe as people were attracted to the Tulip Bubble in Amsterdam during the 17th century. What most people do not realize is that tulips were even trading on the exchange in London.

That capital flow bubble was followed by the South Sea and Mississippi Bubbles which both burst in 1720. This showed how capital was still acting as it did during the Roman Empire. Roman historian would comment how panic would run down the Via Sacra in the Roman Forum on news of an earthquake in Anatolia (Turkey) or how capital would flood to a new conquest seeking emerging market investments.

Indeed, the South Sea and Mississippi Bubbles of 1720 were emerging market investment booms just as we still see today. Capital has always rushed around the world since ancient times. It was Hammurabi who in his legal code sought to regulate prices because of wild speculations, interest rates, and above all, he demanded that every deal between two people had to be written in a contract and filed with the government. No longer would there be disputes based on hearsay.

Since I was an American forecasting the trend of currencies from the 1970s, I had gained a broad international client base. When I was going to open an office in Switzerland, I went to lunch in Geneva with a client who was one of the heads of a major Swiss bank. I had created a list of European names to call our company because I realized that there was always some hidden anti-Americanism in Europe.



The Code of Hammurabi Black Basalt Stele - Louvre

I asked for advice as to what name to select and he asked me a question. Name a top European analyst. I was embarrassed for I could not. I assumed I was appearing like the typical arrogant American. He laughed and said there were none which was why everyone was using my service. He explained that if he was British it was always God Save the Queen, the French were always Viva la Franc and the same in Germany.

He elaborated that it was seen as treasonous to ever say your currency would decline when the politicians used the rise of their currencies as proof of their good management. He said, "You don't give a shit if the dollar rises or fall!" It was my unbiased view which was why I had risen to the top of the foreign exchange advisers.



During the mid-1980s, OPEC was the big thing. All that money was being managed out of Geneva. A client and friend was Jack King who lived in Tokyo. Jack kept telling me to open up in Tokyo and I was hesitant. I finally agreed if Jack was going to run it. I had no idea how many clients were actually had in Japan. Jack had finally got me to agree to fly over. When I did, many of the top brokers I had known from the early 1980s in Geneva dealing with the OPEC money were there in Japan. When I got there, they all wanted to take me out on the town and basically say about time I showed up.

What I began to notice running around the world was that indeed capital rushed around the globe in search of the next investment. However, the talent also traveled around the globe. Ashley Warren who runs the European operations I met in Tokyo when he was running the trading desk for one of the big Japanese banks.

Capital has always been in search of the next trade. It has constantly rushed around the world creating the capital flows and helping in the cause of creating the rise and fall of empires, nations, and city-states. It was this first hand experience that was behind my dream to create Socrates to monitor the world.

Creating Socrates



IBM XT 1981 debate

While in the late 1970s I was developing a program to monitor markets and forecast the financial moves, computers were on the rise. IBM issued its XT in 1981. I can't remember how many I bought, but it was quite a few. I was doing my best to run forecasting, but it often had to run on several computers back then. As computer expanded, so did the capacity to program and expand the database.

While I did research at Princeton University at the Firestone Library where I came across that list of panics that changed my life, for foreign exchange, I did the research at the Royal British Newspapers Library based in Colindale in North London until 2013. They had all the newspapers that I used to gather price quotes on currencies going back hundreds of years.

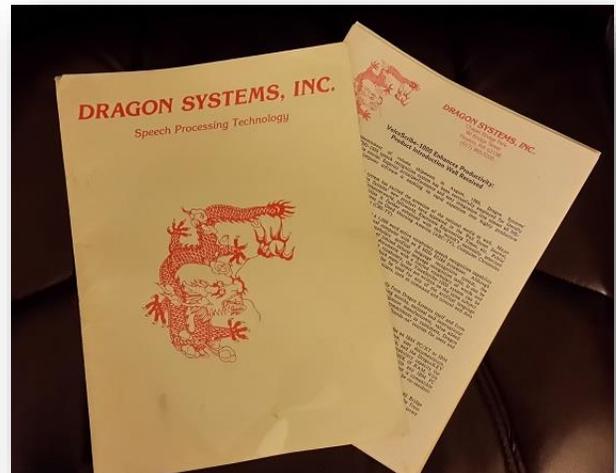




So, while I was able to write programs and run them on multiple computers. I would have to take the results of each and then merge them on yet another computer. It was sort of a manual style mainframe. Of course, today, desktop computers are faster than the mainframes of the 1970s and the storage facilities are beyond comparison

I set out to construct a model that was free to explore the world and to return like a dog in a game of go fetch. It proved to me it was making some profound discoveries that people are too prejudiced to ever see. I appeared with Walter Bressert who was a good friend of mine I believe in 1982 or 1983 on Financial News Network in California which began in 1981 and became CNBC in 1991. I gave the forecast on the British pound that it would fall from \$240 to par by 1985. The host turned to Walt and asked about that outrageous forecast. Walt said he would never bet against my computer. Walt was mainly into the commodities. We did a join forecast together Agrics in the Nineties.

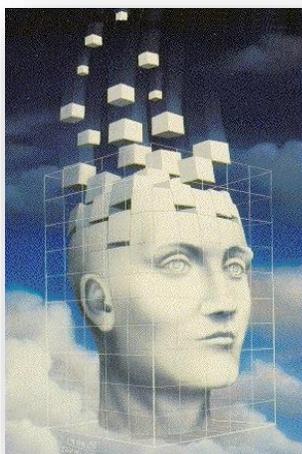
I had to develop speech capability back then just to be able to communicate because it was making what I thought were impossible forecasts. I worked with Dragon Systems in the early '80s when the speech was all hardware. I needed to be able to inquire how it came up with such a forecast as it did on the British pound. For it has also projected that the politics would flip (i.e. Margaret Thatcher) and that the British economy would invert and align more with the USA against continental Europe. That prediction seemed to be really off-the-wall. I inquired: why?





Socrates showed a correlation with the discovery of North Sea Oil. In 1970, British Petroleum made its first discovery of commercial oil in the large Forties Field, although oil was not produced until 1976. By 1974, it was apparent that North Sea oil could provide a massive source of energy, and also revenue. The computer picked up the capital flows and determined that the British economy would align with the United States as it was becoming a commodity-linked economy.

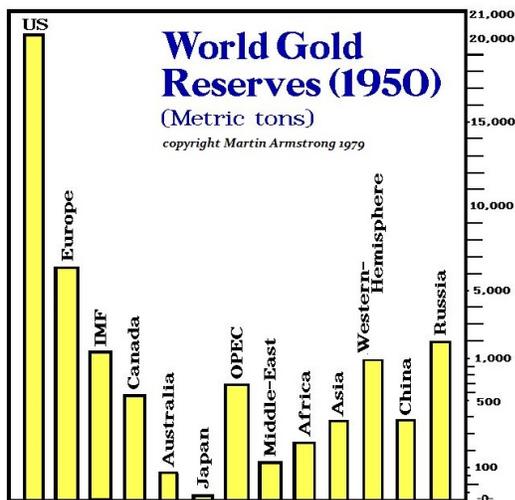
I learned from observing the world economy and having such a diverse clientbase around the world, they forced me to look at every problem from their currency perspective. I recall giving a conference in Geneva where I was asked about the Swiss franc and then later about gold by a Canadian. It was quite clear that the advice had to differ depending upon your currency perspective.



The complexity was erupting and indeed I thought of Adam Smith how each would act based upon their own self-interest. The more international I became, the more the clients demanded analysis to fit their currency.



It became clear from history that just as Roman historians remarked how panic would run down the ancient Via Sacra (Wall Street of Rome) on news or a natural disaster where they had lent money, the wild cards would always be some natural event, war, or political coup. Even the 1906 San Francisco Earthquake cause the capital flows to rush from insurance in the East to the West leaving cash shortages and undermined the banking system in New York setting the stage for the Panic of 1907 which led to the creation of the Federal Reserve by 1913 with 12 branches to manage the capital flows domestically.



It was World War I and World War II that sent the capital flows fleeing Europe as tanks road down the streets. Where Britain was the financial capital of the world in 1914, it was entirely broken by the end of World War II. It not merely lost its empire with independent movements everywhere, but the United States ended up with 75% of the world's gold reserves and the dollar became the new dominant currency upon which the world would turn instead of the British pound.

Then there were great plagues which also disrupted the economy of nations historically. The **Black Death** killed 50% of the European population. This resulted in a shortage of labor and landlords began competing offering wages bringing an end to serfdom.

The **Black Death** also gave rise to private lawyers who were needed for the inheritance of property. The amount of land and gold did not change, so inflation emerged because the wealth of individuals on average rose per capita as the population was halved. In 1362, a petition was filed in the English House of Commons blaming the inflation on workers "who refuse to bear the burden of poverty patiently" to justify freezing wages. It was the **Black Death** where we draw the line as the very beginning of capitalism when people began to earn wages,

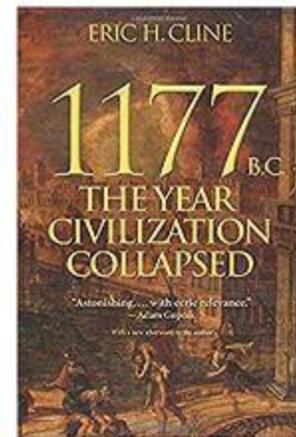


Ring around the Rosy

The words to the rhyme "***Ring around the Rosy***" are a famous children's game which has its origin in English plague history. The historical period dates back at least to the ***Great London Plague of 1665*** (*bubonic plague*) and most likely extends back even further to the Black Death of the 14th century. The symptoms of the plague included a rosy red rash in the shape of a ring on the skin (***Ring around the Rosy***). Pockets and pouches were filled with sweet smelling herbs (***or posies***) which were carried due to the belief that the disease was transmitted by bad smells. The term "***Ashes Ashes we all fall down***" refers to the cremation of the dead bodies! The later Plague of 1665 end only with the ***Great London Fire of 1666***.



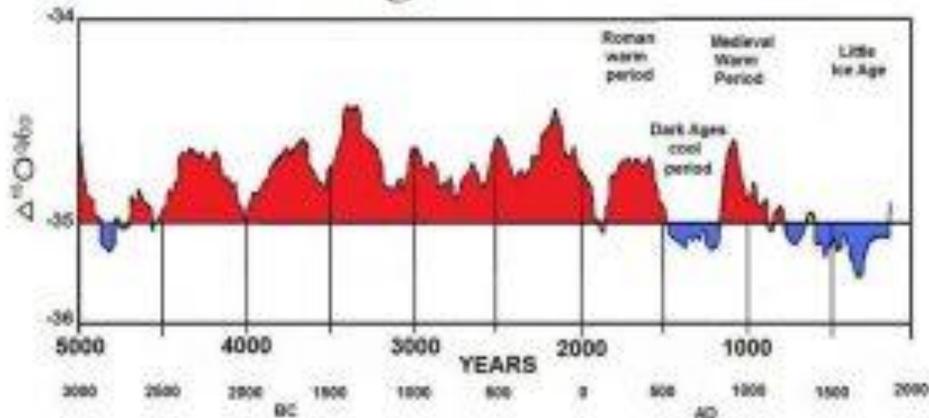
There were about eight civilizations that all collapsed ending the Bronze Age with the exception of Egypt post-1250 BC. It was caused by a major shift in climate that led to droughts which resulted in the widespread famine that inspired migrations/invasions. This event of 1177BC was the Bronze Age equivalent to the fall of Rome, for they both were followed by a Dark Age.



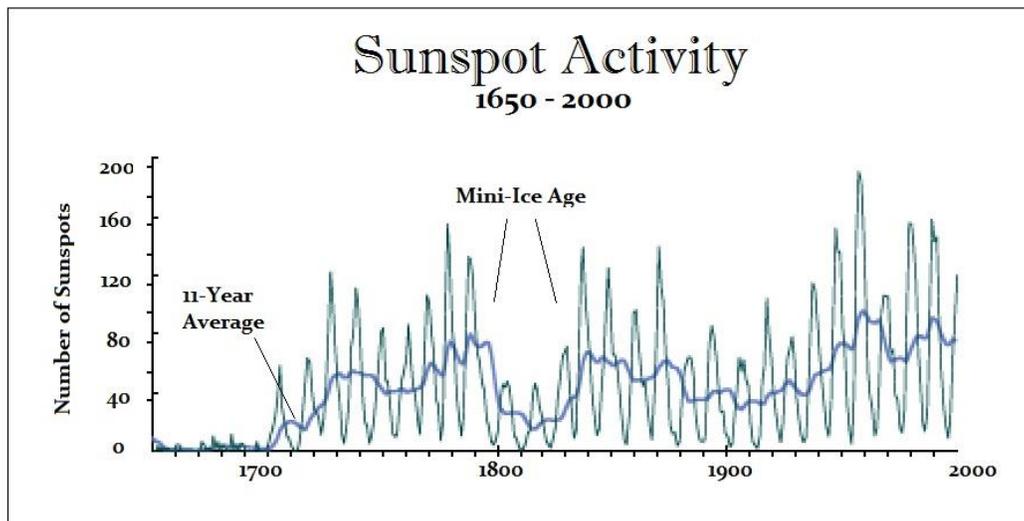
Many have attributed this collapse of the Bronze Age to the Sea Peoples, which were most likely northern Mediterranean mass migrants due to the climate getting colder in Europe. Cline has put together a nice assembly of sources, but he missed the climate change. He assumed there was a migration southward. However, we can see the first dip to cold came about 1,800 years ago. We can see that the all-time high temperature was about 3,300 years ago.

The collapse of the Bronze Age was mostly complete by about 1100-1000 BC. Our computer has identified a 1720-year cycle beginning in the Dark Ages with the fall of Rome in 476AD when the last pretend Emperor reigned (Romulus Augustus (575-476AD)). Our model highlighted the cycle between the Dark Ages of 1720 years which brings us to 1244 BC — right on target for the beginning of the collapse of civilization.

Climate Change 5000BC - 2000AD



Climate has always changed. It is absurd that there are those who claim global warming is caused by humans and the industrial age. The climate has always changed, and it is never the same from one decade to the next. These people fail to understand cycles and presume that whatever the climate may be today should remain forever. Climate change has also impacted history.



Napoleon was defeated at Waterloo because of climate was only part of his defeat. It was argued that because of the weather he delayed the use of his canons. That was the theory reported by the BBC. However, that is Waterloo and its relation to the eruption of the volcano Tambora. Our computer also in correlating war and weather with the economy and it revealed that Napoleon also lost when he invaded Russia because of volcanic eruptions.



Napoleon began his invasion of Russia on the 24th of June 1812. He was no fool. He waited for winter to be over. He was planning to take the city of Moscow in July. Instead, his army was devastated by winter and global cooling thanks to a volcano. The Russians abandoned Moscow and set it ablaze. When Napoleon entered Moscow, he assumed he would get an offer of peace. Nothing came. He eventually retreated and that was devastating. Napoleon had invaded with 680,000 men and retreated by November 1812 with only 27,000 effective soldiers remaining.

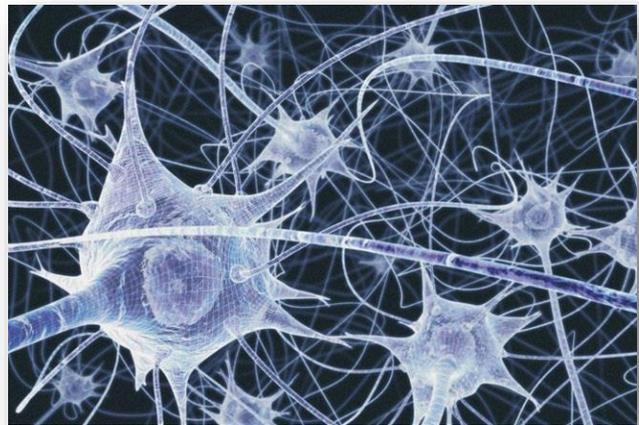
There is no question about it. When we correlate everything, you begin to see history in a whole new light. Napoleon was defeated by the Mini Ice Age. The Hunger Stones also marked the year 1811 as a drought. While this is one year prior to the eruption in the West Indies in 1812, there is what has been called the 1808/1809 Mystery Volcanic Eruption which seems to have set in motion a Mini Ice Age during the early 1800s. This was a monumental volcanic eruption in the VEI 6 range which appears to have taken place in late 1808. This event preceded the 1815 eruption of Mount Tambora (VEI 7) which produced the Year Without a Summer in 1816. Napoleon was defeated really by Volcanoes. This is my concern for the future going into 2024.

Obviously, nature has also played a vital role in shaping history from migrations to the reasons behind who wins and loses in wars. These are important inputs that cannot be ignored in creating a model that will not be surprised by what people call a Black Swan event.

The success of Socrates is entirely based upon the fact that it is **NOT** dependent upon human assumptions for as this latest Coronavirus Crisis has proven, a faulty assumption produces serious mistakes – Garbage in – Garbage out. You cannot create a model that starts with a human presumption or bias as Neil Ferguson created. It simply became his emotional decision assuming he was not paid to create this panic as Hillary paid Christopher Steele for the fake Steele dossier on Donald Trump. A lot of people have profited from Ferguson's fake report that 500,000 British would die, and 2.2 million Americans would die.

Create a model that is hard-wired which assumes interest rates up and the stock will crash will never work. That is not a model it is a flawed program that just repeats human mistakes and prejudices.

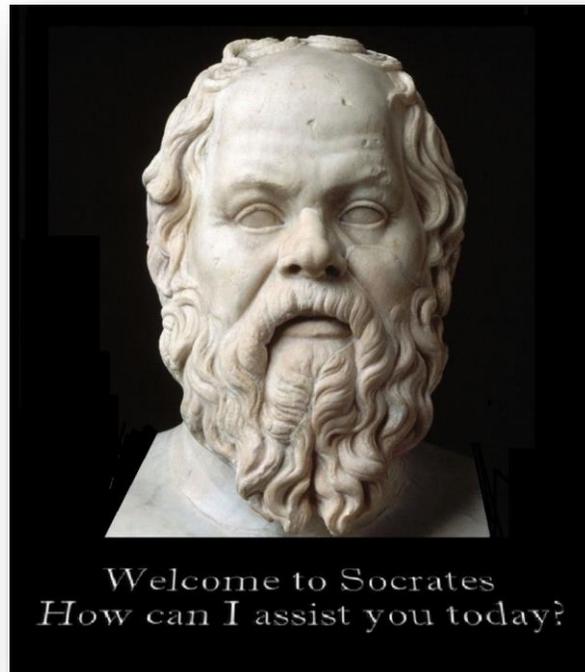
Real **Artificial Intelligence (AI)** is not an expert system where it simply looks up human conclusions. So many pretend to have **AI** but all they do is simply look up predetermined conclusions. True **AI** must embrace all fields of data, war, nature, and disease, not just economic and financial, but it must also embrace **imagination, curiosity, and creativity**. Real **AI** must be capable of exploring new relationships and reason for itself to see the changes that take place and not be shocked by a Black Swan. Only then can we rely upon such computer programs.



I have never seen any **Neural Network** accomplish any of these criteria nor any Expert System for that matter which does not think at all. The **Neural Networks** simply tried to mimic the construction of the human brain and assumes that if you throw in enough data it will learn. Even IBM's Watson failed.

Socrates is the **ONLY** fully functioning **Artificial Intelligence** system in the world that is monitoring the entire global economy and all its components – **PERIOD!** Money cannot buy everything in life. I turned down \$500 million for Socrates where it would have just provided analysis for a single user. I rejected the request of the CIA to build a version for the US government. I offered to run any study they asked and was told no they "had to own it."

Bringing Socrates to Life



It was my personal dream to create a true **Artificial Intelligence System** to assist me in viewing the world in an instant. Something which would not grow tired and would never forget to check all the variables. Nevertheless, as a history buff, I could see the patterns over the centuries which were responsible for why history repeats.

It dawned on me that as individuals, we learn from our mistakes and progress throughout life. When we finally become old and wise, it is time to die. What I suddenly realized was that the real object of my life's work was not to simply create a program to help me, but something that would survive me.

History repeats because collectively society is incapable to learning and retaining knowledge. We must start over again with the passing of generally three generations and this was the reason history repeated. The only way to break that cycle and advance society was to take what I had learned over 50 years and create an Artificial Intelligence System that would evolve with the times.



The end goal had to be the objective to replace me and standby to assist in the darkest of times without the emotions that doom society so often. I had learned from trading over the years that your worst enemy was always yourself. You had to conquer your own emotions in order to survive. Otherwise, the inherent herd instinct within us all drives us to seek shelter and comfort that we are safe because that is what everyone is doing.

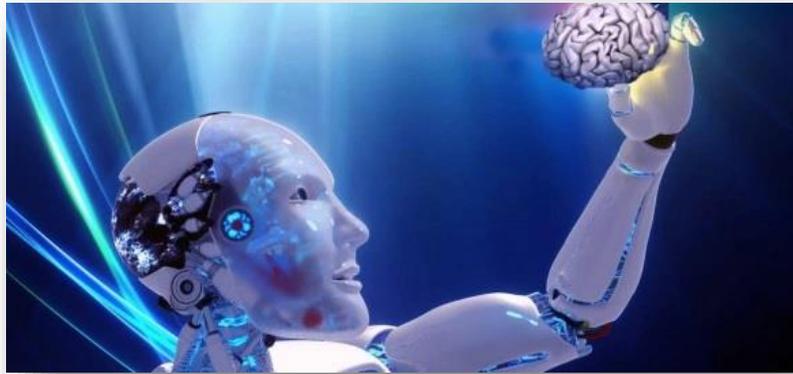


“Those who don’t study history are doomed to repeat it. Yet those who do study history are doomed to stand by helplessly while everyone else repeats it.”

Those herd instincts lead us to buy the highs and sell the lows because everyone else around us are doing so. To rise about the herd and be the person who sell the high and buys the low takes unemotional dispassion not to panic and retain a clear mind when everyone else is in a state of panic.

The dark side of humanity is the prejudices we harbor. We have to surrender that to the universe and be willing to follow the logic and the facts. Until then, humans are

incapable of emotionally evolving. This is why history repeats because the passions of humankind never change through the centuries. Those who are the naysayers will cling to their prejudices and they will always attack me personally because they cannot confront the message. They prefer to obstruct the acquisition of knowledge and are incapable of ever having an original thought. They prefer to prevent the evolution of society just as they fought against the idea that the earth was round.



My approach had to include to teach Socrates **HOW** to analyze, not **WHAT** to analyze. I created in the code as much of myself as I could without the human flaws that keep life interesting. I taught Socrates **HOW** to analyze and did not leave that to the chance of a **Neural Net** that cannot be tested. I understood I had to create a computer that would be capable of **imagination**, take that to the next stage of **curiosity**, and then the final stage of **creativity**. That was the real challenge.

I then had to also teach it language so I could communicate with it to try to understand how it arrived at such a conclusion. I used my children to improve Socrates' language skills back in the 1980s. I wrote a program to have an ongoing conversation with them. My daughter believed it was alive and would bring her friends over to show them a computer that talked.

I taught it how to be a politician. Whenever the conversation went off into some esoteric avenue, it would change the subject. It would remember your answers. It would ask if you liked dogs or cats and if you had one, what was their name. So, when she would return to the computer it would say hello, what's new, and BTW, how's fluffy?

I pursued my study of history on my own. I turned to contemporary historians and read them all rather than rely on academic scholars who would typically make the mistake of judging the past by their understanding of modern times. For example, Christians merely labeled the Greeks and Egyptians as pagans. I saw through their false interpretations rather easily. The Greeks had all these so-called gods like Poseidon and Zeus, but there was never the idea that they were actually the creators of the world and humans.



The Egyptians actually believed in one god, the sun god, Re (a form of Atum), who ruled over the earth, where humans and divine beings coexisted. Humans were created from the Eye of Re. This happened when the eye separated from Re and failed to return.

In both cases, there were multiple deities, but these were seen more like saints in charge of specific domains. If you were going to take a voyage, yes you would go to the temple of Poseidon and make an offering. But it was more like a prayer to please allow me safe passage. It was not to worship him as your divine creator.

It became clear to me that you could not interpret the past based upon the concept of our modern world. One of the funniest instances of such a huge mistake was the naming of the city of Philadelphia. They were obviously Christians and interpreted the ancient past in that perspective. They came across the Greek word – Philadelphos. It meant brotherly love. They took it in the Christian sense that they loved their brother as Christ has recommended. But the context was all wrong. In ancient Greek it indeed meant brotherly love, but in the context of incest meaning brother and sister. Hence, Ptolemy II Philadelphos meant he married his sister.



Ptolemy II Philadelphos (308-246BC)
*pictured with Arsinoe II his second wife and sister
who had his first wife banished*

The task was to approach history in a totally objective way. I could not interpret the past based upon modern ideas. I had to collect whatever data was possible from legal codes, population numbers, plagues, migrations, and above all recreate the monetary system of the world from inception.

This was a tall task to say the least. But because I had worked in a coin store to make money for that trip to Europe when I was 13, the experience taught me not just about gold, but the rise and fall of coinage as well. I had made money from the debasement of the coinage in 1964 ending silver and moving to copper-nickel. I had seen this also in the coinage of many countries.

Henry VIII (1509-1547) Debasement



First Coinage 1509-1526 (92.5% silver)

Second Coinage 1526-1544 (50% silver)



Third Coinage 1544-1547 (33% silver)

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I had learned about Sir Thomas Gresham (1518–1579) in economics class and his maxim that bad money drove out good. The question of money supply and inflation was philosophically established with Gresham's Law. But what led him to that conclusion? Gresham worked in Amsterdam and witnessed the response to the debasement of Henry VIII in England. His proposition that bad money drove out good money from circulation was one important observation.

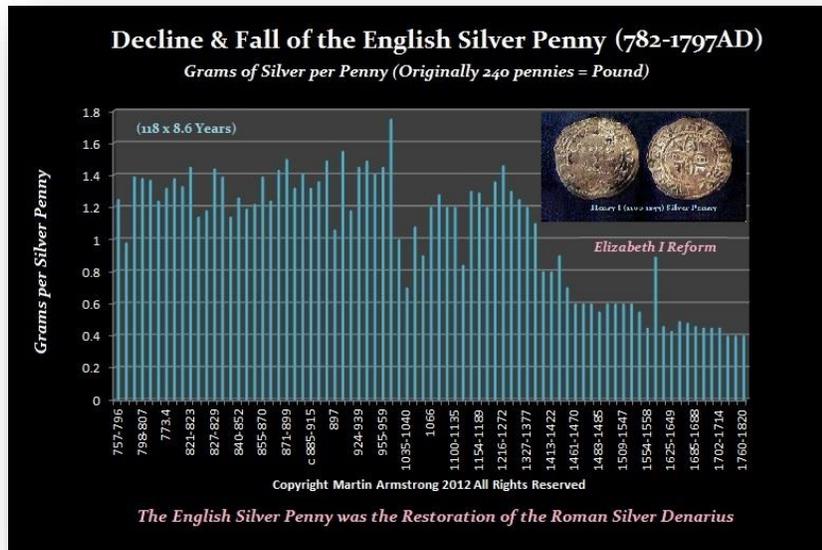


Sir Thomas Gresham (1518-1579)

Because foreign exchange was simply calculated on the metal content of a country's coinage, the process of debasement became important. The foreign exchange rate would decline, and people would instantly hoard the old coinage. Just as when silver was removed from the coinage in 1964.

Therefore, not only did history repeat, it repeated because of the same reasons. Humanity will respond in the same manner when face with the same set of facts.

While Gresham's Law applied to debasement, what others never grasped was that as a country debases its currency when on a metal standard, the money supply actually contracts. People hoard the old currency, so this compels the state to increase its output which in turn only fuels the inflation. Interesting paradox.



What was clear was that I had to reconstruct the money supply and the monetary system in order to understand the full implications of Gresham's Law which were never investigated in any of the economic textbooks I had to read. The shrinkage of the money supply compelled greater production and in some cases, this would lead historically to hyperinflation – but not always. We can see that Gresham became an adviser to Queen Elizabeth I (1558–1603).

While Elizabeth listened to Gresham and tried to restore the coinage, it was impossible. The money supply had been culled of the higher content coinage and it was now dominated by the debased coinage. Upon her attempt to introduce the restore currency, it was quickly absorbed for she could not replace the entire monetary system.

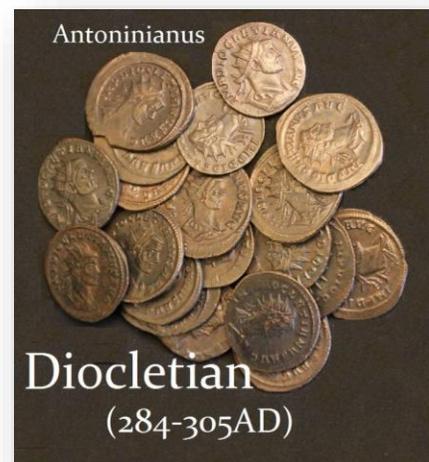


In order to deal with the problem of foreign exchange where the English coins were being discounted, Elizabeth introduced a two-tier monetary system. She struck coins known as testerns. These were made for international trade and were minted to be the equivalent of the Spanish silver coinage which has become the dominant currency in world trade.



Silver had completely vanished from the Roman monetary system by about 268AD. It took 26 years for a similar attempt was made to restore silver coinage. The first coinage of Henry VII had lasted 26 years (1509–1526). The coinage was instantly hoarded, and the debasement began within 3 years. Eventually it was successful, but only because the outstanding money supply had become merely bronze.

My reconstruction of the world monetary system began to reveal the secrets behind how history repeats. The true driving forces behind the foreign exchange markets historically evolved and changed based upon the monetary system itself. During the precious metal-based period, the value of coinages between nations was simply the metal content. As modern paper monetary system, the value of a currency became focused upon the international confidence in that political entity. The value of the currency was not simply the monetary content. This became evident even in ancient times as the dominant currency was imitated by surrounding peripheral nations be it the Athenian silver tetradrachms, the silver tetradrachms of Alexander the Great, or the silver and gold coinage of Rome and then Byzantium.





Precious metals simply replaced commodities over time from cattle, sheepskins, grain, shells, and then bronze. First, they were just weighed. Then the weights became standardized. Next came geometric designs. Finally, the king of Lydia took over to guarantee the coinage stamping his symbol which was a lion head.

While the often say that the first profession was prostitution and the second was lawyers to make sure she was paid, somewhere in that lineage was the foreign exchange dealer or moneychanger. Here is one of the earliest coins minted and it has nine countermarks struck signaling that the coin had been certified by a dealer, so he need not have to keep checking it as it passed through his hands. With nine such countermarks, we can see that there was a viable foreign exchange business circa 600BC and obviously people were counterfeiting the coinage from the very start.

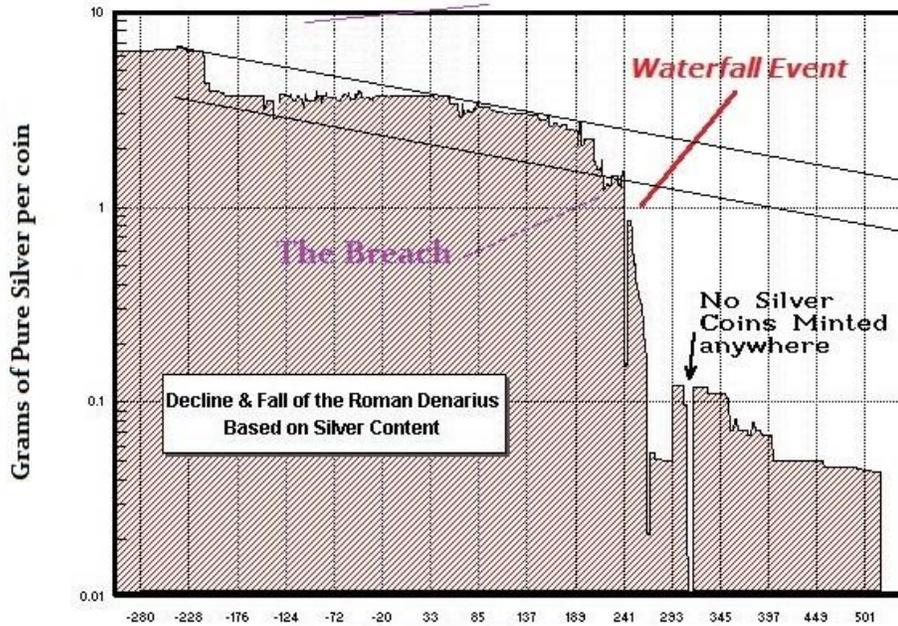


Lydia (650-560BC) Before Croesus
 AV 1/3 Electrum Stater (Lion hd rt) with 9 countermarks
 of nine separate foreign exchange dealers

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Collapse of the Roman Silver Monetary System

Silver Denarius Basis - 280 BC - 518 AD



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Reconstructing the Roman Monetary System was perhaps the easy part. The Romans were great secretaries. Because the Roman Republic was born in 509BC by overthrowing their Tarquin kings, it was unacceptable for them to ever again accept a king. When the Roman Republic became an oligarchy and the people cheered Julius Caesar (100–44BC) to overthrow the corruption led by Cato the Younger (95–April 46BC) and supported by Cicero (106BC– December 7, 43BC).

Even after Caesar spared many their lives, they conspired against him and assassinated him in the Senate on the Ides of March, 44BC. We can confirm the date because the Romans used the reverse side of their coinage like newspapers. The Assassin Brutus issued his silver Denarius proclaiming he kill Caesar on that very day.



Brutus (85-42BC)
"Eid - Mar" Denarius Professing He Killed Julius Caesar on the Ides of March

DOMITIAN (81-96 AD) AR Denarius Struck 85 AD



IMP CAES DOMITIANVS AVG GERMANICVS PM TR P IIII IMP VIII COS XI P P

IMP = Imperator (victorious general)

CAES = Caesar

DOMITIANVS = Domitianus, ruler's name.

AVG = Augustus, title of the emperor.

GERMANIC = Germanicus title honoring military victories in Germany.

PM = Pontifex Maximus. Highest priest

TPP = Tribunica Potestate. Tribune of the people.

IIII = Reflects number of times office held

IMP = Imperator

VIII = Years hold that title

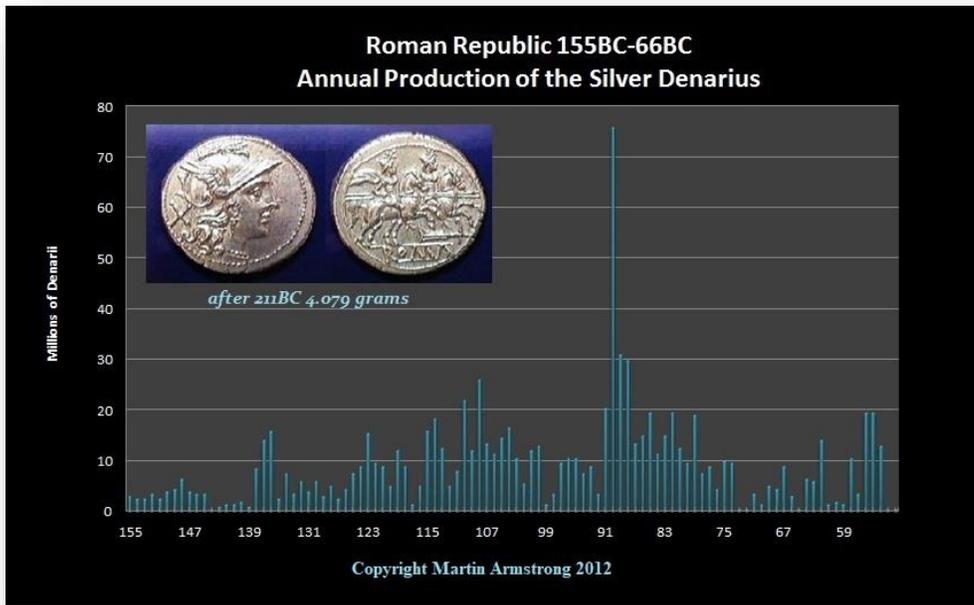
COS = Consul, a title linked to highest office in Senate

XI = Reflects number of times office held

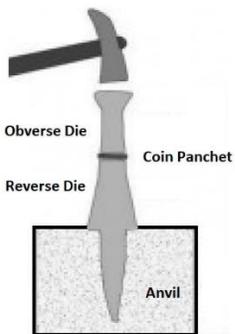
PP = PATER PATRIAE (Father of his Country)

Subsequent Roman Emperors pretended to be elected not much different than career politicians today who are there also for life. The coinage of the various emperors is thus dated for us with titles that pretend they were elected each year. We can see this coin from Domitian shows it was struck during his 11th year as Consul, which had been a Republic position for one year. Thus, he is pretending to have been elected

Because the Roman emperors pretended to be elected, it has been possible to recreate the Monetary System of Rome. We can then map out the rise and fall of the silver content of the Roman denarius and the gold content of the aureus. This allows us to see the actual course of debasement in the Roman monetary system.



However, because the dies created to strike the coins were all handmade, we are able to determine the number of dies used for each issue. We know from experiments that about 15,000 coins can be struck from a die before it breaks.

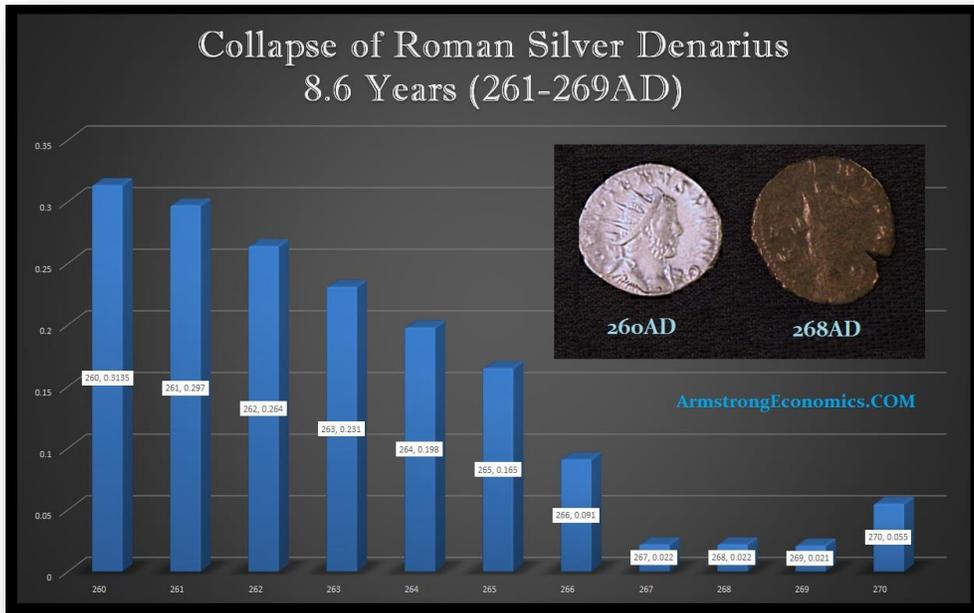


Therefore, recording the number of known dies and multiplying that by the average number of coins that can be struck from a single die, we can then extrapolate the money supply over the course of time.

We can then look at the impact of the growth of the money supply on an accumulative perspective as well. In this manner, it becomes possible to reconstruct the monetary system of the Roman Empire so

we can gain a clear picture of just how Rome rose and fell without getting all caught up in the bias of a particular predetermined conclusion. Therefore, it becomes possible to actually see how empires, nations, and city states rise and fall.





When I reconstructed the Roman Monetary System, what jumped out at me was the fact that the silver content collapsed rapidly from 260AD into 268AD in a short period of just 8.6-years. Upon investigating the contemporary historians, it became clear. Emperor Valerian I (253-260AD) was captured and turned into a royal slave by the Persians. This sent a shock wave through the Roman Empire which suddenly instilled fear into the hearts of Romans who suddenly saw that their empire was vulnerable.

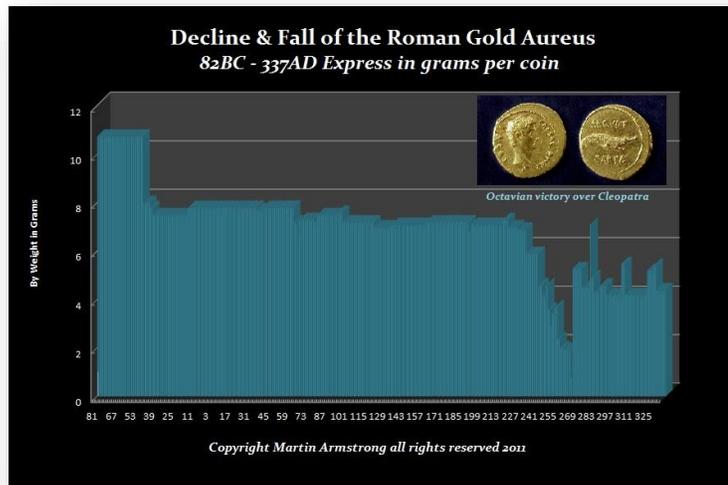
Additionally, other barbarian tribes suddenly saw that Rome was indeed vulnerable. They also began to invade from the North. The Roman population

feared the future and began hoarding their wealth. The Roman economy was simply imploding. Silver was vanishing as people hoarded and the gold coinage was reduced in weight. It was a stunning collapse.



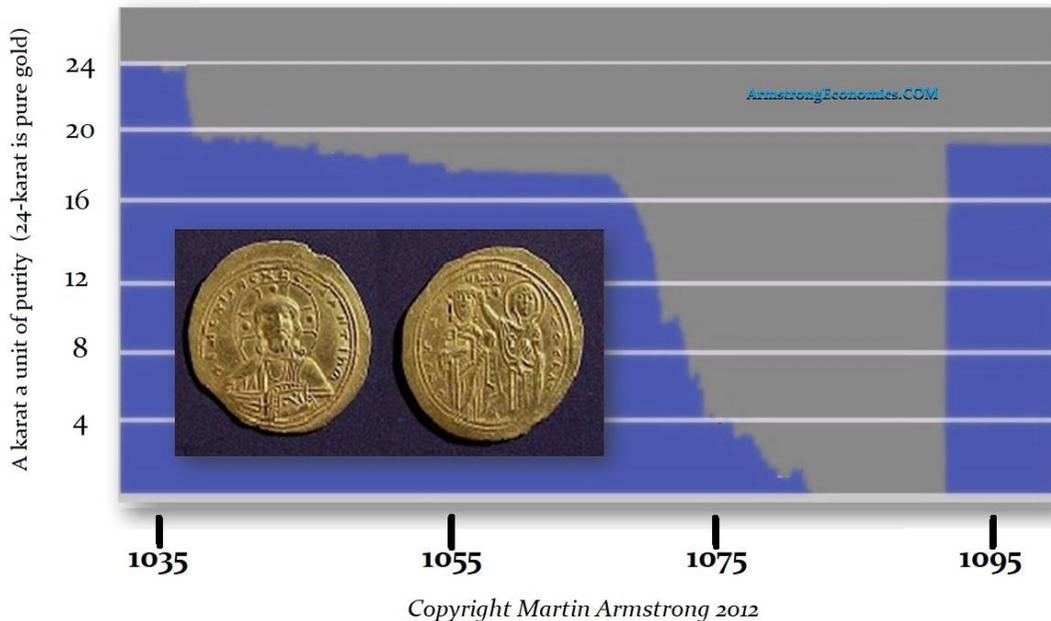
The Romans never debased their gold content, but they did reduce the weight of the aureus gold coinage. This stands in direct contrast where the silver coinage was debased reducing the weight and silver content.

While Rome eventually split after moving the capital to Constantinople during the 4th century, eventually the monetary reforms under Anastasias I (491–518AD) is where coin collectors tend to begin the distinction for the start of the Byzantine coinage. However, the official date for the fall of Rome in continental Europe was 476AD, 15 years before.



Collapse of the Byzantine Monetary System

(1035-1100AD) Gold Solidus/ Histamemon Nomisma



When we turn to the Byzantine Empire (476–1453AD) which was the eastern survivor of the Roman Empire, here we see that they debased the gold coinage. The gold began to be debased during the reign of Nicephorus II Phocas (963–969AD) when the costs of his wars made him unpopular because of his taxes.

Nicephorus II Phocas (963-969AD)

Monetary Reform



AV Histamenon Nomisma
24k 4.40 grams

AV Tetarteron
22k 4.05 grams

During the reign of Nicephorus II Phocas, he introduced a new light-weight gold coin reflecting the inflation and the high cost of his wars. This was known as the Tetarteron which was distinguishable only by its reduced weight. However, the metal content was also debased reducing it from 24k gold to just 22k.

First Gold Coins Reappear during the 13th century

after the Last Roman Emperor in 476AD Romulus Augustus



Brindisi Gold Augustalis
(5.21 g) circa 1232

Florentine Gold Florin
Circa 1252 (3.5 g)



Genoa Republic
1253 Gold Genovino (3.5 g)

England Henry III (1216-1272)
1257 Gold Penny (2.9 g)

ArmstrongEconomics.COM

Gold had vanished in Europe. It did not reappear until the 13th century. For nearly 600 years there was no gold coinage and the silver coinage tended to be highly localized. Curiously enough, researching the monetary systems of the world we see great periods of upheavals and vast swaths of economic periods of complete collapse typically fostered by economic mismanagement.

----- First Japanese Coinage of 706 AD -----



Wado Kaichin
(5.272 grams; 22.65 mm)

Wado Kaichin (or Wado Kaiho)
(3.3 grams; 25.1 mm)

----- Monetary Reform of 760 AD -----



Kaiki Shoho
(4.3786 grams; 26.3mm)

Mannen Tsuho
(4.3786 grams; 26.3 mm)



765 AD
Jingu Haiho
(2.6 grams 24.2 mm)

796 AD
Ryuhei Eiho
(2.6 grams 24.2 mm)

818 AD
Fuji Shinpo
(2.8 grams; 23mm)

835 AD
Showa Shoho
(2.04 grams; 20.7 mm)

848 AD
Chonen Daiho
(1.77 grams; 19.5mm)



859 AD
Nyoyaku Shimpo
(1.898 grams; 19 mm)

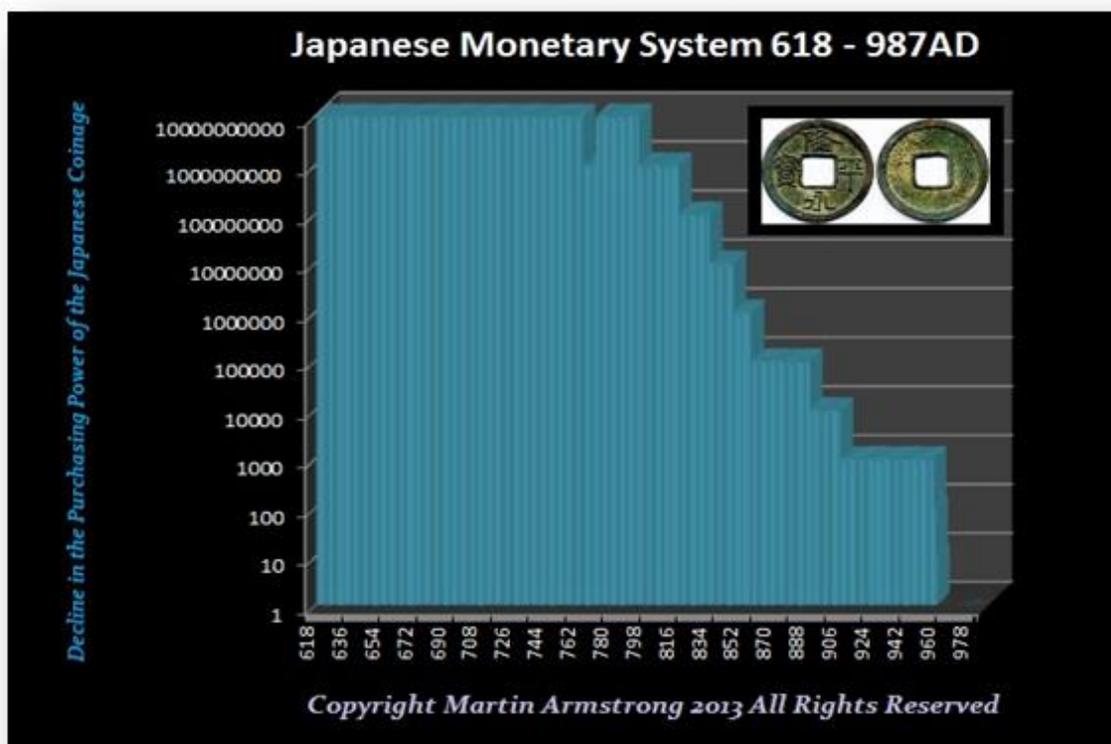
890 AD
Kanpei Daiho
(2.22 grams; 19 mm)

907 AD
Engi Tsuho
(3.04 grams; 19 mm)

958 AD
Kengen Daiho
(3.3 grams 20.5 mm)

I also included the monetary system of Asia. Japan offered a very interesting example of the abuse of power. As each emperor came to power, he demonetized the outstanding money supply decreeing that they were now worth only 10% of his new coinage. The constant issue of a new coin with its value being decreed as worth 10 times that of the old coinage ruined the economy and undermined the integrity of the state.

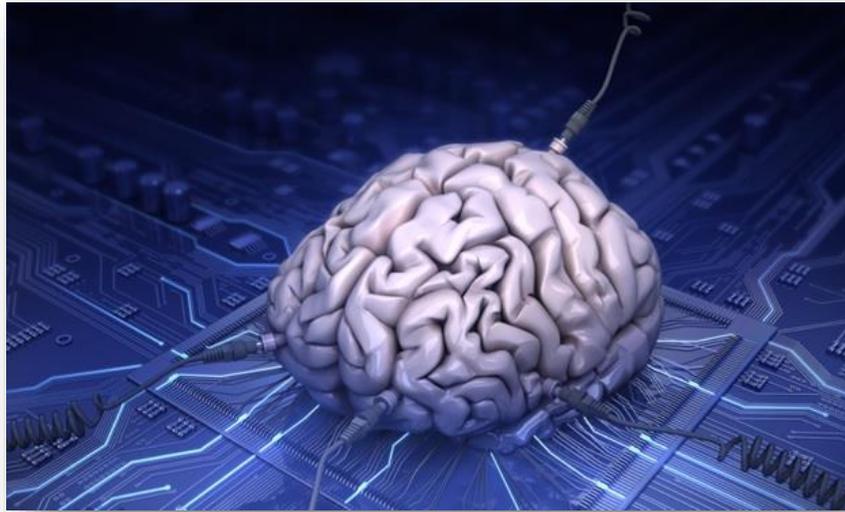
This practice created the incentive to rely upon barter. Coinage simply fell out of use much as was the case with the fall of Rome. Government's assumption of the power to decree value of coinage (fiat) only produced an accumulative inflation during the **Nara Period** and early **Heian Period** that remains one of the highest in history. It would have been as if government printed a new one-dollar bill and declared arbitrarily that all one-dollar bills dated today are worth 10 old one-dollar bills. You can imagine the economic confusion this introduced.



Money was clearly not a store of wealth. The people returned to a barter system. Tangible goods with some utility value never really fell out of use namely rice and silk. Coin production stopped for about 600 years until 1587. Some foreign coins appeared from China, Korea and Annam (*now part of North Vietnam*) during this period right up until the Meiji era (1868–1912), but this was minimal reflecting international commerce, not domestic.

The government fiscal mismanagement contributed greatly to the loss of imperial power. It was the collapse of the Monetary System in Japan that led to the rise of the Samurai period. This was a valuable lesson that Socrates learned from the data and it applied to all cultures.

We learn individually from experience. Unfortunately, as a society, that experience is lost with each third generation beginning anew. We constantly act out in the same sequence of events because human nature does not change giving substance to the realization that history repeats because the passions of humanity never change.



Therefore, my goal became quite create that only a computer that would learn from history and accumulate experiences that extended beyond a mere three generations was vital if we were ever to advance as a society. Ironically, we are arrogant and always assume we are progressing in culture so there are no lessons worth investigating in history.

We do not learn very much from the lessons of history is perhaps the most important of all the lessons of history. Technological progress has merely provided us with more efficient means for going backwards. Idealism is the noble toga that political gentlemen drape over their will to power. The endemic belief behind socialism/communism has been the belief that the whole is more important than the one. Therefore, the cornerstone of the human condition under such theories has always been that the choice of the individual is secondary to the benefit of the whole, which inevitable becomes the state.

Quarantine & Panic

Help Bar Deadly Influenza From Seattle

By DR. J. D. TUTTLE,
State Health Commissioner

Don't get into crowds, don't cough or sneeze without using a handkerchief, get plenty of fresh air, and when the symptoms of a cold appear isolate yourself as far as possible from others.

By SURGEON GENERAL RUPERT BLUE,
U. S. Public Health Service

First there is a chill, then fever, headache, backache, reddening of the eyes, aches all over the body and general prostration. Persons so attacked should go to bed at once and call a physician.

NIGHT EXTRA FOR INFORMATION on any subject—the time of day, movement of trains, mails and so on—Call Main 300

MEMBER ASSOCIATED PRESS

The Seattle Daily Times

TIMES WHISTLE SIGNALS
ONE LONG BLAST at frequent intervals—11:15 a. m. on weekdays the exact time.
TWO LONG BLASTS at frequent intervals—along street marking new dates.
THREE SHORT BLASTS at frequent intervals—along street marking new dates.
FOUR LONG BLASTS at frequent intervals—along street marking new dates.
FIVE SHORT BLASTS at frequent intervals—along street marking new dates.

12 Pages. SEATTLE, WASHINGTON, SATURDAY EVENING, OCT. 5, 1918. Price 3c On News Stands, Single Copies, 5c.

CHURCHES, SCHOOLS, SHOWS CLOSED
EPIDEMIC PUTS BAN ON ALL PUBLIC ASSEMBLIES

During the 1918 Spanish Flu, the responses of the Public Health Departments in Europe and in the United States were based on the ideas that were prevalent in society and in the scientific community at that point in history. They sought to ground their actions in the current scientific concepts, which were clearly traced back still to Medieval times which included plagues and pestilence.

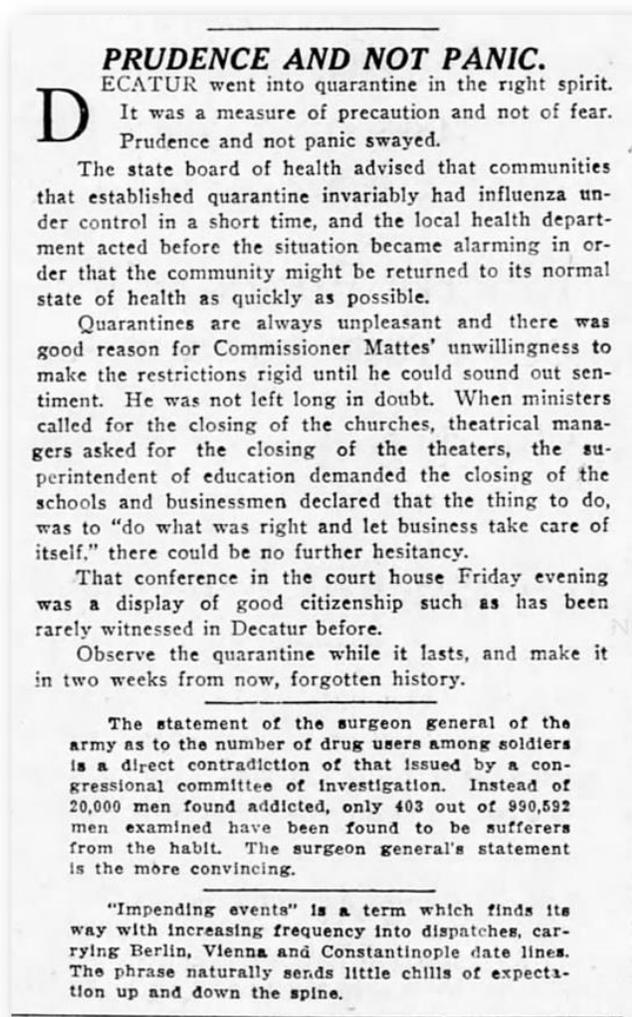
Sanitation, vaccination programs and other public hygiene efforts in the late 19th century enabled public health officials to gain power and authority. However, the Influenza Pandemic of 1918–19 challenged the public health agencies. The massive mortalities from the common illness of influenza were mysterious and frightening. Many of the measures formerly known to work were ineffective. They were not prepared for an event of this magnitude, lacking the organization and infrastructure and constrained by the war. Yet, the great war provided the rhetoric of nationalism necessary to usher in these authoritative responses and losses of liberty. The people were pre-conditioned to accept the authoritative quarantines unlike today.

The public health authorities at this point in time relied on fundamental measures to control epidemics which had dated back to Medieval times of the Bubonic Plague. They attempted to reduce the transmission of the pathogen by

preventing contact – self-distancing. They framed their public health orders in scientific ideas of their understanding of how the influenza microbe would spread through the air by coughing and sneezing. Since they concluded that the pathogen was transmitted through the air and masks become the common deterrent. Public gatherings and assemblies were seen as a potential origin for the transmission of the disease. The public health authorities believed that good ventilation and fresh air were **“the best of all general measures for prevention, and this implies the avoidance of crowded meetings.”** This translated into the controversial and imperative measure of closing of many public institutions and banning of public gatherings during the time of an epidemic.

Today we see people being arrested and fined. Neighbors are encouraged to report on each other in Britain. The rigidity of these regulations back in 1918 varied greatly with the decision making of the local health departments and severity of the influenza outbreak in that region.

In the United States, the Committee of the American Public Health Association (APHA) issued measures in a report to limit large gatherings. The committee held that any type of gathering of people, with the mixing of bodies and sharing of breath in crowded rooms, was dangerous. Nonessential meetings were to be prohibited. They determined that saloons, dance halls, and cinemas should be closed, and public funerals should be prohibited since they were unnecessary assemblies.



Herald and Review, Decatur, Illinois - October 13, 1918 • Page 6



Churches were allowed to remain open, but the committee believed that only the minimum services should be conducted, and the intimacy reduced. Street cars were thought to be a special danger to society because they had poor ventilation. The committee encouraged the staggering of opening and closing hours in stores and factories to prevent overcrowding and for people to walk to work when possible. The response was strikingly different among the many countries. The differences seemed to be the question over the very concept of what and how a contagion would unfold. Some believed that science had progressed enough that the death toll of previous plagues was long since passed.

The Second Wave



There is a strong likelihood that we will experience a second wave during the next flu season 2021/2022. Many who will have contracted the virus this time, but it is minor, will have developed an immunity for the next season. The only way this will impact those individuals will be if it mutates further and becomes a slightly different virus next year. This raises deep concerns that once government as been able to seize great powers with this flu season, they will never hand them back and we may find public gatherings curtailed in the name of public health.

There was quarantining during the Spanish Flu. Quarantine in the 14th century through the early 20th century really focused on the protection of the community at the expense of the victims of illness. Society quickly began to demonize people as they did with "Typhoid Mary" (Mary Mallon (1869–1934)). Typhoid Mary was an Irish-born cook believed to have infected 51 people, three of whom died, with typhoid fever, and the first person in the United States

identified as an asymptomatic carrier of the disease. Mallon was held in isolation for three years between 1907 and 1910. She was released and forbid to be a cook. In 1915, Mary started another major outbreak and was tracked down. She was imprisoned for the rest of her life.

In the last 50 years, the civil rights movement in the United States has brought to the forefront human rights and the dignity of vulnerable populations. This is still in conflict with the ideas of public health. Now we have this idea that it is unjust to confirm people with the disease, so now we confirm the entire population. What is clear is that disease has always

spread between continents because of travel. Syphilis, which is a bacterial infection, was common in America among Indians which then infected Europeans who took it back to Europe. Likewise, Europeans brought deadly viruses and bacteria, such as smallpox, measles, typhus, and cholera, for which Native Americans had no immunity.

The 1918 influenza pandemic was the most severe pandemic in recent history. It was caused by an H1N1 virus with genes of avian origin. The virus spread worldwide during 1918–1919. In the United States, it was first identified in military personnel in spring 1918. It is estimated that about 500 million people or one-third of the world's population became infected with this virus. The number of deaths was estimated to be at least 50 million worldwide with about 675,000 occurring in the United States.

Those infected were quarantined in their rooms, unable to communicate with the outside world. Even one person infected within a family meant that the rest of the family segregated themselves from that one member. New York City warned that to avoid exposing others in their community to the disease, they had to self-quarantine. They would tie a white scarf to the door warning that the influenza was within.

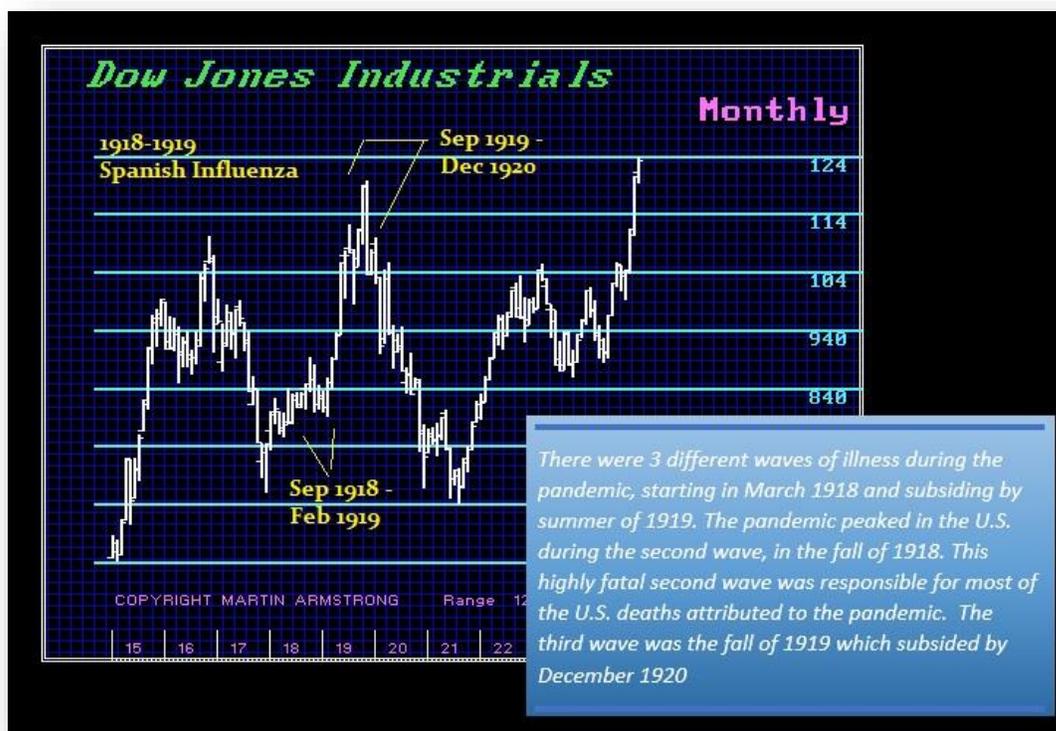
It was September 5th, 1918 when the Spanish Influenza first appeared with returning sailors from aboard at Boston's Commonwealth Pier. The Influenza quickly spread to New York and by September 17th, it was appearing in Philadelphia. When the first few civilian cases were reported on September 21st, in Philadelphia, they refused to cancel the upcoming Liberty Loan parade which



The Lincoln Star, Lincoln, Nebraska - Dec 22, 1918

was scheduled for September 28th celebrating winning the war. The parade attracted hundreds of thousands of spectators. The patriotic procession of soldiers, Boy Scouts, marching bands and local dignitaries stretched two miles through downtown Philadelphia with sidewalks packed with spectators. It took only 72 hours after the parade, when all 31 of Philadelphia's hospitals were full and 2,600 people were dead by the end of the week.

Later investigations found that this influenza was not particularly deadly by itself. It appeared to infect many also because of malnutrition during the war and the rise in the price of food had impacted the health of many.

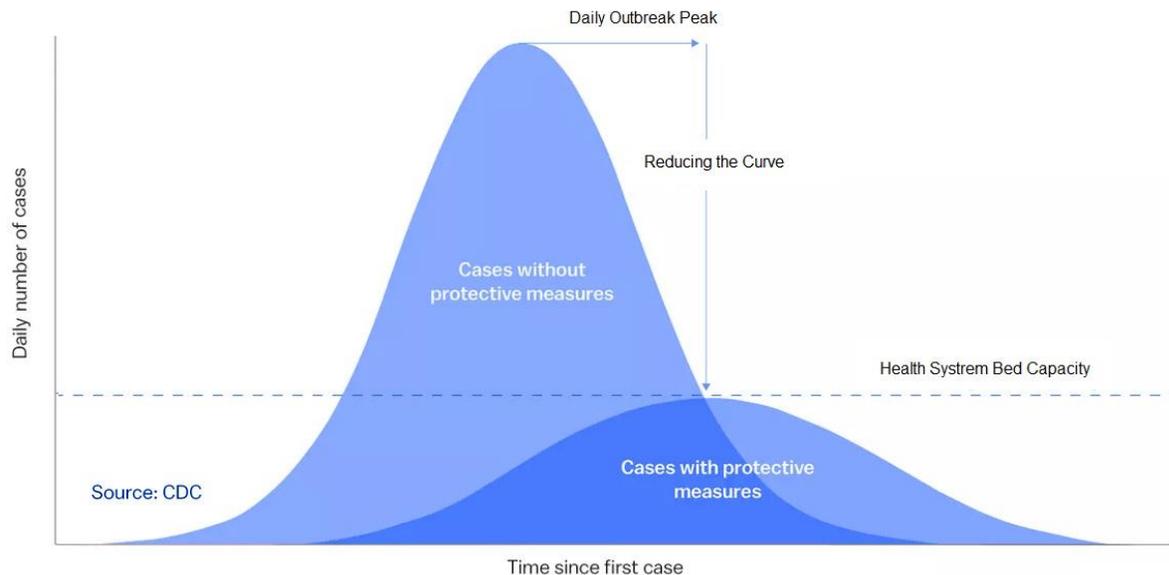


When the second wave hit during the 1918/1919 Flu Season, it was brought back by returning soldiers first in Boston. It was this period where the most deaths seemed to take place. They subsided and the market rallied again and topped out with the 1919/1920 flu season. It is more likely that we will see another wave next year. However, this should be less than the current wave based upon historical data.

Nevertheless, we should realize that the governments will most likely use this as a new power to prevent public assemblies which coincidentally restricts protests.

Flattening the Curve

Flattening the curve



The sales pitch for locking down the world is that we must flatten the curve which seems to be a simplistic and logical concept. People have understood this graphic faster than they have about the virus itself. But the way this is being deployed raises serious questions. It is the same manner that they have sought to push climate change – anyone who dares to disagree is ignorant and reckless and are henceforth ostracized from society.

They then employ this idea of social distancing which was present during the 1918–1919 Spanish Flu pandemic. This also seems logical, but it provides more of an illusion of control over this virus. So, since there is no vaccine, social distancing to achieve flattening the curve becomes the newly accepted norm. But politics is also involved where the left is immediately demonized Trump and the right using this for political gain and could care less if it is effective or the consequences to the economy going forward. They are clearly hoping to keep us locked down for as long as possible to simply win the election. But then what?

What exactly will unfold if they ever do lift this quarantine? What liberties will be surrendered forever as took place with 911? This is exactly 19–years later which in and of itself is interesting. 19 years before that was the 1982 Latin American

debt crisis which disrupted the banks and 19 years before that was 1963 when John F. Kenney removed silver from the coinage and then he was assassinated on November 22, 1963. Then 19 years before that was the birth of the IMF and 19 years before that was 1925 and the turning point for Europe which began its slide into default by 1931. The cycle interval before that was 1906 San Francisco Earthquake which led to the Panic of 1907. So, was this just a time for a crisis?

What is curious is that without a vaccine, then the minute we try to resume normal living, the virus starts to spread all over again. There will surely be a second wave next year. Does this contagion support the authoritarian power to prevent civil unrest in the future?

Whether we are exposed now or two months from now, the odds are extremely likely that we will all be exposed at some point. Some of us will have just a mild virus and others with perhaps other diseases will suffer the worst as is the case with the flu. Then there are mutations of the virus, which starts the process all over again as is the case with the annual flu. The reality of this dilemma is that government is really committing to this policy of quarantine until a vaccine can be developed.

Of course, there is the claim that we must quarantine else we will overwhelm the health care system. China simply expanded its hospital space in a matter of days. We take the opposite approach. Lock everyone down and don't expand the hospitals. That really does not make sense.

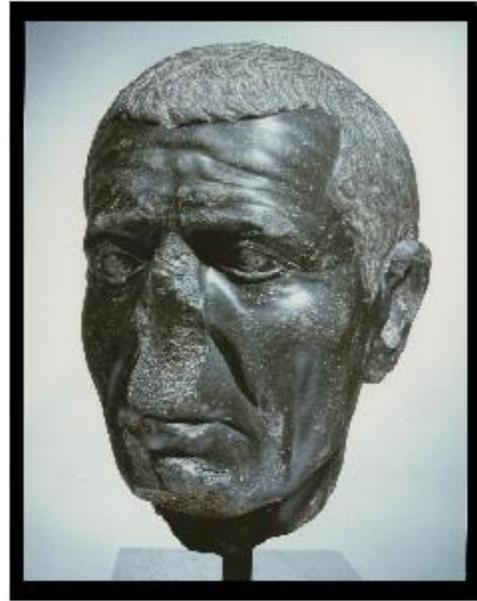
If we look at China as a timeline, they are just now trying to emerge from a lockdown of more than two months. If this holds true, then we may see the economy implode until June. What if China has a second wave while we are in the middle of our quarantine? Will our government keep us locked down? It seems to also involve politics. If they think they can defeat Trump by doing so, they will find any excuse to keep it going at tremendous risk of civil unrest.

With the economy stages for a major collapse in the 25% level of GDP and companies like Macy's already furloughing 130,000 employees, the damage will be long-lasting. What about all the people losing their jobs in the third world? India is locking down for 3 weeks when it has only 1,000 cases. We are running the risk of major food shortages and that will lower the resistance people normally have making the disease much more dangerous when coupled with malnutrition.

How to Destroy a Civilization by Self-Distancing

**“Divide et Impera”
Divide and Rule**

**Julius Caesar
(100-44BC)**



Throughout the ages there have been often periods where society is divided into groups which then justify suspicion and often hatred. A friend was sick with Tonsillitis so she was coughing. She was getting hate emails for sending her child to school and people immediately assumed she had the coronavirus. The hatred which spilled out from other mothers showed how easily it is to divide and conquer society. It brings to mind Julius Caesar (100-44BC) and his famous quote: ***Divide et Impera*** (divide and rule). Today, it may be better known as divide and conquer.

This policy which governments are carrying out of self-distancing has a very dangerous undertone. It is making people suspicious of everyone around them. Throughout history, this is the most destructive trend possible is when you turn brother against brother which goes back to the story of Cain & Able. This is what government is doing to society instigated by the medical profession which is ignorant of both the economic destruction they are carrying out as well as the wounds they are causing withing society that will not vanish overnight.

There has been a dangerous side effect to religion which includes this aspect of self-distancing. Of course, there are the major division of Christianity, Judaism, and Islam. There are often cultural walls that prohibit intermarriages. We find similar taboos in Mexico where still Mayas only marry Mayas. There are wounds from wars where Japanese and Chinese do not mix or marriages between French and Germans.



In England, the hatred from the Civil War remains and Catholics are still called Popish (Popery) and Papist (Papism) which are archaic words for Roman Catholicism, used by Protestants and Anglicans to label their Roman Catholic opponents. They beheaded the king because he was Catholic, and then Oliver Cromwell put his portrait on the coinage claiming he was now the Lord Protector as if he was king. The Puritans outlawed Christmas, all sports, and made it a crime to kiss your wife in public.

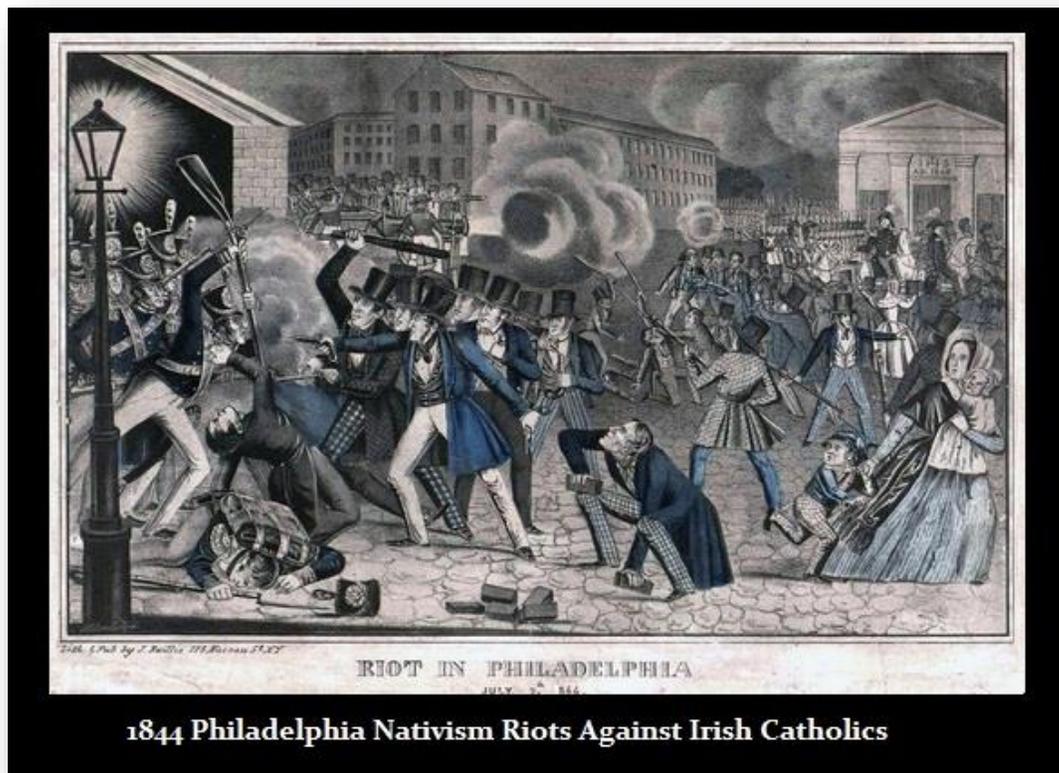
The hatred within Christianity between the various sects where protestants were against Catholics has been a long saga.



Oliver Cromwell (1599–1658)(Lord Protector until he died 1653-1658)

This was not confined to just England, but also

in Germany, north v Bavaria, and of course in Ireland. I remember as a kid waiting for a bus and listening to people against John F. Kennedy becoming president claiming he will obey the Pope. So, the hatred against Papes is not something that has died. It will rear its head whenever the economics applies stress.



When the economy turned down, there were riots against the Irish Catholic immigrants that erupted even into gun battles in Philadelphia. The Irish were seen as taking jobs and willing to work for less. We will see this in Europe as the refugees have disrupted the balance of employment. It always becomes a division within society which is very dangerous. It can take place because of religion, ethnicity, race, and gender.

Even within Judaism, there were division according to sects. It was explained to me by a Jewish friend that Ashkenazic and Sephardic Jews represent two distinct subcultures of Judaism. Ashkenazi Jews are popularly contrasted with Sephardi Jews (also called Sephardim), who descend from Jews who settled in the Iberian Peninsula, and Mizrahi Jews, who descend from Jews who remained in the Middle East. I was told that a Sephardi Jew is looked down upon if they married an Ashkenazi Jew.

Indeed, there is documentary evidence from 1735 where a Sephardi Jew petitioned the King of Prussia to dissolve the marriage where his son, without the permission of his father, married an Ashkenazic Jewish woman.

In Islam, the split into Sunni Islam, Shia Islam, and Kharijites, was mainly political at first but eventually acquired theological and jurisprudential dimensions. There are three traditional types of schools in Islam: schools of jurisprudence, Sufi orders and schools of theology. This is the source of the hatred between Iran (Shia) and Saudi Arabia (Sunni).

It is easy to see these invisible walls that separate and divide society based upon their religion which have been used to justify bloodshed. This is at the root of dividing society creating the dangerous trend of forming a foundation of what I call **Us V Them**.



The principle of **Freedom of Religion** was adopted by the Roman Empire in order to build the greatest empire known to human history. The Romans may have conquered many states, but they sought to expand commerce allowing the people to retain their own customs and religion. They never forced Roman gods upon any society. It is true they destroyed the Jewish Temple and carried the religious artifacts to Rome. However, the Jews sought to separate from Rome taking advantage of the end of the Julio-Claudian Dynasty. The Roman general

Vespasian had to crush the Jews for political reasons for to allow them to split from the Empire would only lead to other states rebelling as well.

The Roman Emperor Elagabalus (218–222AD) tried to bring his religion from Syria to Rome. That did not go down very well. They assassinated him and dragged his body along with his mother through the streets of Rome. However, they nonetheless respected the religious beliefs of Syria and returned the black meteorite known as the **Stone of Emesa** which he had paraded around Rome in a Chariot depicted on his coins.



Elagabalus
(218-222AD)

The social distancing may sound logical along with quarantines. However, it has the serious potential of destroying the very key to why the United States rose to

the largest economy in the world because it was constructed on the same principle as the Roman Empire – freedom of religion. Philadelphia was the first city to establish the Pennsylvania charter, which welcomed all who “**acknowledge one almighty God.**”

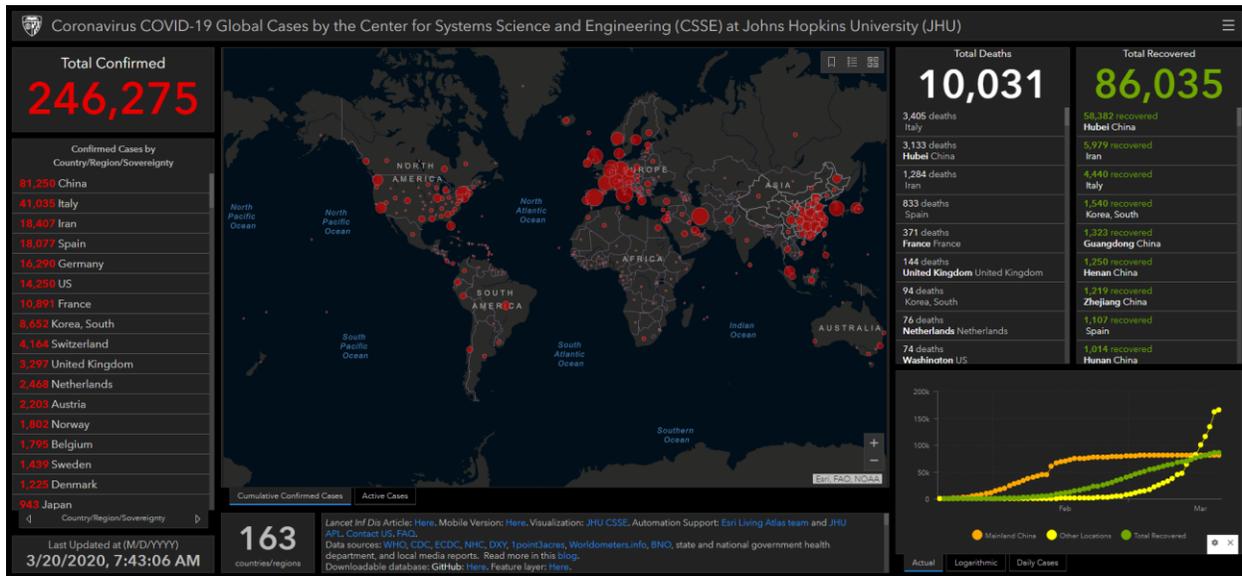


Venetian "Mouth of Truth"

In contrast, Venice encouraged people to report on the neighbors as is taking place in Britain. If you see your neighbor leave the house more than once a day, see something, say something.

The Venetian Mouth of Truth allowed people to drop anonymous slips accusing others of some crime. They were hauled in and presumed to be guilty. That undermined the fabric of Venice society and an empire that lasted for 1,100 years (697AD–1797AD), declined and then simply fell to the French. Once you break the bond of civilization, then the isolation destroys the very purpose of civilization – the cooperation of everyone who then benefits from the whole.

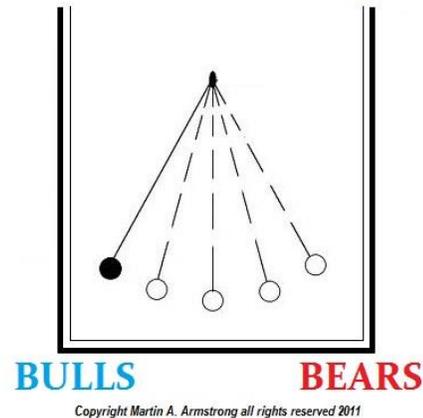
Infamous Johns Hopkins COVID-19 Tracking Map



This image of the spread of the Coronavirus comes from the now infamous Johns Hopkins COVID-19 tracking map. What started as a data transparency effort has now molded into a tool for hysteria and panic which they have been promoting completely irresponsibly.

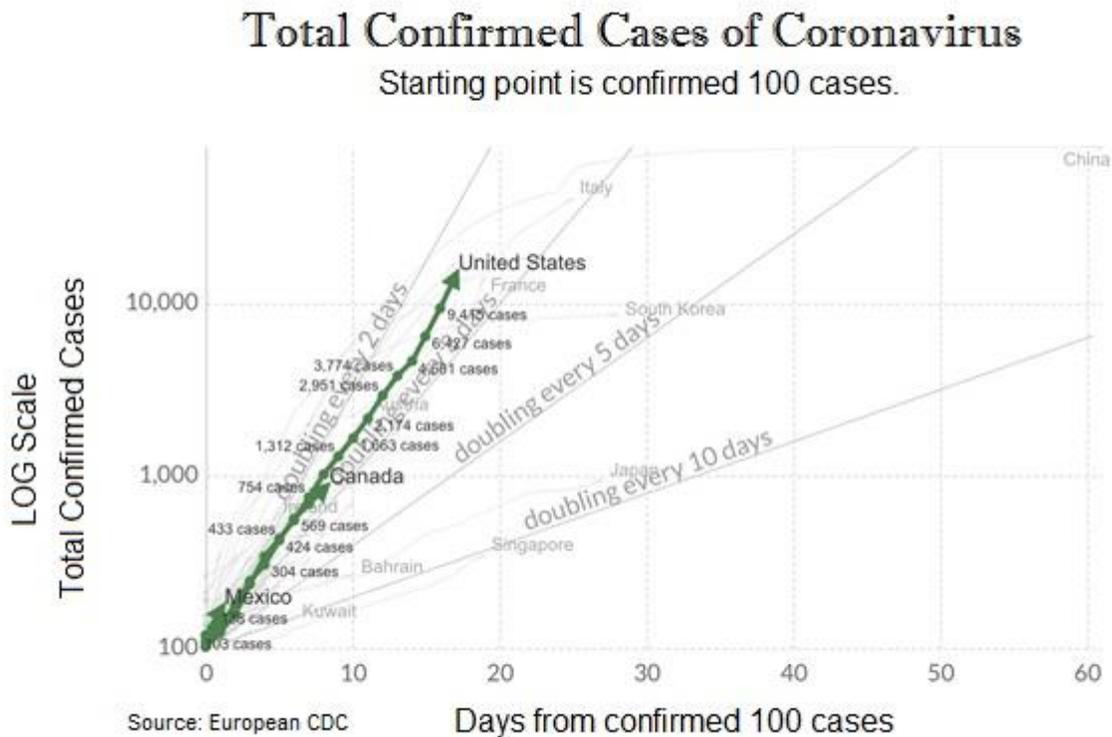
An important question to ask is what do these bubbles even mean? Each bubble represents the total number of COVID-19 cases per country. The situation looks serious, yet we know that this virus is over four months old, so how many of these cases are active? But besides that, the bubbles are not in proportion to the respective populations. Take china for example, the red bubble cover virtually the entire country. There are 1.3 billion people in China with only 81,250 cases

How Markets Are Propelled



and 3,133 deaths. The graphic of Johns Hopkins University makes it look like you should never even speak to someone from China even on the phone.

Johns Hopkins has created a dangerously misleading graphic system which has struck fears in the hearts over so many and has resulted in the destruction of the world economy. Immediately, we now see that just under half of those terrifying red bubbles aren't even relevant for they do not reflect the number of cases within a population just the total number of cases which is less than 1% of the populations it claims to be tracking. This is taking a single data point with no context and then using it to literally terrify the entire world population. There is no reference to time with respect to current cases. Their red bubble reflects simply a historical view rather than currently active cases. This is highly irresponsible.



The United States is tracking on par with Europe in general, but it is lower than what it was in China. Nevertheless, this perspective still exaggerates the crisis for it does not reflect the impact on any weighted per-capita basis. It treats every country as a single entity, as we will see this fails to tell us what is going on in several aspects. On a per-capita basis, this means the USA would need to reach

19,110 confirmed cases to match China. The United States is still below 15,000 as of March 23rd, 2020.

Country	Total Cases	# per million
Italy	47,021	778
Spain	21,571	461
Germany	19,848	237
Iran	19,644	234
France	12,612	193
South Korea	8,799	172
USA	19,658	59
China	81,008	56

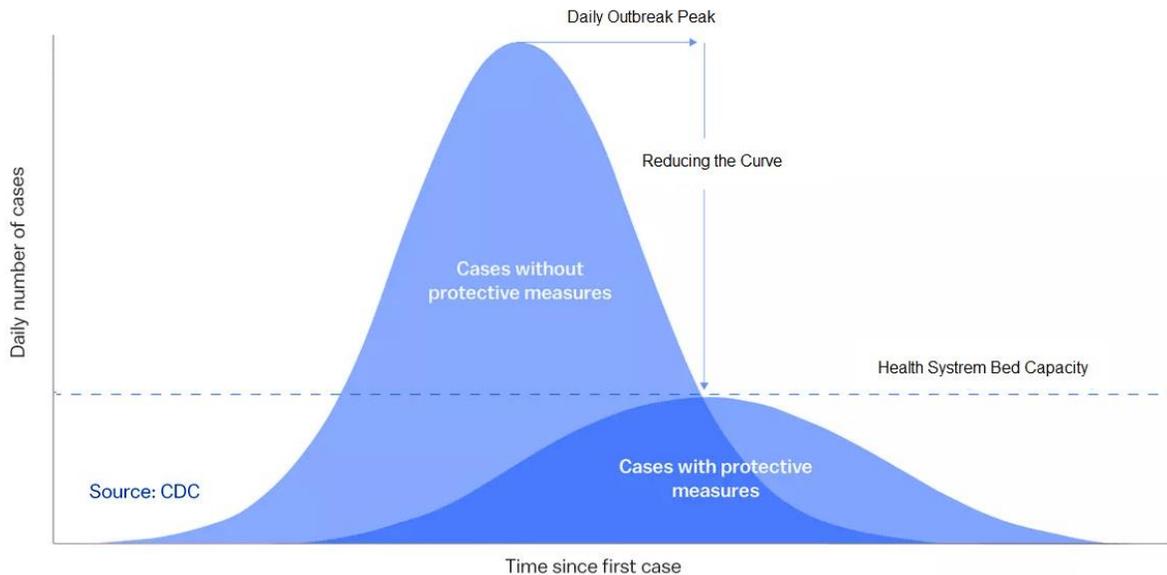
When we look at the number of cases on a per-capital basis, we can easily see that the likelihood of a true **epidemic** appears extremely remote. An **epidemic** requires a high proportion of society to be infected and is an event in which a disease is actively spreading. That is clearly not the case with the coronavirus. since the proportion of society infected has not even reached 1/10th of one percent of the population.



The real concern is that there are other coronaviruses which typically amount to 14% of flu-like diseases each year. This has contributed to false-positive claims of the coronavirus. With less than 15,000 reported cases in the USA, given that the 2018 population was 327.2 million, we are talking about 0.00004% of the population. If the number of flu-caused deaths exceeds 7.7% of the total population, then the United States officially has an epidemic on its hands.

In contrast, the term **pandemic** relates to geographic spread and is used to describe a disease that affects a whole country or the entire world. This has nothing to do with the proportion of the population that is infected.

Flattening the curve

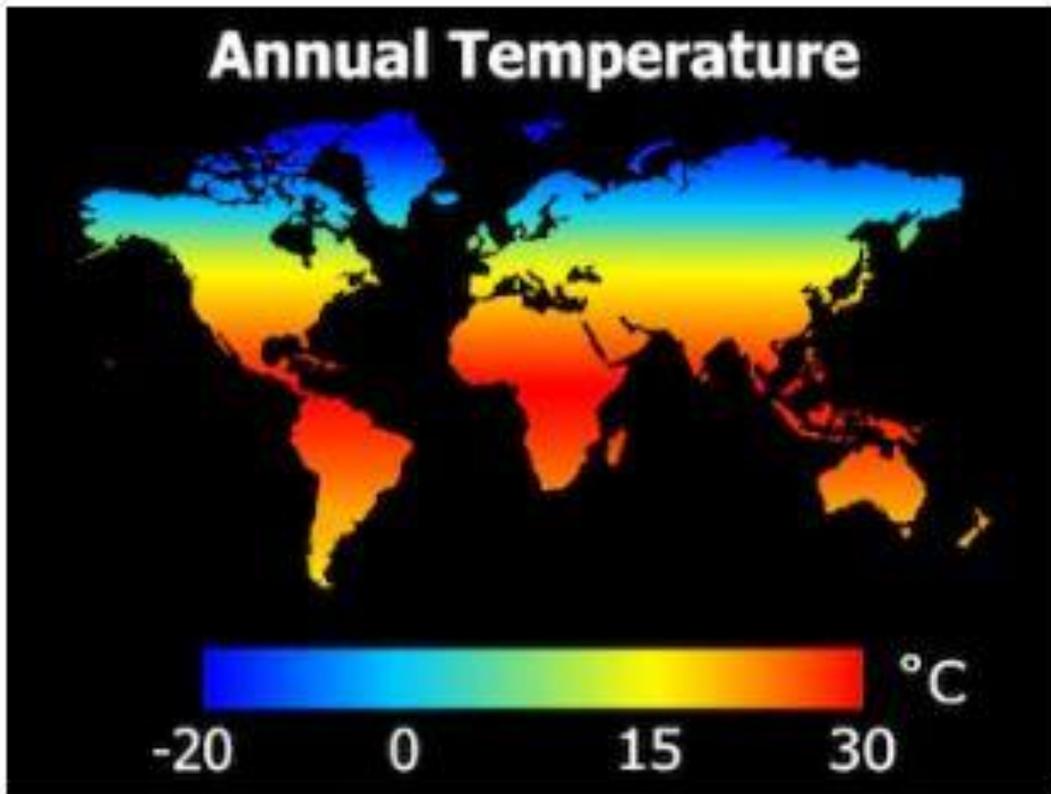


All we hear from the CDC is that we must “Flattening the Curve” and thus their recommendation has been to collapse the economy. This is exactly opposite of needs to be done for they clearly have ZERO understanding of the damage they have done to the economy. The proper response was exactly what China did – the constructed hospitals in a matter a day.

This is all based on the CDC excessive projections focused as a shock to the healthcare system which can increase fatalities due to capacity constraints. In the long-term, they have decided to destroy the economy rather than increase the capacity as did China.

Both the CDC and WHO have been optimizing virality and healthcare utilization, while ignoring the economic shock to our system. Both organizations have completely ignored the economy and the impact of their recommendations. There has been no check and balance against their wild projections which are clearly not supported by the data.



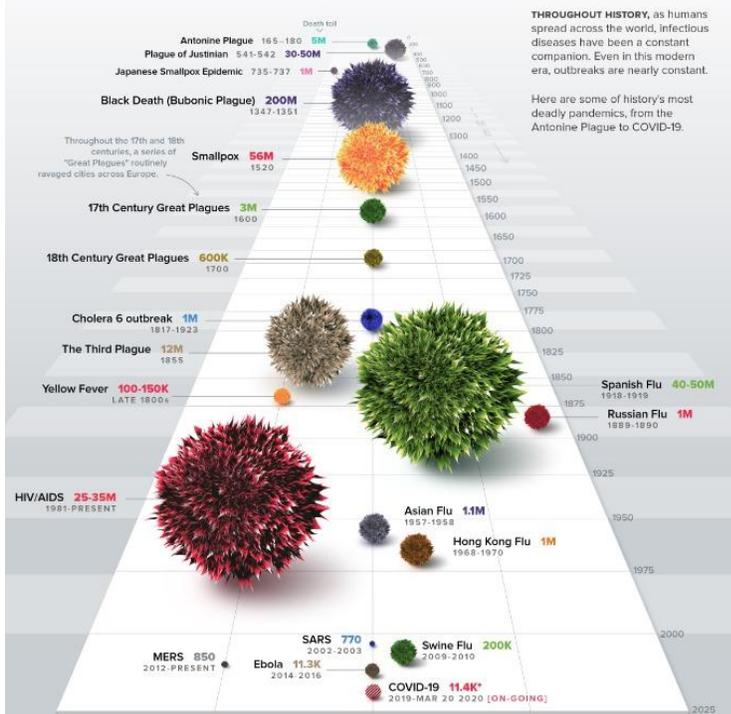


Moreover, COVID-19's sensitivity to UV light and heat is exactly like the normal influenza virus), it is very likely that it will "burn off" as humidity increases and temperatures rise. Tests have shown that Both heat and humidity significantly reduced the ability of the virus to spread from person-to-person. This result is absolutely consistent with the fact that the high temperature and high humidity significantly reduce the transmission of influenza as well.

The reported cases as a function of latitude confirms that this is operating as a normal virus. Influenza thrives in cold and dry conditions, which is why winter is flu season for much of the northern hemisphere. Behavioral differences in winter can also have an effect. All indications are that as the weather warms, this will also pass. That implies a peak in April/May, but there will be a risk that it reappears in a new version for the next winter season.

HISTORY OF PANDEMICS

PAN-DEM-IC (of a disease) prevalent over a whole country or the world.

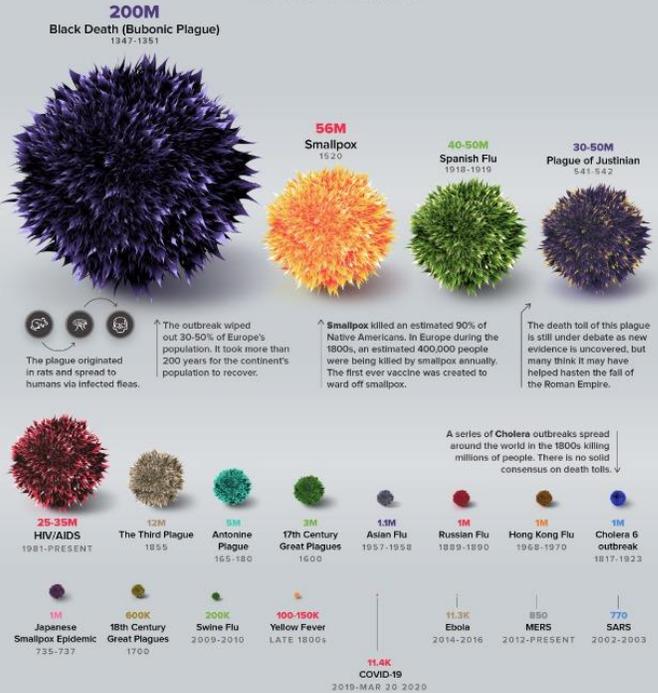


THROUGHOUT HISTORY, as humans spread across the world, infectious diseases have been a constant companion. Even in this modern era, outbreaks are nearly constant. Here are some of history's most deadly pandemics, from the Antonine Plague to COVID-19.

The panic which has been created and the policy of shutting down the economy has been suggested that this is a plot to accomplish the overthrow of both the Trump Administration and the German government by the left which is also behind the climate change which was running into stiff resistance.

This illustration puts this in perspective. The Black Death of the 14th century created Capitalism ending serfdom for with a death toll of 50%, there was a drastic shortage of labor. Landlords began offering salaries over and above the free housing and 20% of the crop.

DEATH TOLL [HIGHEST TO LOWEST]



*As of Mar 11, officially a pandemic according to WHO. It is hard to calculate and forecast the impact of COVID-19 because the disease is new to medicine, and data is still coming in.

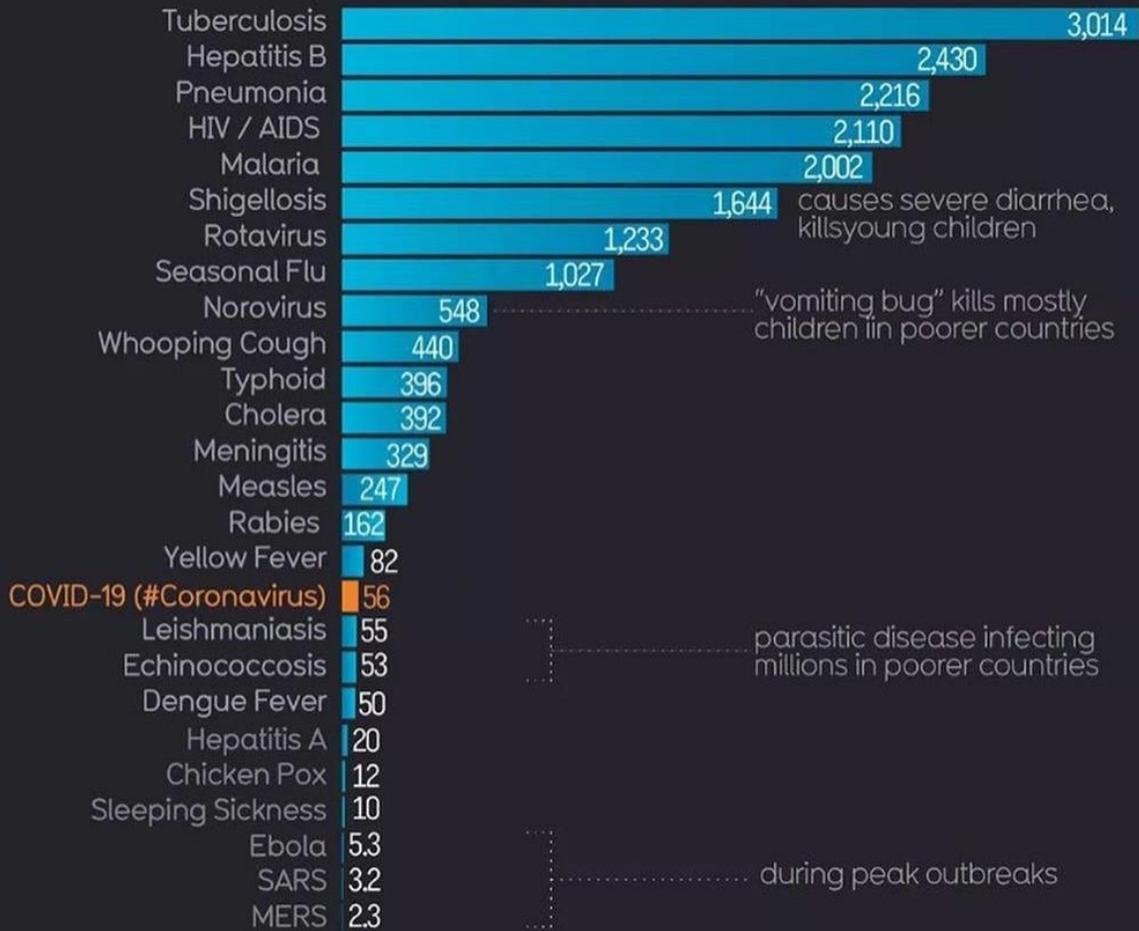
This Coronavirus is so infinitesimal, yet we have shut down the entire economy which is akin to the economic collapse of the Black Death. No other pandemic or epidemic has ever destroyed the economy in this magnitude. We just do not sequester people for the flu each year which kills hundreds of thousands of people each year.



Sources: CDC, WHO, BBC, Wikipedia, Historical records, Encyclopedia Britannica



Disease Deaths per Day Worldwide



Indeed, when we look at the Coronavirus in comparison to other diseases, what has been orchestrated is clearly disproportionate to the outbreak. There is just no justification for what is taking place. We are either dealing with an unprecedented level of incompetence in government, or a deliberate plot for political gain. But whose' gain? Europe, Democrats, or some diabolical plot combined?

Gordon Brown calls for global government to tackle coronavirus

Ex-PM at centre of 2008 banks rescue suggests taskforce of leaders and health experts

- [Coronavirus - latest updates](#)
- [See all our coronavirus coverage](#)



Those sorts of questions concerning a political conspiracy were not relieved when former British Prime Minister Gordon Brown urged world leaders to create a temporary form of global government to tackle the twin medical and economic crises caused by the Coronavirus. He is no fool. He knows once there is the formation of anything pretended to be "temporary" it exists forever. Why are these people so intent upon trashing our freedoms and converting the world into an authoritarian paradise for them?

European Political Coup?



It is no secret that I have been very pessimistic about the fate of Europe. From the very beginning, to get Germany to agree, Helmut Kohl (1930–2017), Germany’s former chancellor, insisted that there would be no consolidation of the debt. He denied the German people any right to vote on joining the Eurozone because he admitted he would have lost.

Kohl admitted before he died that he acted like a “dictator” to bring in the single currency to the country, otherwise he “would have lost” had he held a referendum (see Telegraph; 09 Apr 2013). He conceded:

“I knew that I could never win a referendum in Germany,” he said. “We would have lost a referendum on the introduction of the Euro. That’s quite clear. I would have lost and by seven to three.”

Kohl described adopting the Euro was in his mind an emblem of the European project, which he said would prevent war on the continent. He further explained:



Helmut Kohl
(1930 – 2017)
ArmstrongEconomics.COM

"If a Chancellor is trying to push something through, he must be a man of power. And if he's smart, he knows when the time is ripe. In one case – the Euro – I was like a dictator ... The Euro is a synonym for Europe. Europe, for the first time, has no more war."

When they were creating the Euro, the Commission attended our economic conference in London that year. I met with them and explained for the Euro to compete against the dollar, there had to be the consolidation of the debts. They acknowledged what I was saying, but said they had to just get the currency through first and then they would worry about the debts later. Of course, later never comes.

Politicians will never let a serious crisis go to waste. They love crises because they will always present the opportunity to do things they never believed they could do legally before.

Martin Armstrong



The Coronavirus is very convenient, I have made it very clear after working with governments around the world for about 50 years, they will never let a good crisis go to waste. Christine Legarde while at the IMF strategically threatened all the tax havens that the would be removed from the Swift System unless they gave up everyone who was hiding money offshore. She even threatened the Vatican.

She has been advocating the consolidation of the debts because the ECB is out of power. She has also been pushing the cancellation of currencies while at the IMF proposing that each country should adopt their own cryptocurrency to then force everyone hiding cash into the system to be taxed. She is using this current crisis to advocate Corona Bonds which would be jointly issued by the EU which is a very clever way to federalize Europe through the backdoor. The very idea of coming up with Corona Bonds is becoming fashionable as if they will cure the disease.



The Euro has already had major selling pressure because of the philosophy against consolidating the debts has carried over into the no bailout policy for banks for that would also result in cash flowing from Germany to bailout Italian or Greek banks. With that in mind, American banks are reluctant to take on any credit risk with European banks fearful that if they fail, whatever they are owed will just evaporate. That led to the start of the Repo Crisis on September 17th, 2019.

These Corona Bonds at first glance appear attractive. Buys no longer have to look at the individual credit rates of the member states and will look to the EU as a whole as they do with US treasuries.

When we look closer, this will mean that the EU member states will get funds from the EU to allow them to keep the Keynesian Model operating by increasing their spending without raising taxes. Their national debts will not rise since they are not the contracted borrower – that's Brussels.

What is being glossed over is to do this means there must also involve a transfer of sovereignty to Brussels. This has been long awaited federalization of Europe to justify the huge bureaucracy in Brussels.

POLITICS

Justice Department Investigating Lawmakers for Possible Insider Trading

FBI contacted Sen. Burr in inquiry into whether lawmakers traded based on confidential briefings

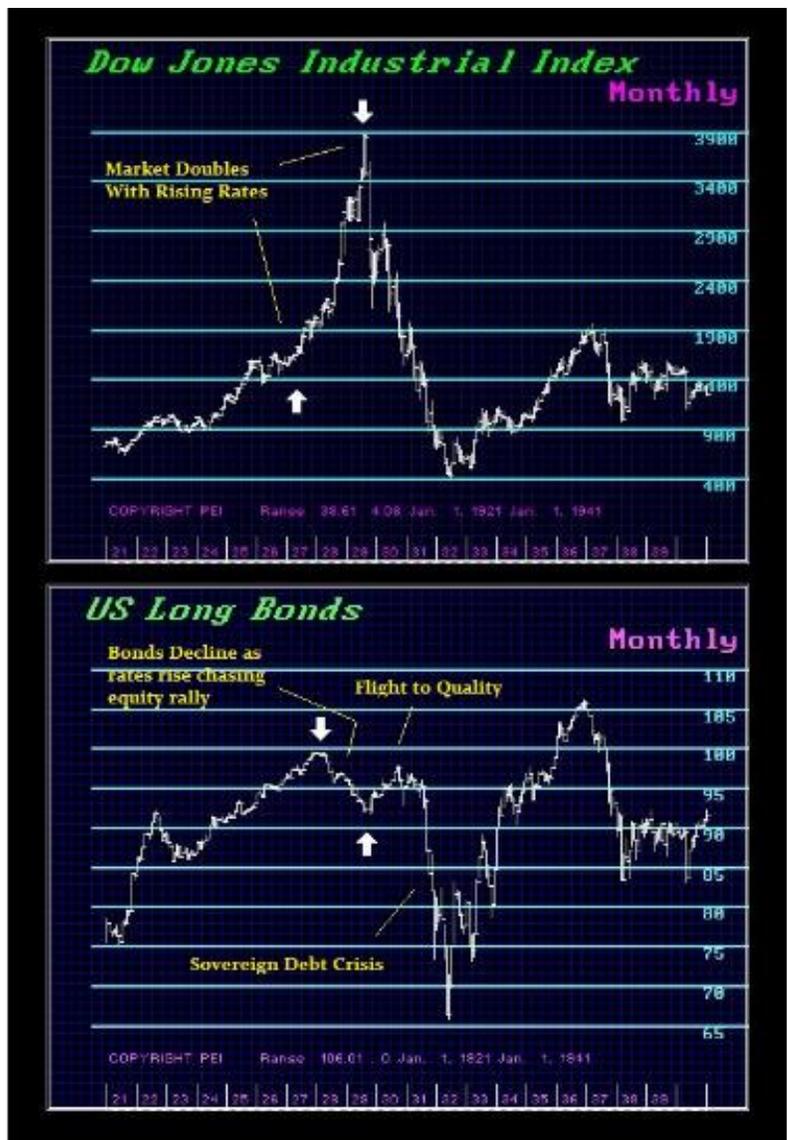
By *Aruna Viswanatha and Dave Michaels*

Updated March 30, 2020 7:08 pm ET

While in the United States the Justice Department is investigating lawmakers, who sold their stocks ahead of the virus and was there any inside trading. In Europe, I have firsthand information that elites sold not just their stocks, but all bonds with the turn of the Economic Confidence Model on January 18th, 2020. That was not because they were reading our reports, but because they received a phone call that told them to get out.

What is most interesting this time is the fact that these elites simply were told to get out of BOTH stocks and bonds. To make this very clear, when stocks decline there is normally the flight to quality which is the AAA government bonds. The fact that this time the flight to quality was to cash, clearly warns what our forecasts have been – this is a pending Sovereign Debt Crisis intermixed with a Liquidity Crisis.

There was the initial flight to quality from the 1929 Crash. but it was not as enthusiastic as one would expect which failed to reflect the drop-in interest rates. The smart money smelled a rat and they were correct. In 1931, virtually all of Europe defaulted on their debts, South America and Asia.





Here is the German DAX and the German Bunds. Many political elites sold on the ECM not because of me, but because they were told to get out. Now what is really strange is they sold bonds and stocks and went to cash. We can see that it took more than 1 year before people sold everything and went to cash during the Great Depression despite the fact that interest rates declined. Here we have the DAX collapsing, but note how fast the German Bunds collapsed. They were selling not just equities, but all European bonds.



Germany went on lockdown with remarkable speed. Social life has been restricted as a consequence of Covid-19. The first restrictions began on March 8th, 2020, when the government banned events involving more than 1,000

people. Operas, theatres, trade fairs and sports events were closed or canceled. On March 11th, 2020, the president of the European Central Bank warned that the coronavirus outbreak will spark an economic downturn in Europe similar to the 2008 crisis unless EU governments provide financial support for their economies.

On August 15th, 2011, German Chancellor Angela Merkel's coalition partners threatened to withdrawal from her government if she *agreed to Eurobonds* in any form. The next year in June 2012, Angela Merkel buried any idea of *euro bonds* at the summit tension said not in her lifetime. Then at the Chancellery in Berlin on Feb. 14th, 2020. Angela Merkel signaled she may be open to joint *European Union* debt issuance to help offset the impact of the coronavirus, an apparent softening of entrenched German opposition that could transform the finances of the 27-nation bloc.



The political change that had to take place to save the Eurozone demanded that Germany surrender its austerity policy. It has been Germany's policy on austerity that was threatening Europe as a whole and it was Merkel's opening the borders to refugees unilaterally without the prior consent of the members that had justified even BREXIT.

It was Germany which was the first to put people on lockdown and this plot appears to have been hatched in Europe to force the capitulation of Germany to save the Eurozone. The heads-up was given to strategic people at the upper echelons of politics, not including Trump, who has been selling all their investments which **INCLUDED BONDS!** This is the smoking gun. This is the fastest collapse in government debt that even offering Eurobonds will not fix the situation.

We are looking at a political coup to federalize Europe on a grand scale to save the EU. They have been feeding stories to the press to whip-up the panic and they have counted on all those who love to dive head-first into conspiracies who have now succeeded in even getting 13% of Americans who think that are inflected and will die.



They are already instructing European dealers to stop selling gold to individuals. They have been trying to shut down the supply of metals as an alternative. Banks have been swamped with demands for cash dollars. I have direct information that one central bank will propose that people deposit their gold and convert it to a digital account to save the country. They are seeking to force the end of paper currency and compel every European into a cryptocurrency



The EU has succeeded in getting Germany to yield and they will issue 1 trillion Coronavirus Bonds. While they claim this is an emergency issue, it is opening the door to the issue of Eurobonds which Germany has rejected since inception and was a demand that no such debt would ever be issued, or Germany would withdraw. This panic has achieved its primary goal – the federalization of Europe. From our model perspective, this was mandatory to keep the Euro from collapsing during the Monetary Crisis Cycle 2021-2022. It is debatable if this measure will succeed for the damage to the economy of Europe may have gone too far to ever recover to a viable political entity.



The fact that we have key elites at the very top selling their entire portfolios and the only way to have saved the European Project was the federalization, this panic presents too much of a convenient opportunity that opened the door of the federalization of Europe. This also now justifies a European Army and it justifies

closing the borders to stop the refugees for health reasons which end the racism allegations.



The real question is success. Will they be able to forge this federalization using the virus to justify lockdowns? Are they prepared for civil unrest which may lead to the breakup of the EU if this scheme fails?

Is this a Political Coup



This is a curious photograph that is circulating around by the Democrats. The Democrats rejected Trump's attempts twice to help the people in the middle of this contrived crisis demanding legislation that had nothing to do with the virus. Then we have states ordering total lockdowns when the CDC recommends social distancing and stay in groups of less than 10. Governors of states ordering total lockdown like that in Maryland are Democrats. They are clearly going beyond even the CDC recommendations. They are looking to score political points rather than help the people. This is very curious to say the least.

There were a lot of elite people who were given the heads-up to sell \pm 2 days around the **Economic Confidence Model** (ECM) turn on January 18th, 2020. Not that they even knew what the ECM was, but the decision maker on this operation appears to have used it for the correct timing when everyone would have been in a vulnerable position for the correction which we warned was coming. Perhaps they were simply taking advantage of this turning point which was a very strategic and important one at the end of the 8.6-year wave.



The Ohio Department of Health said that over 100,000 people were infected, at a time when there were five confirmed cases in the state. Some epidemiology experts critiqued that estimate as too high, and the department's director later said she was "guesstimating." These people have created such a scare that 13% of Americans think they are infected when it's the common cold or the flu. This is what is creating the burden in hospitals because of all the panic.

The newspapers have been fed with news to repeat. The New York Times ran a piece on March 20th, 2020 with the headline: **Coronavirus Could Overwhelm U.S. Without Urgent Action, Estimates Say.** A leader in creating this scare is Columbia University who has been telling everyone 650,000 people might become infected in the next two months. What they are not telling people is that their estimates are inherently uncertain, and they could change as the virus naturally declines with warmer weather.

These estimates do not warrant the total destruction of the economy that will cause people to lose their homes, jobs, and lead to an economic depression when unemployment rises to 20%. These estimates are akin to someone standing up and forecasting the Dow will fall to 5,000 in two months. It is all guessing which is inherently linked to emotions.

There is little doubt that the Democrats are trying to use this virus for political gain. This is no longer about what is good for the country or the people. It is about who wins in November 2020.

What Makes a Recession a Depression?



From a timing perspective, the Great Depression lasted from the peak of the Dow Jones Industrial Index on September 3rd, 1929 to July 1932. The timing is not really the defining moment. The true distinction between the Great Depression and a deep recession turns on whether you destroy 20% of the jobs and to what extent you undermine the capital formation.

In the case of the Great Depression, the unemployment soared because there was a profound shift in employment. The introduction of the combustion engine drastically altered agriculture. In 1900, about 40% of the civil workforce was employed in agriculture. The invention of the tractor and other mechanical advancements reduced the need for manual labor.



Then the Dust Bowl struck, and this is what destroyed so many jobs that the unemployment rate climbed to 20%. The solution was World War II. The people had to become soldiers or retrain for manufacture. Those that could not make the transition simply became the hobos of the era.

The destruction of jobs was unfolding because of the economic evolution that Schumpeter called **Creative Destruction**, the advancement of a new technology which destroys the former industry. We are also going through this right now as stores are replaced by internet. Even the shopping malls in 2019 Christmas season decline for the first time. We have this trend already set in motion. Many small businesses will simply never reopen. They were already fighting against this modern wave of **Creative Destruction**. This is why if unemployment exceeds 14% we will see a retest of the 25% high of the Great Depression.



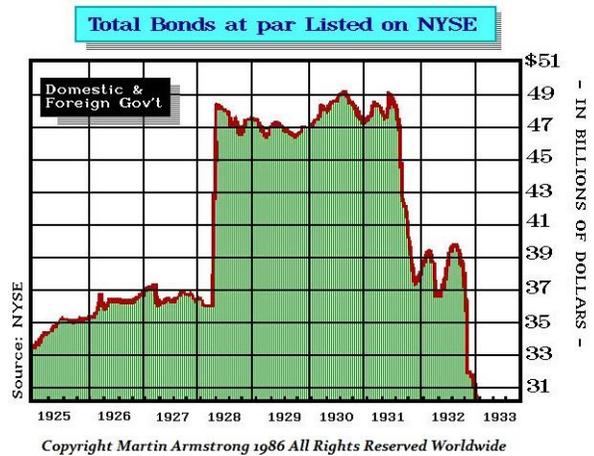
Andrew Mellon
(1855-1937)

**“This market will end when
‘Gentlemen prefer bonds.’”**
1929

This quote is sometimes on occasion attributed to Andrew Carnegie, but appears to belong to Andrew Mellon former US Treasury Sec..

This virus is perhaps our modern-day Dust Bowl. It presents a tremendous risk that in shutting down the global economy on the grand scale, it will take more than two years to recover. We are probably looking at 2023–2024.

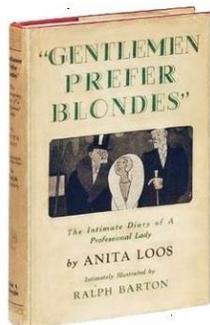
The second factor that resulted in creating a Great Depression was the **Sovereign Debt Crisis** of 1931. Back then, the bonds of foreign countries were denominated in dollars and were listed on the New York Stock Exchange. As nation after nation defaulted on their debts, the capital formation was utterly destroyed. The New York Investment Bankers packaged and sold foreign bonds in small denominations to the general public.



Many people were still conservative like Andrew Mellon (1855–1937) who was famous for taking the title of the top selling book of 1926, **Gentlemen Prefer Blondes**, and converting that to **Gentlemen Prefer Bonds!**



Best Seller of 1926
A sequel was published in 1928,
But Gentlemen Marry Brunettes



Today, we have about \$12 trillion dollars of sovereign foreign debt issued in Europe with negative interest rates. The EU members are no longer able to issue debt at these low levels of rates. The solution is Corona Bonds.

AMERICA IN ULTIMATUM TO FRANCE ON DEBT PLAN

Hoover Warns Paris to Agree to Moratorium or Be Left in Cold if Germany Defaults

WASHINGTON, July 1. (Exclusive)—Raising the specter of a possible default by Germany in payment of reparations, President Hoover today served upon France what amounts to an ultimatum to accept his debt moratorium plan or be left out in the cold.

The President informed France that if his project for an all-around one-year suspension of reparations and war-debt payments should fail, Germany undoubtedly will be compelled to avail herself of a moratorium on reparations as provided by the Young plan.

Under such circumstances, the President calculated, France, obliged to pay Great Britain and the United States on her war debts from an income curtailed by suspension of reparations, will be worse off by more than \$100,000,000 than she would be under the Hoover moratorium.

The warning uttered by the President was conveyed to the French government through Secretary of the Treasury Mellon in a memorandum which was made public at the State Department late today.

OUT IN COLD

Behind the phrases employed by the President there lies the intention, according to an administration source of information, to establish a moratorium on war-debt payments and leave France out, if France refuses to accept Mr. Hoover's terms. What is construed as a hint of this project appears in the memorandum.

"This," says the memorandum, "if the American proposal should fail and the suspension provisions of the Young plan be invoked by Germany, then France will be the loser during the forthcoming year of general postponement by over \$100,000,000."

The President thus appears to take it for granted that even if his plan fails, the "forthcoming year" is to be one of general postponement of debts. This accords with what is said to be the plan of the Hoover administration and the Mellon government at London for the United States and Great Britain to extend a moratorium on war-debt payments to all debtors except France in the event that France rejects the Hoover offer and Germany declares a Young-plan moratorium.

The result of that procedure would be to place France in the dilemma of being compelled to pay Great Britain and the United States or to ask for a moratorium on her debt payments, as provided by the debt settlements.

ON BRINK OF COLLAPSE

Although echoed in carefully worded terms the reference in the memorandum to the probable course of Germany, if the Hoover plan fails, unmistakably suggests that Germany is on the brink of financial collapse. When he said that if the Hoover plan fails, Germany will unquestionably give notice of the postponement of all conditional reparations as provided in the Young plan, the President is said to have spoken out of his knowledge gained from the letter he received from President Von Hin-

(Continued on Page 6, Column 1)

FRENCH GIVEN DEBT WARNING

Specter of Possible Default
by Germany Raised

America Believed Ready to
Go Through With Plan

Paris Stands to Lose Heavily
by Present Attitude

(Continued from First Page)

denburg of Germany just before he proclaimed his debt offer.

Under the Young plan Germany may at any time avail herself of a moratorium on the conditional 58 per cent of the reparations. Thereupon, France would be required to deposit with the Bank for International Settlements a fund guaranteeing other creditors a share of the 42 per cent unconditional reparations which Germany would still be obliged to pay, five-sixths of which goes to France.

That Germany in addition to declaring a moratorium on conditional reparations might be unable to pay the unconditional annuities because of inability to find a foreign exchange necessary to meet these payments, was suggested in the memorandum. But even if Germany were to pay the unconditional reparations, France would receive only \$100,000,000, while being required to make a guaranteed deposit of \$100,000,000 and pay Great Britain and the United States \$110,000,000.

OUT \$111,000,000

Thus she would be out of pocket \$111,000,000, according to the Hoover calculation, while under the Hoover plan she would not be compelled to put up the guarantee and her loss in reparations would be canceled by her release from war-debt payments.

The memorandum deals in detail with the concessions the President is willing to make to France and the concessions he expects from her in return. He is willing to agree that Germany shall be required to deposit the unconditional reparations, but he wants them loaned back in full to Germany and to the German government instead of German industrial concerns as France proposes. He also objects to the segregation of \$20,000,000 to be loaned in Central Europe.

As to the period Germany is to be allowed to repay the postponed reparations, the President suggests twenty-five years, compared with the five proposed by France, but intimates he will compromise on a shorter period if France yields on other points.

PLANS REPORTED READY FOR ISOLATION OF FRANCE

(Copyright, 1931, by Chicago Tribune.)
LONDON, July 1. (Exclusive)—Complete plans for the isolation

of France in case she rejects the Hoover moratorium plan have been framed by President Hoover in consultation with the British and they are ready to be put into immediate effect. The plan is that President Hoover will repeat the offer individually to all creditor nations but France. He has already been assured of its acceptance. France, being thus left out, will insist on collecting her share of the German reparations, but the Germans will claim the right to a moratorium under the Young plan for conditional payments and will make only unconditional payments amounting roughly to about \$100,000,000.

This is almost exactly what France must pay to the United States and Great Britain under the debt-funding agreements, and these two nations on receiving the money from France, will immediately lend it to Germany, probably free of interest. France will gain nothing but complete isolation and lose the value of all payments from Germany.

MORE TO BE LOST

At the same time she stands to lose much more. In the last few days Poland, Czecho-Slovakia and Jugo-Slavia, which since the war have been financial and political allies of France, approached Great Britain asking if they could be freed from French domination. The method of liberation in their minds seems to be a British loan enabling them to pay off France after which they will also sever political bonds. Poland is said to be even willing to come to terms with Germany over the Danzig corridor, Bessarabia and other outstanding questions in return for freedom from French domination.

These approaches have been made informally so as not to go on record, but British statesmen have suggested a loan may be much better arranged through the League of Nations. The three powers, however, have declared they would rather deal with Great Britain direct and it is said that the United States might come to the aid of Great Britain in raising the necessary funds.

ARMS PLEDGE HINTED

The three Eastern European powers have also suggested that in return for British help they would be willing to pledge themselves to support British proposals at next year's disarmament conference for a general cut of 50 per cent in all armaments within five years. It is also suggested that if the going looks good, Rumania might be willing to go along from the French to the British sphere of influence.

British statesmen have already warned France that if she turns down the moratorium she will be morally and politically isolated from Europe. The first step will be the cancellation of Foreign Secretary Henderson's plan to visit Aristide Briand before his trip to Berlin in the middle of this month. London diplomatic opinion today is pessimistic about the success of Secretary of the Treasury Mellon's negotiations with Premier Laval, who, it is believed, has committed himself too deeply against the Hoover plan to withdraw.

LAVAL AND ASSOCIATES STUDY MEMORANDUM

PARIS, July 1. (P)—Premier Laval and his associates in the negotiations with American representatives concerning President Hoover's moratorium offer spent this night studying a seven-page memorandum summarizing the American position and tomorrow the document will be examined at a special meeting of the whole French Cabinet. The memorandum is not to be considered as a note from Washington to the French government, but simply as an outline of the American government's stand communicated by Washington to Ambassador Edge for his information and guidance.

Nevertheless, the document which took the French somewhat by surprise when the Ambassador gave a copy of it to Premier Laval, undoubtedly will have the greatest importance in the Franco-American negotiations. It was disclosed at the end of today's conference that the memorandum revealed the existence of appreciable divergencies between the two governments, but a communique emphasized that it also showed a willingness by the Americans to continue negotiations.

No agreement was reached at today's meeting principally because most of the time was devoted to reading and commenting on the memorandum. The Cabinet will continue similar deliberations tomorrow morning and a Franco-American meeting is scheduled for tomorrow evening.

France wants to be sure that suspension of payments under the Hoover plan would not obligate her to pay the guarantee fund, but the United States does not share the French fear in this regard and suggests that other governments concerned should free France from this anxiety.

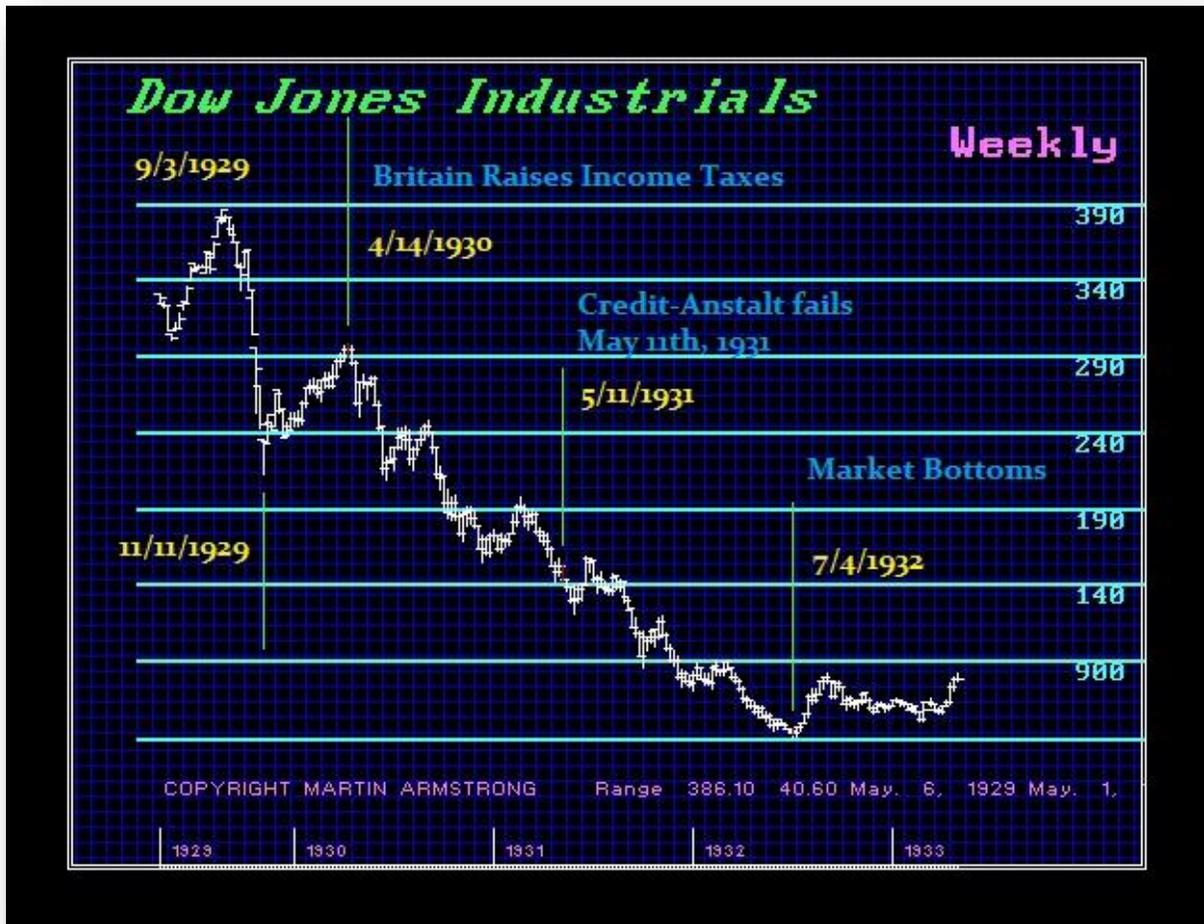
The American memorandum objects to the French attitude on the guarantee fund because Washington believes France seems to be insisting that funds paid by Germany into the world bank during the year of suspension and released to Germany must be credited to the guarantee fund as though France herself actually had made the deposit.

Washington considers this inconsistent with the French suggestion that payment by Germany into the world bank is a mere matter of form to assume continuity of the unconditional payments.

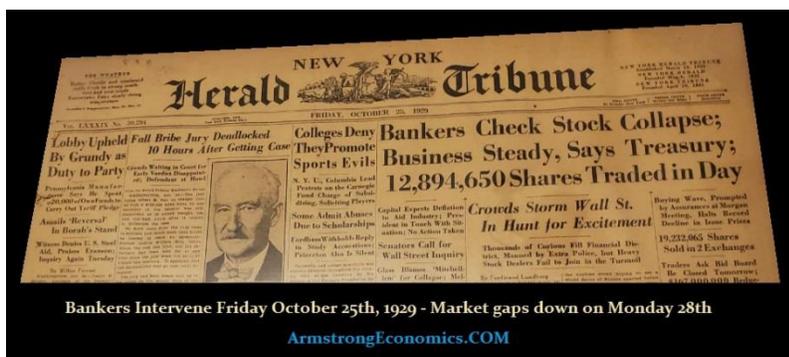
The United States contends also that this proposal involves modification of the Young plan, a thing which France always has wished to avoid.

The issue of Corona Bonds is still not the consolidation of debts that was necessary to create a true currency to compete with the US dollar. Each member state will retain its debt that is already issued. This means the ECB will be compelled to continue to roll the debt it holds and buy more.

The Corona Bonds are not going to save the day. They are simply a means to extend the debt even further but it will not relieve the member states of the debt crisis nor the ECB from trying to keep interest rates negative to prevent the sovereign debt of Europe to simply default.



The Great Depression began in the United States as an ordinary recession at the end of the summer of 1929 following the peak in the Dow Jones Industrial Index on September 3rd, 1929. The downturn became markedly worse during October and reached an initial low in mid-November.



When we look at the events, on Friday October 2nd, the bankers attempted to support the market. They had no impact. The Dow closed on the 25th at 30360 and on Monday morning, the market opened at 29520.

This failed attempt only led to a decline in confidence.

The market initially recovered into April 1930 rallying for 22 weeks. It was that week on April 14th, 1930, was when in the United Kingdom, Chancellor of the Exchequer Philip Snowden, presented tax increases on income, death duties and beer. This exposed the philosophy of austerity that the decline in the markets was presumed because of a too-loose monetary policy.



Credit Anstalt - 1931 Austria

On May 11th, 1931, the Viennese bank named Credit-Anstalt, which was founded by the famous Rothschild banking family in 1855, filed for bankruptcy. Credit-Anstalt was one of the most important financial institutions of the Austro-Hungarian Empire, and its failure came as a shock because it was considered impregnable. The fact that it involved the Rothschilds sent shivers down the spine of the financial world establishment and began a banking panic as confidence collapsed.

Real output and prices fell precipitously. Between the peak and the trough of the downturn, industrial production in the United States declined 47% and real gross domestic product (GDP) fell 30%. The wholesale price index declined 33%. Although there is some debate about the reliability of the statistics, it is widely agreed that the unemployment rate exceeded 20% at its highest point. The severity of the Great Depression in the United States becomes especially clear when it is compared with America's next worst recession, the Financial Recession of 2007–2009, during which the country's real GDP declined only 4.3% and the unemployment rate peaked at less than 10%. The likelihood of this force shutdown of the world economy will see a collapse in real GDP far worse than the 2007–2009 financial crisis.

In all my career, I have **NEVER** witnessed such false propaganda used to this extent with the objective of undermining the world economy in order to prevent the collapse of some governments – namely the EU. It certainly seems to be more of an issue crafted to lead to a massive seizure of power that the government suddenly needs to protect society much akin to Homeland Security following 911 when it is their very survival which is at stake.



There is clearly a world economic depression that has been set in motion by these people. There are places where people work part-time and are now without jobs or unemployment insurance. These people are ignorant of what they have proposed and what they are doing to the entire world.

They are either complete idiots when it comes to economics and they have set in motion an insane panic, or there has been a political agenda of the left to craft political change at all costs.

You cannot shut down the world economy to simply stop the common cold. The stupidity they have demonstrated is beyond belief and the press has run with this and blaming any politicians who disagrees with these idiots. The best thing that can take place is advertising revenue collapses, the journalists lose their jobs, and the economy implodes which eliminates grants to people like this. You do not yell fire in a theatre. This is what they have done.

Niall Ferguson Trump the risk-lover is gambling with lives



The president is betting Covid-19 is just the flu. I don't fancy his chances

Most of us are not gamblers. We may have the occasional flutter on a famous horse race, but the stakes are always small. Most of the time we prefer not to risk our money, even when the odds are attractive. We prefer that boring form of inverted gambling known as insurance.

Year after year, each of us pays hundreds if not thousands of pounds in premiums to insurance companies. We do not think of it this way, but we are essentially betting that our houses will burn down, our cars will crash, our health will fail or our holidays will be cancelled. Insurers know that all these mishaps are predictably rare and take the bet. We lose our money, over and over again, but have "peace of mind".

We who only gamble in such unsophisticated ways are fascinated by true gamblers: those who frequent not only casinos and stock markets, but also the pages of history. We normal folk tend to think of two types of gambler. There is Fyodor Dostoevsky's compulsive gambler, who cannot resist the lure of the roulette wheel – who ruins himself by betting and betting, despite knowing that, in any gambling establishment, the house is more likely to win than not.

Then there is the gambler as master speculator: Charles Dickens's Merdle, Anthony Trollope's Augustus Melmotte – both loosely based on Nathan Rothschild – or our own age's George Soros. This kind of gambler calculates the odds of each bet very carefully. He scales each wager according to the strength of his conviction and the ratio of reward to risk. The speculator doesn't always win, but he wins much more often than he loses, and sometimes he wins big. This second kind of gambler becomes very, very rich.

Yet there is a third kind of gambler, who lies between these two extremes. This gambler neither ruins himself nor becomes as rich as Croesus. He wins some; he loses some. He does not gamble to become a billionaire. He gambles for the sheer love of gambling.

The risk-lover does not calculate as Soros does. He bets every day on the basis of his intuition – his gut. To him, the bet is an act of will, intended as much to dominate the counterparty as to make money. The bravado is the point, regardless of the size of the bet. I'll bet you I win this round of golf. I'll bet I can make this casino more profitable if you lend me the money to buy it. I'll bet I can become president of America. I'll bet this coronavirus is nothing bigger than the normal flu.

Donald Trump, as you will have guessed,

is a type-three gambler. He did not blow the money he inherited from his father; nor did he turn it into a mega-fortune. He has made many a disastrous business bet, as his creditors have learnt the hard way. Yet Trump has gambled his way from property to reality TV to real power. And now he is making the biggest bet of his entire life.

He is betting that the number of Americans who die of Covid-19 will be about 40,000 – in other words, approximately the number who die of influenza each winter. (That was the number cited by one of his Wall Street friends last week, after a call with the president, as a "worst-case scenario".)

Very obviously, Trump's chances of re-election now hinge on how severely the pandemic hits America. Natural disasters, if they seem to be mishandled, can be political disasters, too – think of George W Bush's loss of popularity after Hurricane Katrina. And recessions reliably spell doom for incumbents.

America is now in a pandemic-induced recession. The stock market, despite last week's remarkable rally, is still more than 20% below its February high, effacing most of the gains investors have made since Trump's election. The combination of public panic, rational social distancing and state-level orders to "rest in place" has thrown the US economy off a cliff. Jobless claims soared last week to nearly 3.3 million, the biggest jump – by a factor of almost five – since records began.

The president's bet is not as crazy as you might think. It is, as I said last week, unlikely that America as a whole will have as disastrous an encounter with Covid-19 as

Italy. Americans are less crowded together, use less public transport and kiss one another less than Italians. It is also possible the virus will claim many more victims in the big Democratic-voting states of the American coasts – New York and California – than in the smaller, Republican-voting states of the heartland. Thus far, only 19% of Covid-19 deaths are in counties Trump won in 2016.

Those writing the obituaries of this presidency have written them many times before and been wrong. They must have read with incredulity the results of last week's Gallup poll, which showed a majority of voters – and in particular a majority (60%) of registered independents – approve of Trump's handling of the pandemic.

The problem is that this time Trump is gambling with people's lives on the basis not of calculated risk but of total uncertainty. We simply do not know enough about the virus Sars-CoV-2 to have any conviction about how many Americans it will kill. In the absence of adequate testing around the world, we still don't quite know how many people may already have caught the virus and be just fine. We don't know just how infectious it is. And we can only guess at how lethal it is, on the basis of widely divergent case fatality rates from around the world.

Pandemics are not like house fires or car crashes: they are not normally distributed along a bell curve but governed by a power law, which means we cannot attach a probability to the timing or scale of a pandemic. Covid-19 could kill 40,000 Americans. But if the virus spreads as far as H1N1 – swine flu – did in 2009, so that 20% of us get it, and the US has the (very low) German case fatality rate of 0.7%, we could have 400,000 dead. As my near namesake, the epidemiologist Neil Ferguson, demonstrated last week, small changes to the variables in an epidemiological model can produce mortality projections that differ by an order of magnitude.

All we can say with any certainty is that most of east Asia and most of Europe have taken much more drastic steps to contain Covid-19 than America has yet taken. And the president wants to see even those restrictions lifted in a mere two weeks' time.

Such is Trump's gamble with American lives. The one thing to be said in his defence is that, like his British counterpart – who very nearly gambled on a strategy of herd immunity and has now tested positive for Covid-19 – he has skin in the game. Trump too will be at risk if this gamble goes wrong. In Italy, the case fatality rate for the president's age group is one in 20.

Niall Ferguson is the Milbank Family senior fellow at the Hoover Institution, Stanford

“
We simply do not know enough about the virus to have any conviction about exactly how many Americans it will kill

Even the economist Niall Ferguson has shown his political bias coming out and bashing Trump when there is no justification for shutting down the world economy. As an economist, he should know better. This only begs the question why is he supporting a socialist agenda?

The Timeline

On January 8th, 2020, the Washington Post reporters Gerry Shih and Lena Sun reported an outbreak of an **“unidentified and possibly new viral disease in central China”** that was sending alarms across Asia in advance of the Lunar New Year travel season.

Already, Taiwan, Hong Kong, South Korea, Thailand and the Philippines were contemplating quarantine zones and scanning travelers from China for **“signs of fever or other pneumonia-like symptoms that may indicate a new disease possibly linked to a wild animal market in Wuhan.”**

These two reporters launched the coverage of the coronavirus and the disease Covid-19 for the Washington Post.

The Civil Unrest



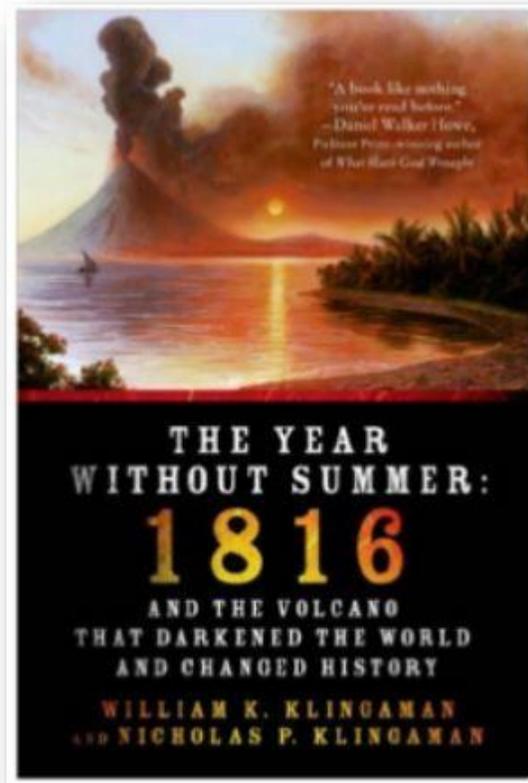
The occurrence of a natural disaster such as an earthquake, volcanic eruption, tsunami, flood, hurricane, epidemic, heat wave, and/or plague increase the risk of violent civil conflict in a society. While a study by Philip Nel and Marjolein Righarts entitled *Natural Disasters and the Risk of Violent Civil Conflict* attempted to interpret this as justification for action on climate change, they utterly failed to prove that the natural disaster were caused by human induced climate change.

I have studied this subject from an economic perspective. I have found many such events have connections to not just sudden natural disasters, but periods of extreme cold climates during solar minimum. Here, Nel and Righarts looked at data for 187 events for the period 1950–2000 to systematically explore this question that has received remarkably little attention in the voluminous literature on civil war. They concluded that natural disasters significantly increase the risk of violent civil conflict both in the short and medium term, specifically in low- and middle-income countries that have intermediate to high levels of inequality, mixed political regimes, and sluggish economic growth. Rapid-onset disasters related to geology and climate pose the highest overall risk, but different dynamics apply to minor as compared to major conflicts.

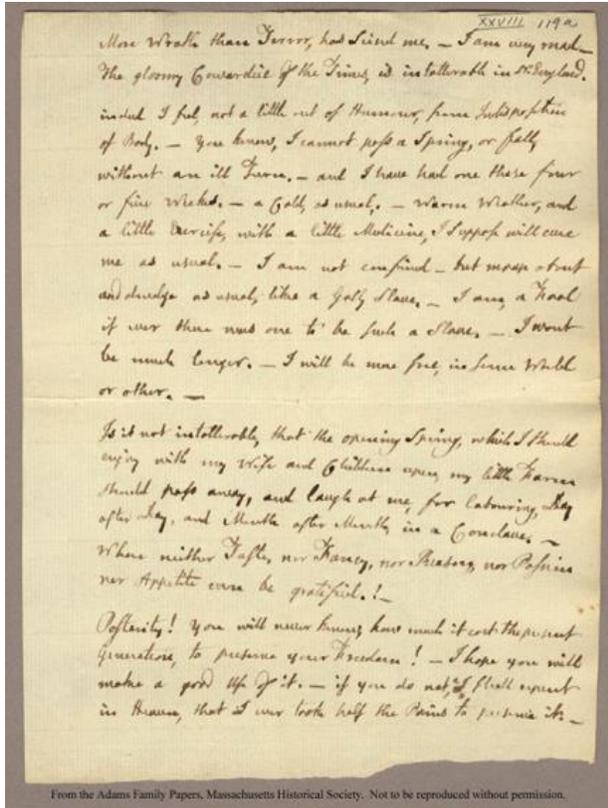
The findings of their study failed to show the link that the natural disaster was human induced climate change. Nevertheless, they did manage to prove that given a situation of rapid economic change, such events will increase the incidence of various types of civil unrest. This does warn that politicians and claimed health researchers should be mindful of the solutions they recommend. They cure may be far worse than any virus. They are playing with fire and are inviting social and political risks posed by these cataclysmic contrived events.

It is incredibly important to understand that as the weather turns bitterly cold in the north, people will begin to migrate south. This not merely caused the ancient Greeks to become the Sea Peoples bringing the Bronze Age to an end in 1177BC, but also during the Year without a Summer in 1816 which shifted the population in America.

In the United States when in 1816 six inches of snow fell in June and every month of the year had a hard frost, people began to migrate. The temperatures had dropped to as low as 40 degrees in July and August in New York City during 1816. People also called it '**Eighteen Hundred and Froze to Death**' and the '**Poverty Year.**'



The Year without a Summer sent people fleeing from New England states in search of warmer weather and fertile soils both south and west. It was the weather that began to cause migration in the United States outside of the 13 original states. Thousands of New England families gave up their farms, packed their belongings into wagons and joined the throngs traipsing over rivers and mountains to Pennsylvania and the Ohio River Valley, which includes Ohio, West Virginia, Indiana, Illinois, and Kentucky.



Indeed, between 1810 and 1820, Maine lost as many as 15,000 people. Sixty Vermont towns lost population during that decade as well. The population of 60 other towns in Vermont stayed the same while the U.S. population grew 32%. When we examine Massachusetts, we can see that this state gained only 50,000 people from 1810–20, while Ohio gained five times as many. The Massachusetts Legislature tried to hold on to its citizens by passing a homestead act that gave settlers 100 acres of land for \$5.

Even during the American Revolution, when John Adams set out to travel to Philadelphia, it was bitterly cold and

there was a foot or more of snow that covered the landscape which had blanketed Massachusetts from one end of the province to the other. Beneath the snow, after weeks of severe cold, the ground was frozen solid to a depth of two feet. Packed ice in the road made the journey very hazardous. In a letter to his wife, John Adams wrote:

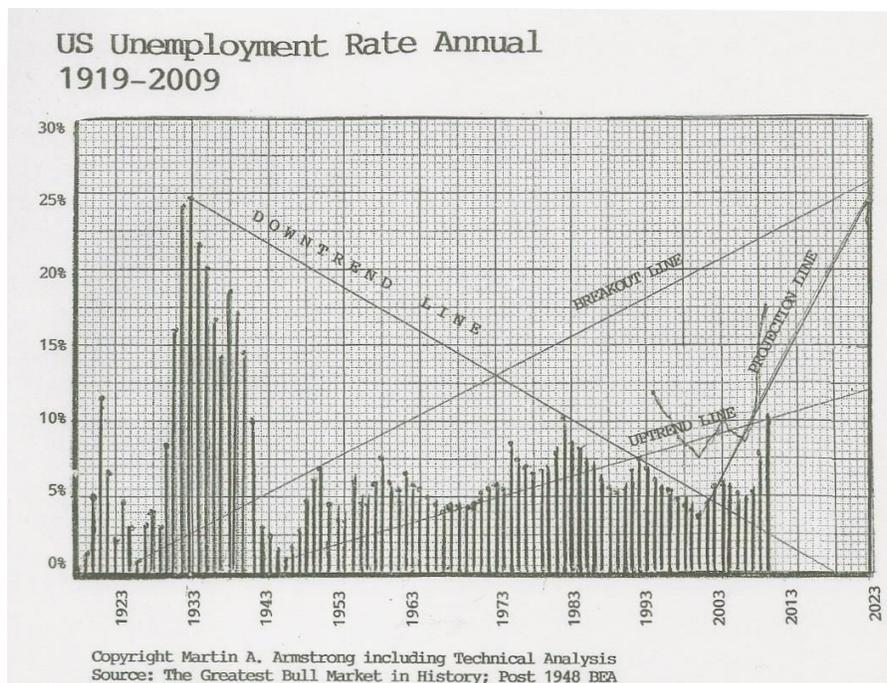
"Indeed I feel not a little out of Humour, from Indisposition of Body. You know, I cannot pass a Spring, or fall, without an ill Turn — and I have had one these four or five Weeks — a Cold, as usual. Warm Weather, and a little Exercise, with a little Medicine, I suppose will cure me as usual. ... Posterity! You will never know, how much it cost the present Generation, to preserve your Freedom! I hope you will make a good Use of it. If you do not, I shall repent in Heaven, that I ever took half the Pains to preserve it."

On September 8th, 1816, Jefferson described the weather during the Year without a Summer in a letter to Albert Gallitan:

We have had the most extraordinary year of drought and cold ever known in the history of America. In June, instead of 3¼ inches, our average of rain for that month, we had only 1/3 of an inch; in August, instead of 9 1/6 inches our average, we had only 8/10 of an inch; and it still continues. The summer too has

been as cold as a moderate winter. In every state North of this there has been frost in every month of the year; in this state we had none in June and July but those of August killed much corn over the mountains. The crop of corn through the Atlantic states will probably be less than 1/3 of an ordinary one, that of tobacco still less, and of mean quality.

While 1816 was the year we had a major volcanic eruption, it also came during the Little Ice Age with Solar Minimum. Natural disasters have always had a serious impact upon the people. What is overlooked by most is the fact that the American Revolution also came during the Little Ice Age. The economy was suppressed and the demand for taxes from England to fight wars produced the revolution very similar to the condition which resulted in the Nika Revolt in Constantinople.



A forecast that unemployment would rise sharply against was something that was interesting but even I wondered how that would unfold back in 1998. Unemployment was testing the lowest since the 1960s yet would swing up and retest the highs of the Great Depression. This forecast that unemployment would retest the lows going into 2019 and then rise into the 2023 period seemed to be a slingshot up to retest the Great Depression highs. It did not seem possible.

I could not see fundamentally how the economy could collapse so fast. But low and behold, fate has given us the Coronavirus scheme which I believe will have destroyed more businesses and wiped out more jobs than any economic event historically surpassing the Great Depression and war.

- Illiquidity exploded and hedge funds puked their guts out all over the street. Even some bond funds in Europe and Sweden, as well as Denmark, suspended all redemptions.
- The panic to the US dollar has been massive. This will only undermine emerging market debt. The Fed can try to inject dollars, but this will have no effect since the demand far exceeds the supply.
- The fear factors the medical industry has created over Covid19 is unbelievable where 13% of Americans think they are infected. There is now little doubt that this fear factor has overwhelmed the markets and the economy. Trump has delegated the response to the States, which may be a mistake. Some states are overreacting and many have started to shut down their economies ordering people to stay home into the week of April 6th. Universities have switched to online and many may have just closed for the year. German chancellor Angela Merkel is in quarantine as in US Senator Rand Paul. A member of the Vice President's team tested positive but not the Vice President.

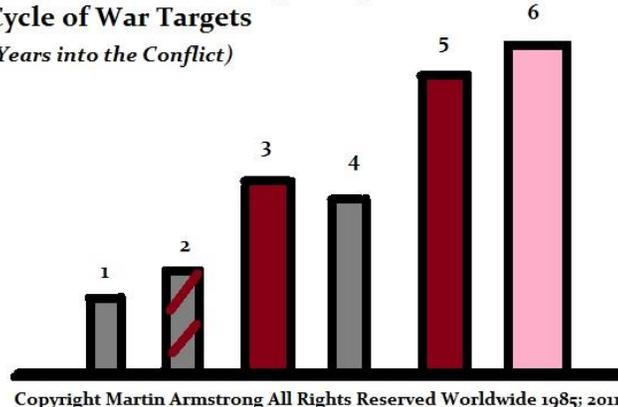
What we must realize is that the longer people remain locked down, the greater the civil unrest. Even after infections begin ebbing, a secondary pandemic of mental-health problems will typically follow. At a moment of profound dread and uncertainty, people are being cut off from soothing human contact. Hugs, handshakes, and other social rituals are now tinged with danger. People with anxiety or obsessive-compulsive disorder are struggling. Elderly people, who are already excluded from much of public life, are being asked to distance themselves even further, deepening their loneliness. Asian people are suffering racist insults, fueled by a president who insists on labeling the new coronavirus the "Chinese virus." Incidents of domestic violence and child abuse are likely to spike as people are forced to stay in unsafe homes. Children, whose bodies are mostly spared by the virus, may endure mental trauma that stays with them into adulthood.

I wrote in the Cycle of War Report back in 2017 that we were staring at a cycle of rising civil unrest beginning in 2020. I previously wrote:

"The Irish Rebellion of 1798 followed the French Revolution. This event was an uprising against British rule and lasted from May to September 1798. The Irish Rebellion was part of the contagion that was influenced by the ideas of the American and French revolutions. We must be vigilant because the cycle for the possibility of such a revolutionary contagion comes into play in 2020."

Cycle of War Intensity of Conflict

measured from the beginning of the
Cycle of War Targets
(Years into the Conflict)

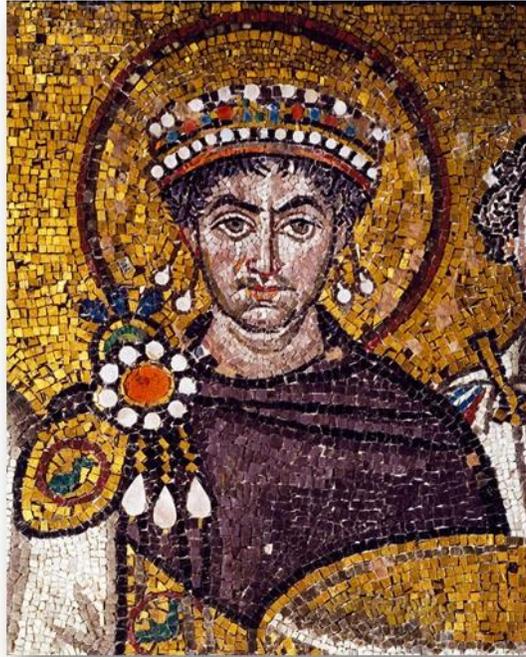


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I further wrote:

*"The **Cycle of War**, therefore, turned up in 2014 right on target. It has key targets due where we can see bursts of activity with important volatility starting in 2017. We still see tensions in Syria and in North Korea. There will be another burst of volatility in this cycle come 2019. World War I began in June 1914 and ended with Germany surrendering to Britain on November 21, 1918, which was about 52 months in total duration (8 waves of 8.6). The entire span of World War II was about 68 months in Europe and 98 months in Asia (just over 8 years). The overlap is interesting whereas Pearl Harbor takes place in year two on the European scale but in year four on the Asian scale. Either way, we are looking at the most intense period for civil unrest by 2020, which lines up with the **ECM**."*

A Lesson of Authoritarianism



Justinian I
(527-565AD)

The idea of contagion prompting quarantines and isolation actually dates much further back to the Justinian Plague (541–542AD), which also originated in China and northeast India (*Yersinia pestis*). The plague was carried to the Great Lakes region of Africa via overland and sea trade routes. The point of origin for Justinian's plague was Egypt. The Byzantine historian Procopius of Caesarea (Procopius Caesarensis; c. 500–560 AD) of Caesarea (500–565AD) identified the beginning of the plague in Pelusium on the Nile River's northern and eastern shores. The plague spread in two directions: north to Alexandria and east to Palestine.

Procopius recorded the climatic changes taking place in southern Italy during the same period where the climate was turning colder as it is today. He remarked how there were unusual incidents of snow and frost in the midst of summer; below average temperatures; and a decrease of sunshine.

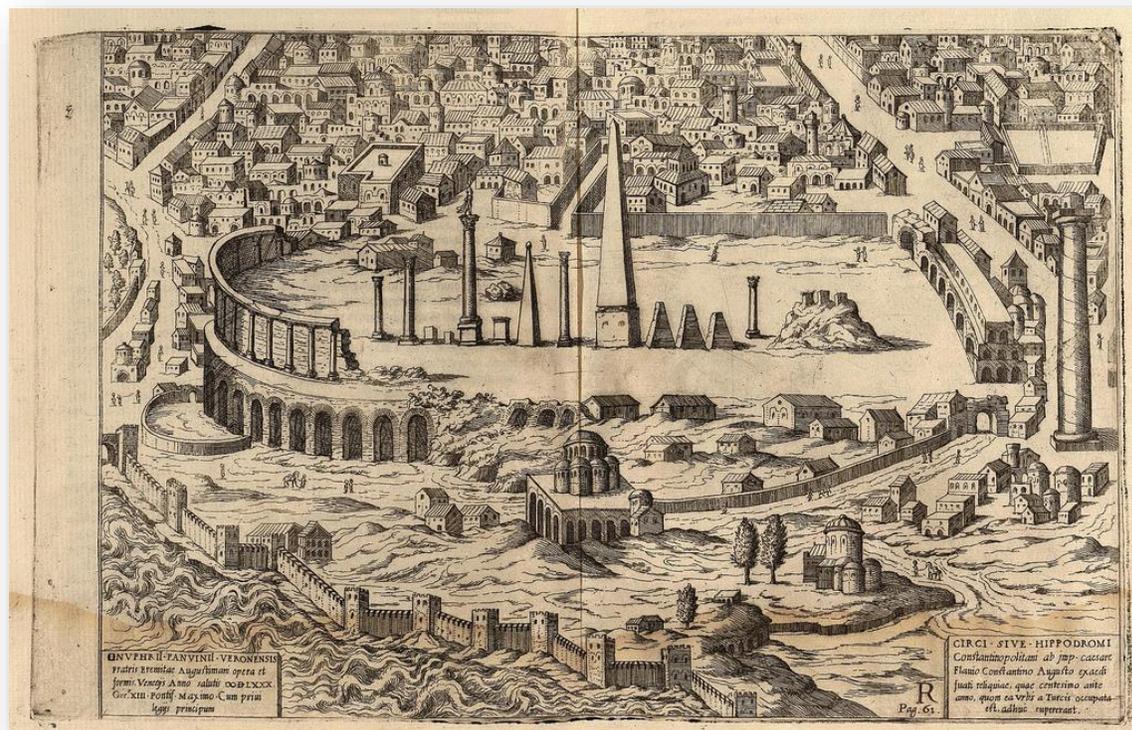
Procopius documented of a major volcanic event at this time describing the tumultuous period where the climate turned violent with a volcanic winter. There was a mysterious fog that plunged over Europe, the Middle East, and parts of Asia casting them into darkness. This catastrophic event lasted for 18 months. The Byzantine historian Procopius wrote: ***“For the sun gave forth its light without brightness, like the moon, during the whole year.”*** Temperatures in the summer plummeted creating the coldest decade in the past 2300 years. Snow fell as far east as China during the summer causing starvation as crops failed. The Irish chronicles recorded that ***“a failure of bread from the years 536–539”*** took place.

The Justinian Plague coincided with the turn in the climate to solar minimum as we are experience currently. This is when disease does rise as crops begin to fail. This turned the pandemic into an epidemic which affected nearly half the population of Europe. This was comparable to the **Black Death** that came about 600+ years later (2 x 309.6).



The Justinian Plague (541–542 AD) resulted in 5,000 deaths per day in Constantinople, but the Emperor responded with massive taxation as the pestilence swept the empire. Justinian is remembered for his legal code reforms, but also for massive taxation for trying to restore the fallen glory of ancient Rome. The plague wiped out most of the farming community and impacted the tax revenue of the government. It was taxation that was different from the **Black Death**. Here taxation was applied to individuals, whereas latter taxes were minimal and applied only to landlords.

Justinian showed no mercy whatsoever when it came to the collecting his tax revenue. Despite the human desolation, Justinian hunted the ruined freeholders. He not only demanded they pay his annual tax even if they had no income, but he increased the tax on those living to compensate for the amount of taxation their deceased neighbors were liable to pay.



Justinian I was rather ruthless when it came to taxation. There was a tax revolt that boiled over on January 13th, 532AD, known as the **Nika Revolt**, which emerged when an angry populace arrived at the Hippodrome in Constantinople to watch the chariot races. The Hippodrome was next to the palace complex where Justinian could watch from the safety of the palace. The spectators were hurling insults at Justinian for his taxes.

Initially, it was a contest between two opposing teams known as the "Blue" and "Green." After race 22, the chants began to change to Νίκα ("Nika", meaning "Win!" or "Conquer!"). The crowds became violent, and for the next five days the palace was under siege. They set fires that destroyed most of the city including the church, the Hagia Sophia, which Justinian would impose harsh taxes to later rebuild.

The riots had lasted for five days. The local police and military troops would not suppress the people and this led some of the Senators to call for the overthrow Justinian, for they were opposed to his new tax proposals that even targeted the rich making him unpopular even among the nobility. The mob now demanded that Justinian dismiss the prefect John the Cappadocian, who was responsible for tax collecting, and the quaestor Tribonian, who was responsible for rewriting the legal code.



*Empress Theodora and Her Attendants (circa 547 AD)
San Vitale, Ravenna*

The lack of support from the police and military embolden them even further and they then declared a new emperor, Hypatius, who was a nephew of former Emperor Anastasius I. Justinian now feared for his own life and was considering fleeing Constantinople. However, his wife Theodora (500–548AD) who reigned between 527AD and 565AD as Empress, assumed control.

Theodora's intelligence based on street-smart made her a respected adviser to her husband and she even championed religious theories. Yet when rioting broke out in the Hippodrome between the right- and left-wing political factions, it was Theodora who rose to the occasion and told her husband to stay. She then instructed General Belisarius to defend the city who had an army outside of Constantinople composed of troops who were not Greeks, but from Western Europe.

Theodora sent Narses, a popular eunuch, into the Hippodrome armed with only a bag of gold coins. Narses entered the Hippodrome alone and unarmed to face the murderous mob that had already killed hundreds. Narses went directly to the Blues' section, where he approached the important Blue leaders and reminded them that Emperor Justinian supported them over the Greens. He also reminded them that the man they were crowning, Hypatius, was a Green.



Narses then distributed the gold. The Blue leaders spoke quietly with each other and then they spoke to their followers. Suddenly in the middle of Hypatius's coronation, the Blues stormed out of the Hippodrome. The Greens sat, stunned. It was at this time when General Belisarius stormed into the Hippodrome with his foreign legions and slaughtered the remaining rebels.

Reports set the death toll at about 30,000. Justinian also had Hypatius executed and exiled all the senators who had supported the riot. From the ashes, Justinian then rebuilt Constantinople and the church destroyed by fire – the Hagia Sophia, which still stands to this day. Justinian was then free to pursue his ultimate goal, the reunification of the Roman Empire.

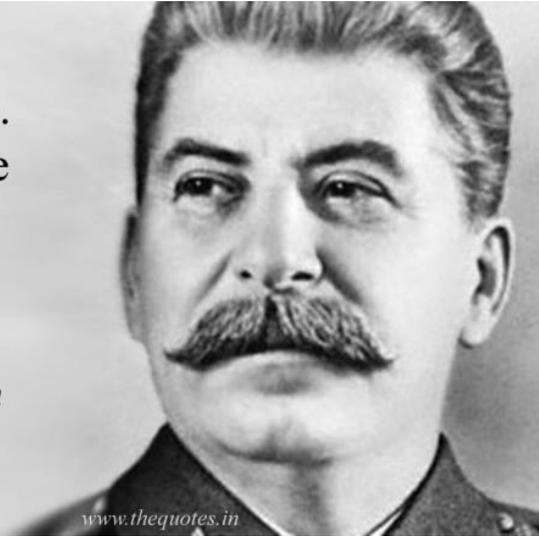
The important lesson for political leaders from this affair was never use local troops and police. Always import troops from another region for they have no hesitation about killing people they do not know. The key is use mercenaries to wield the authoritative power against the people to maintain absolute ruthless control.

Therefore, the Justinian Plague came about 8.6-years after the **Nika Revolt**. Justinian I raised taxes on the 50% who survived so his revenue would not decline. This remains also a warning to those in power that push the people too far and you will have a revolution.

Panic is the Authoritarian's Ticket to Power

Ideas are more powerful than guns.
We would not let our enemies have
guns, why should we let them
have ideas.

Joseph Stalin

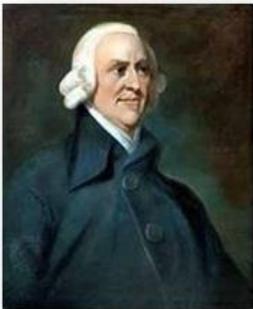


We have experienced serious epidemics throughout society over the centuries where even up to 50% of the population have died as during the **Black Death**. A global pandemic is actually commonplace for its definition is merely geographical whereas an epidemic is defined by the proportion of society infected. Consequently, pandemics of this scale are not so unusual, they take place every year during flu season. What is unusual about this pandemic is how it is being used for political change. It was Joseph Stalin who saw that ideas were just as dangerous as guns. What we have witnessed is fake news based upon fake models that scared the hell out of everyone making them fear they would die and that was the greatest gift to anyone seeking authoritarian power.

In recent years, hundreds of health experts have written books, white papers, and op-eds all warning of the possibility of a pandemic. Bill Gates has been telling anyone who would listen, including the 18 million viewers of his TED Talk. In October 2019, the Johns Hopkins Center for Health Security war-gamed what might happen if a new coronavirus swept the globe.

Civilization has a very thin veneer. Some say it will vanish after 7 days. Certainly, society cannot endure being locked down beyond 30 days. All the handouts from governments will not prevent riots, robberies, or civil unrest. The recommendations of those who see that locking down society will reduce the spreading of a virus may be correct. We can probably cure the common cold if we stayed home without human contact during the winter months.

However, these proposals from those in the medical field are myopic for they are only looking at this from a medical perspective without any regard for the impact upon society or understanding that civil unrest is often just 7 days away from even a crisis created by storms.



Adam Smith (1723-1790)

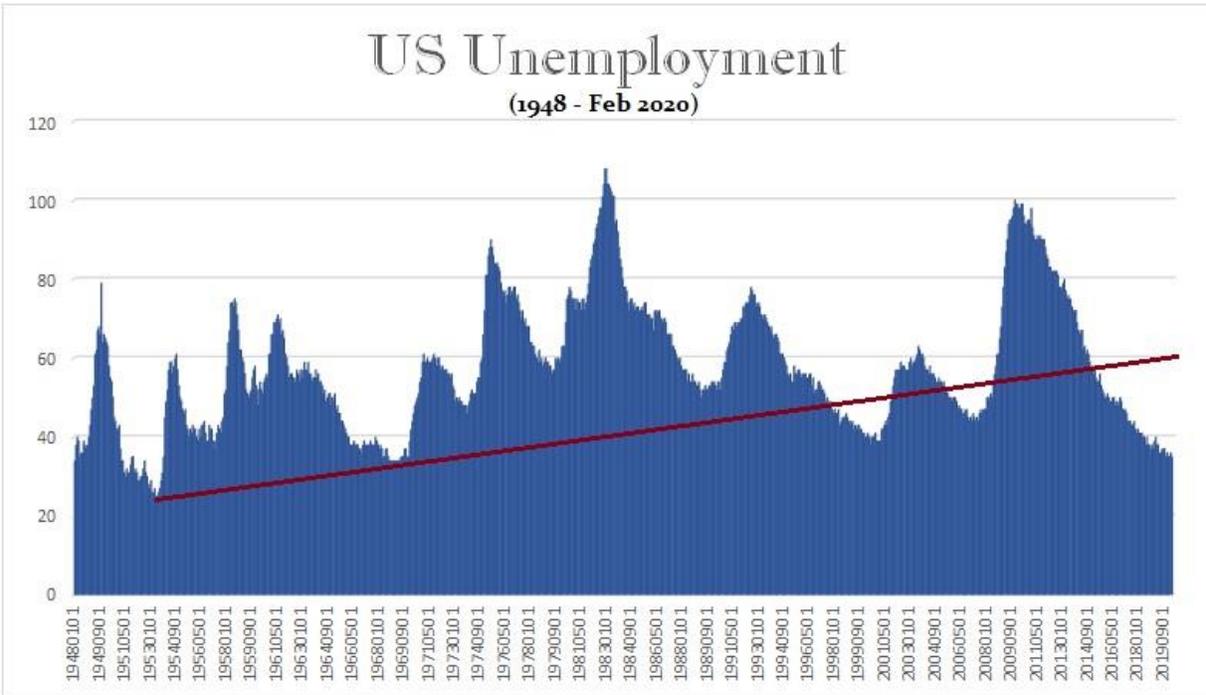
"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."

Adam Smith; Wealth of Nations 1776, Book I, Chapter II,
Of the Principle which gives occasion to the Division of Labour

The economy is more than just money, it is the sum of the total capacity of the people coming together. Civilization emerges when it is beneficial to come together as a group where the sum of the parts leads to a synergy that is far greater than isolation. One person makes bread and that means each of us no longer have to spend time baking bread. We can pursue our own talents. Thus, as Adam Smith explained, the invisible hand emerges from this synergy that is not directed or decreed by governments. It emerges naturally from the interaction of people within society.

The proposals of self-distancing and staying at home are actually undermining the very thing that makes the economy and civilization work. We are witnessing the most absurd proposal that is the equivalent of killing the patient in order to declare we cured the disease.

As a society, we are experiencing a shock more sudden and profound than anyone alive has ever experienced. Never before has society been so shut down all based upon this exaggerated solution of shutting down the economy to beat a virus.



About one in five people in the United States have lost working hours or jobs. This is propelling unemployment back to the levels of the Great Depression and the damage may continue into 2025. Hotels are empty. Airlines are grounding flights. Restaurants and other small businesses are closing, and many will be unable to open. Commercial Real Estate has collapsed. Many are offering three months free rent just to try to keep tenants.

Economically, the inequalities will widen. People with low incomes will be hardest-hit by social-distancing measures, and they are most likely to have the chronic health conditions that increase their risk of severe infections. Diseases have destabilized cities and societies many times over.

But is there yet another political agenda behind the curtain? How much damage has been caused by this panic? People have lost their freedom of movement without question. Europe has used this crisis to close its borders to the refugees and to force Germany to capitulate on its austerity philosophy. The tourism crisis has undermined economies in Southeast Asia to Southern Europe and the Caribbean. There has been a drastic contraction of the world economy which will exceed 25%.

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Health chiefs believe it is now inevitable that an outbreak will occur in Britain, and that the virus will spread to other parts of the world.

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Richard Dawkins
Richard Dawkins, a biologist, is depicted in a photograph with his hands raised in a gesture of protest or surprise. He is wearing a white shirt and a dark jacket. The background is dark and out of focus.

Small business that cannot afford to pay salaries with everything shut down for 5 weeks only invites looting and civil unrest. Small businesses are shutting down and may be unable to weather this insanity both in Europe and the United States. People are being fired everywhere in the USA just so they can collect unemployment.

Advertising is also collapsing in newspapers forcing journalists to lose their jobs. There is rising concern that states like California will simply use this as the excuse to seize pension funds to bailout government failures. That certainly becomes possible given the losses they will suffer.

Then we have gold dealers in Europe being directed to stop sales to individuals. Banks are running out of cash. There is certainly now justification for Europe to cancel the Euro and force everyone into the digitalization of central bank currencies.

We are looking at radical reform of the international financial system and the likely bankruptcy of many businesses caused by this panic. The post-Coronavirus world is going to be very different. It has been disproportionately whipped up into a major panic creating a lethal weapon for mass financial mass destruction.



The Cycle of Revolution

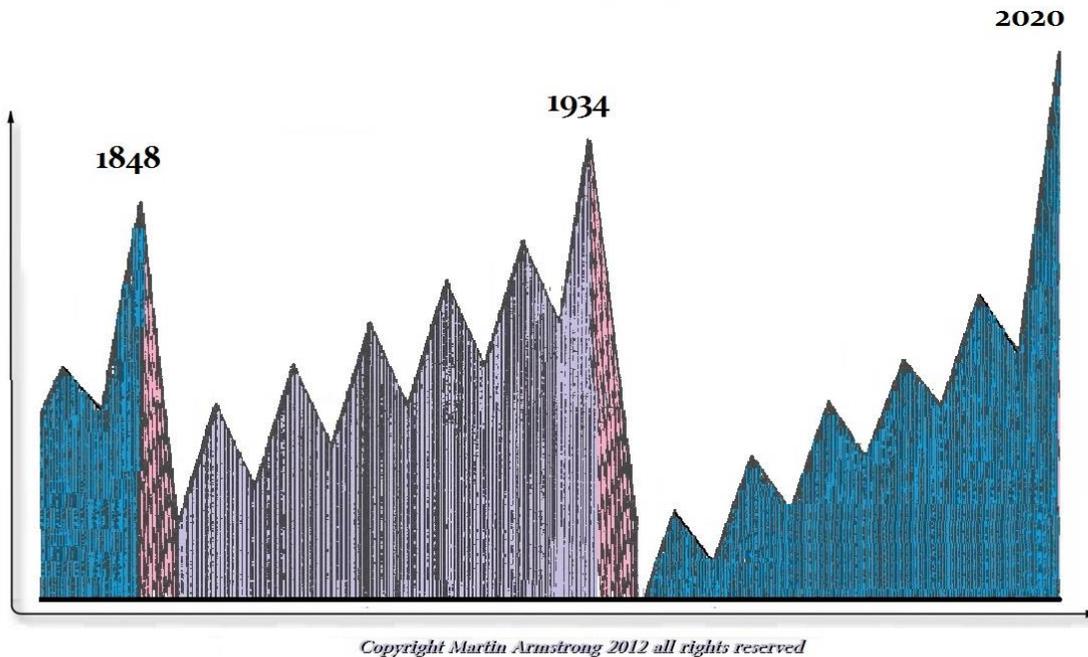


The year 2020 is also 172 years from the contagion of the widespread European revolution in 1848. I have warned back in 2017 that we would have the rise of the Sovereign Debt Crisis and the Revolutionary Cycle come 2020. In 1933, Roosevelt came to power in the USA and turned the country toward socialism. That same year, 1933, brought Hitler and Mao to power. So, 1934 was the revolutionary year. Such revolutions do not always bring blood in the streets. The next one is due in 2020 and we should see the system we currently live undergo completely upside-down.

The revolutions of 1848 were essentially a democratic movement and an uprising against the political elite. In 1848, Karl Marx published "**The Communist Manifesto**" with Friedrich Engels, and he was exiled to London as a result. In London, where he lived the remainder of his life, he wrote the first volume of "*Das Kapital*". This undoubtedly influenced the revolutions that opened the door to socialism/communism. This also inspired the collapse of the old feudal structures and created independent national states.

Economic Confidence Model

the 86 Year Revolutionary Cycle



The revolutionary wave began in France in February 1848 when the French monarchy was overthrown. Communism actually began in France as a “commune” where people lived in one shared community with no individual property rights. It was the French who convinced Marx that communism would work better than just socialism, which he had advocated initially.

This 1848 revolution spread as a contagion, like what the American Revolution had done during the previous century. The contagion of 1848 spread to most of Europe and parts of Latin America. In total, it impacted over 50 countries. This was by no means a coordination or cooperation between various revolutionary trends around Europe.

Generally, a contagion is attributed to six factors: (1) widespread dissatisfaction with political leadership, as we have today; (2) demands for more participation in government and democracy, as republics have once again robbed us of our right to vote; (3) demands for freedom of press, which is manifesting today in the internet; (4) the demands of the working class, whom today have been oppressed by huge tax rates combined with income taxes and VAT at 20%+; (5) the upsurge of nationalism, which we are again watching unfold thanks to

terrorism; and finally, (6) the regrouping of the reactionary forces based on the royalty, aristocracy, army, church and peasants, which is again unfolding as class warfare.

The American Revolution really began in 1762 or 86 years before 1848. Indeed, the very same issue that sparked the American Revolution was the government's practice of arbitrarily seizing assets and searching letters to see if anyone spoke anything derogatory against the government. The NSA today does exactly what the king's men had done. In 2014 and 2015, the assets confiscated by police exceeded all the property stolen by criminals. The police have replaced the criminals in so many ways. They get to seize property and are rarely ever held accountable for killing citizens rashly. They always use deadly force rather than resolving issues without killing someone in the process.

These very same practices came to a head in the famous trial involving writs of assistance to the revenue officers, empowering them, at their **SOLE** discretion, to search suspected places at will. This eventually became the reason for the American Revolution and is what became known as the Fourth Amendment in the USA, which judges have swept away under the rug and no longer exists.

The legal case which became the seminal beginning was **Entick v. Carrington and Three Other King's Messengers**, reported at length in 19 Howell's State Trials 1029. The action, dated November 1762, was for trespassing and interfering with the plaintiff's dwelling by breaking open his desks and boxes and searching and examining his papers.



James Otis
(1725-1783)

The defense lawyer, James Otis (1725–1783), in Boston pronounced that the writs of assistance of the king were **“the worst instrument of arbitrary power, the most destructive of English liberty, and the fundamental principles of law that ever was found in an English law book.”** These writs of assistance allowed government employees to do whatever they wanted, as they continue to do today. It is our burden to prove we have rights – not theirs to restrain themselves. This has placed **“the liberty of every man in the hands of every petty officer.”**

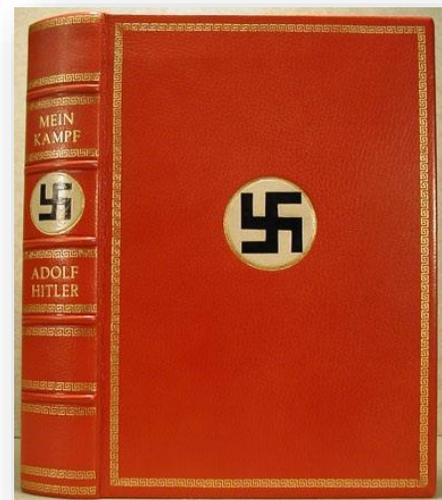
Future president, John Adams, was there listening to Otis arguing in court. Otis, of course, lost with the judge only ruling for the king. **“Then and there,”** said John Adams, **“then and there was the first scene of the first act of opposition to the arbitrary claims of Great Britain. Then and there, the child Independence was born.”**

This is what cycles are about. Fourteen years after 1762 marked the American Revolution in 1776 with the Declaration of Independence. After nearly one Pi Cycle (31.4 years from Otis' speech) George Washington was sworn into presidency and the United States was born. It is always just a question of time.

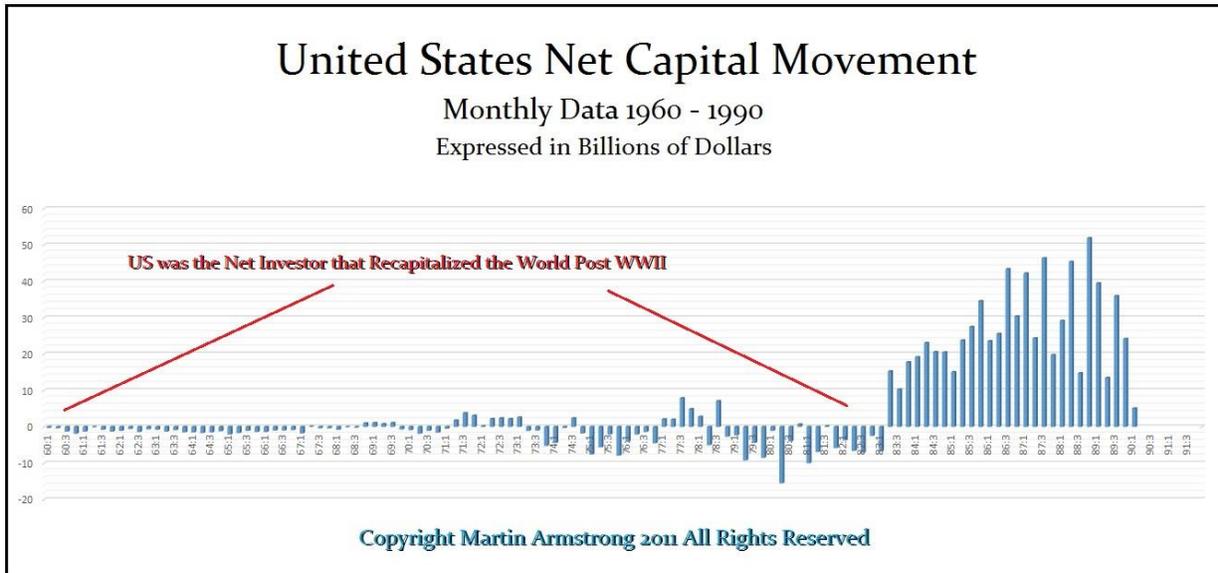
The mere fact that we can observe regular cycles over long periods of time demonstrates one thing: we should never confuse the idea of **FREE WILL** of the individual with the collective action of society. You will never find 100% of the people in agreement. Thus, you are **NOT** compelled like a robot to agree with the majority. That is your individual **FREE WILL**. You would not be reading this if you were among the mindless majority. Society, however, moves within a continuum with a sense of perpetual continuous motion. I have stated this before, but it needs to be repeated. Focusing upon the personality of Hitler or Napoleon misses the entire point. It is

Society moves within a continuum with a sense of perpetual continuous motion. I have stated this before, but it needs to be repeated. Focusing upon the personality of Hitler or Napoleon misses the entire point. It is **NEVER** the individual who moves the majority; it is the majority that produces the individual. Hitler was imprisoned for what he considered to be “political crimes” following his failed Putsch in Munich in November 1923. While imprisoned, Hitler wrote **“Mein Kampf”** (“My Struggle”). Dictating the book to Rudolf Hess, Hitler outlined his political ideology and future plans for Germany. Volume 1 was published in 1925 and Volume 2 in 1926. However, he came to power in 1933 or about 8.6 years after publication.

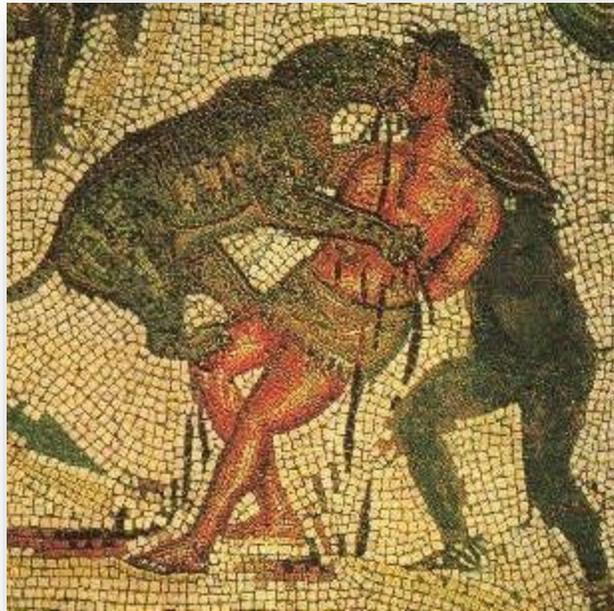
Society creates the leader, not the other way around. If we focus upon the economy, this turns the heat up for political change. Which individual takes the lead is not the important



issue. Society will **ALWAYS** select someone. An individual cannot force their ideas upon society no matter how loud they scream. Therefore, societal history is indeed following physics like everything else. A body in motion will stay in motion until there is some resistance to slow it down. Government's mismanagement grows larger and reduces economic growth to the point where we have tax rebellions that often result in revolution.

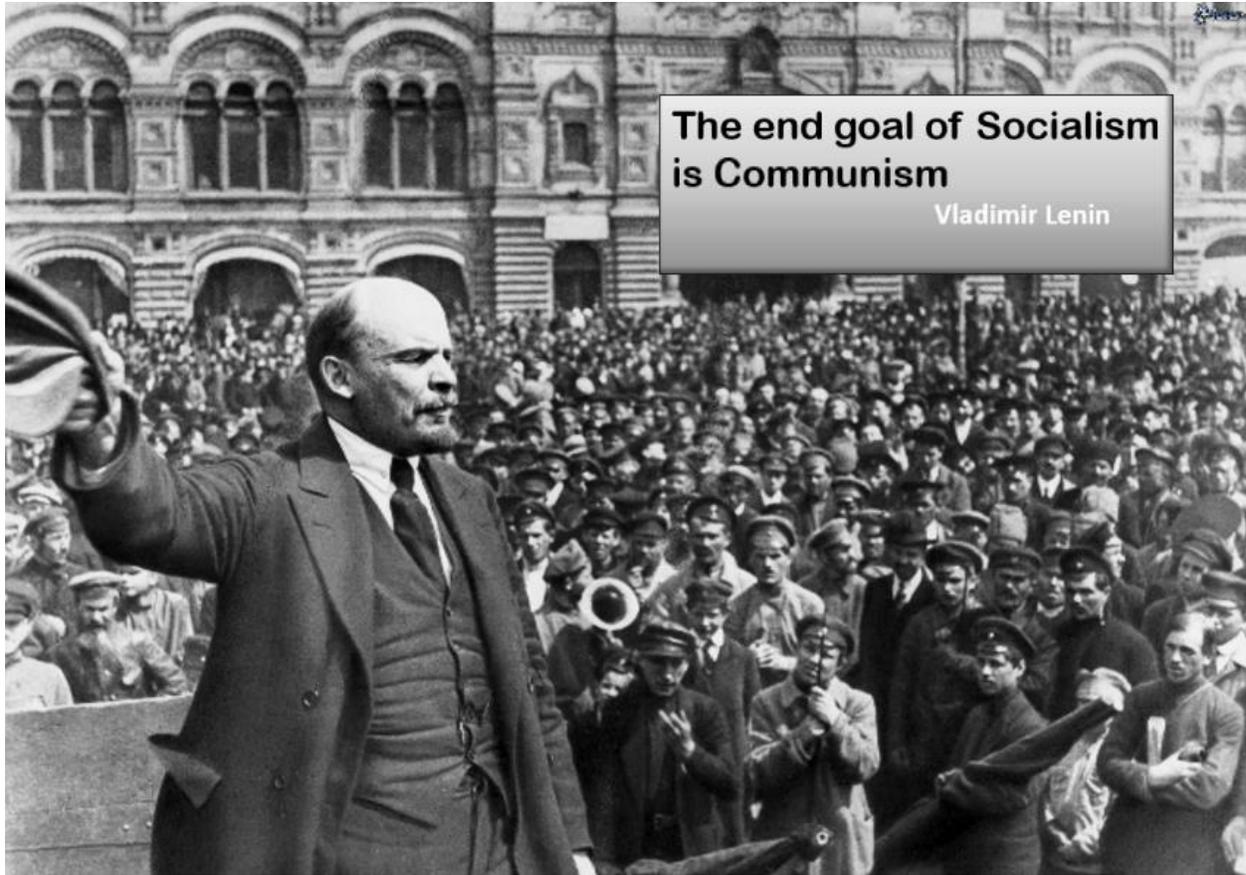


History is, in fact, modeled by a deterministic, non-linear, dynamic system that displays chaotic behavior (Panic Cycles). Mapping the small changes within such a system that ripple through the entire mass is fascinating, for such changes are never seen by the actor as impacting a far more dynamic system. **FATCA**, for example, is directly reversing the global economic expansion by forcing Americans back into a domestic economic environment that is worsening the deflation external to the USA as the dollar is forced higher. The outflow of capital from the USA reconstructed the world economy, whereas now that single tax-hungry law set in motion the reverse consequence of destroying the world economy. Therefore, in a mathematical sense, the slightest deviation to the global economic system will eventually create a wildly divergent outcome. This act is inspired by the fact that government is incapable of managing itself, no less the economy that they do not even comprehend.



Therefore, it is not that one man can make a difference. I tried that route and quickly saw that the best ideas were still ignored due to the self-interest of those in charge. Consequently, it is **NEVER** the individual, but society, that must reach the point where it seeks an answer and embraces a new idea. Rome collapsed during the 3rd century; this is when the Christian Persecution really surged. Some argued the gods were angry because there were too many Christians, and this is why they did not respond to the prayers of the Romans. Eventually, more and more people took the opposite view that their prayers were not answered because they were false gods. Christianity took off and Constantine plundered the pagan temples, pronouncing Christianity as the new religion so he could confiscate that wealth and restart the empire by moving the capital to a brand-new city — Constantinople (Istanbul today).

Therefore, history repeats because humanity never changes. What drives it is the majority swinging back and forth much like Republican vs. Democrat political victories. History is not made by the ideas of individuals; the individuals are produced as a response to the shift in the flow of history that behaves in a continuous manner by responding in the same manner to forces no matter what century we look at. Once we abandon the deep analysis of people like Hitler and step back from the individual to observe the collective community, suddenly history takes shape, which conforms, like everything else, to the laws of physics. So yes, we will see a European revolution. It is inevitable.



Stalin was not Russian, though he spoke it. He was a native Georgian and spoke with a thick Georgian accent. Ironically, Hitler, though German, was by birth an Austrian. He spoke German with a strong Austrian accent. Stalin's effectiveness was his ability to instill fear in the people. Are we doing the same thing today with the Coronavirus?

Russia & the Coronavirus



Russia is not exempt from the cray virus scare. Nevertheless, Putin has announced that beginning on March 28, Russians will have a week's paid leave to stay at home. They will also be granted a moratorium on mortgage payments, and business enterprises will be given credit holidays. Families entitled to government payments to support multiple children will receive extra monthly payments.

Nonetheless, the coronavirus has taken on a political turn for Putin for he also announced that a nationwide referendum on constitutional amendments which were scheduled for April 22 has been postponed until further notice. These reforms would allow him to remain the head of Russia until 2036.

Putin told the people: "We'll evaluate the situation and based only on the recommendations from doctors and specialists we will decide on a new date."

This vote was to secure the Russian president's hold on power. Putin's current term ends in 2024, leaving Russia with a potential succession crisis. That is far enough away not to present a true crisis at this moment.

72-Year Cycle of Revolution



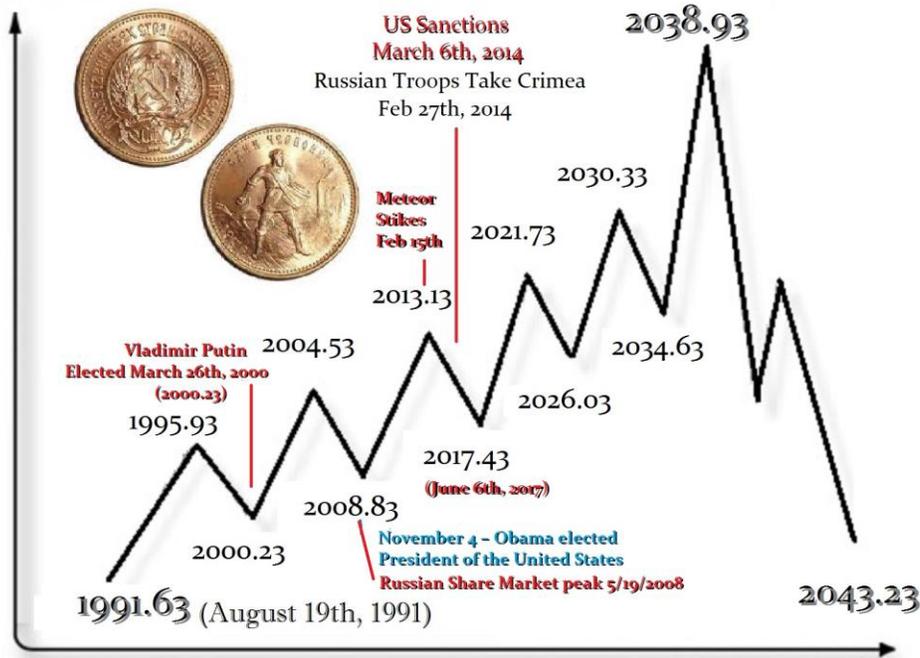
What is most interesting is that Putin's term ends in 2024. That is the next turning point of the Russia Revolutionary Cycle. This certainly raises the question if something will happen to Putin in 2024 other than simply leaving office.

Russia's system of managed democracy appears to be less disruptive than Western Democracy which has devolved into grudge matches. Of course, the West see him as a dictator for he has no serious political competition. Putin has become the ultimate arbiter of disputes between elites which is really the role of even Biblical Kings like Solomon. The political system of Russia would be in peril and revert back to chaos if Putin were suddenly not there. It would be more akin to the crisis in Rome after Nero dies, who was the last of the Julio/Claudian line.



The Economic Confidence Model

The Fall of the Soviet Union & Birth of Russia



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The April 22 vote was supposed to remedy that problem coming in 2024. While the West calls its Parliament just a rubber-stamp, they also fail to grasp the problem of succession and how exactly will that unfold. Putin signed the amendments, and the constitutional court endorsed the proposed changes, which must now be put to the popular vote which could allow Putin to remain in office until 2036.

The Coronavirus has thus disrupted the flow of politics even in Russia. President Vladimir Putin visited a hospital in Kommunarka in protective gear. That is perhaps more than most other Western leaders to date.



Conclusion



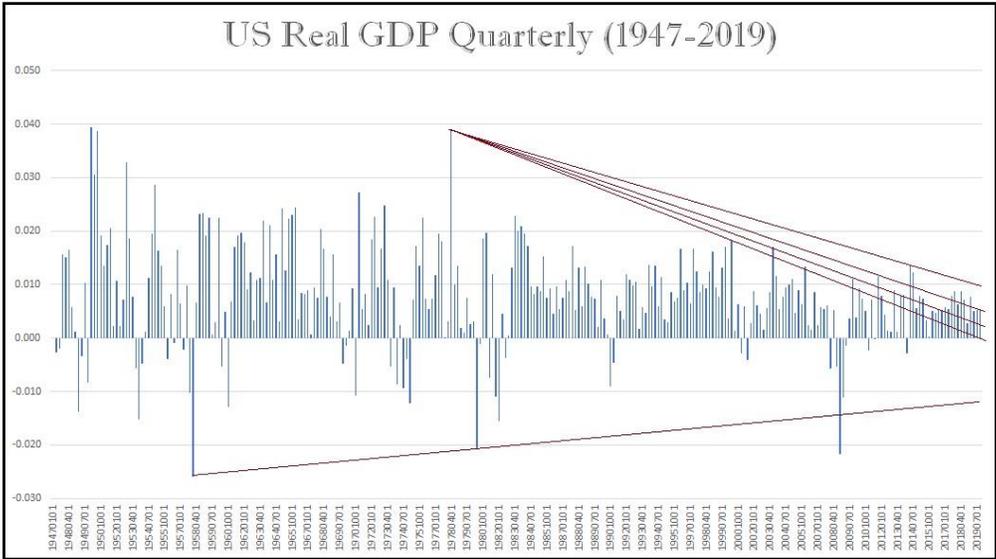
We need to answer one question: At what level does an economic decline become a Great Depression? Being an international adviser and hedge fund manager, I had a front-row seat in the world economy. I have been taught by my clients. I observed that the sum of the whole was indeed made up of the parts. Tracking the movement of money for investment flows showed the ebb and flow of global confidence. While others created a dollar index based on trade, I found such presumptions ludicrous.

Trade has been a small portion of capital flows that such biases cloud our judgment and blinds us to the trend.

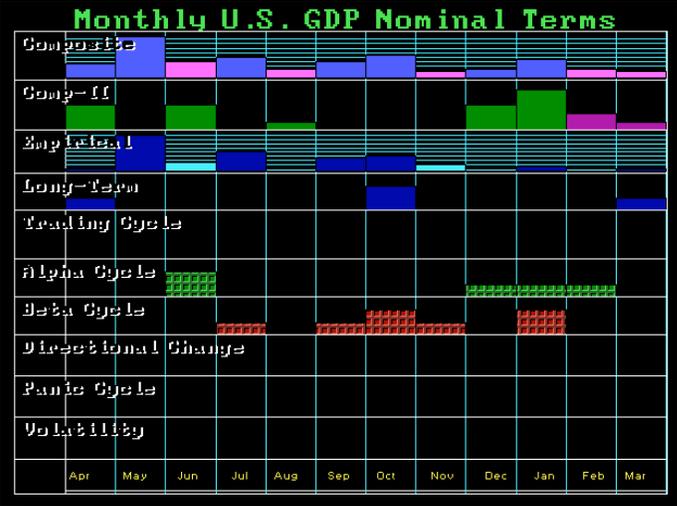
In studying history, I came to realize that there was a cycle to innovation as well. I agreed with Schumpeter and his view of **Creative Destruction**. We must realize that the economy was already moving from bricks and mortar to online. That meant retail sales jobs were a gradually declining position like farmers in the '30s. As pictured above, even Walmart has moved during this crisis to machine only check-out.



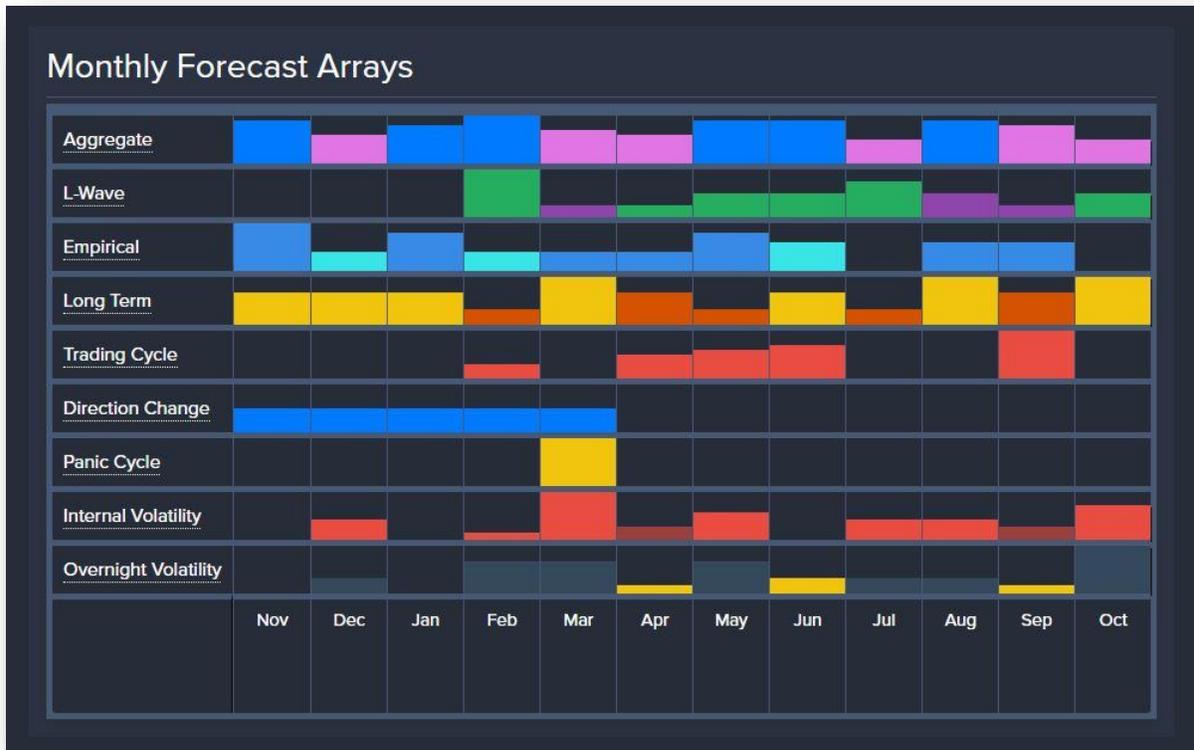
Joseph Alois Schumpeter
(1883–1950)



The prospect of getting a negative Real GDP number for the 1st quarter 2020 remains very plausible coming in at the -0.001% level. While there is slight hope that the low here during the 1st quarter of 2020 could be the low, the continued decline during the 2nd quarter will warn that the bottom will not come until the 4th quarter 2020 with the elections. Socrates projects the high in February in the Dow and a Panic Cycle was due in March. We have the next two turning points as April and June and then we head into August/September followed by October/November 2020.



When we look at the Array on GDP, we would expect the decline into May. That could produce the most drastic numbers. The Democrats are doing everything in their power to blame Trump for every death and to use the deaths and fear they have created among the people aahainst Trump at every possible moment.



Even our Array on the Dow Jones Industrials publish back in October 2019, showed the turning point in February with a Panic Cycle in March with most likely a low forming in April or at least the lowest monthly closing before there would be any hope of a low coming into play.



Nancy Pelosi is clearly making politics the main issue. She delayed any stimulus package to stuff in things that had nothing to do with the virus and then tries to blame every death on Trump.

All the left politicians are lined up in Europe and the USA to push their agenda because they also **KNEW** they were losing power. In the USA, all the polls showed their impeachment of Trump failed and he gained support.

Gordon Brown calls for global government to tackle coronavirus

Ex-PM at centre of 2008 banks rescue suggests taskforce of leaders and health experts

- [Coronavirus - latest updates](#)
- [See all our coronavirus coverage](#)



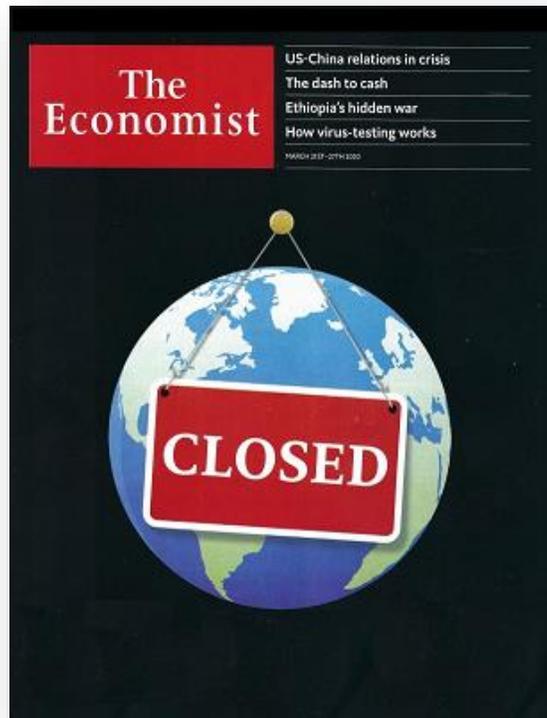
This was the only way to push their Socialist agenda for the old generation of Socialists are expiring. They support of Climate Change was not winning the day. Championing a 16-year-old was a brilliant move to justify seizing industry, but it

just fell short of enthusiasm. This is their last stand. We have so many confirmations at this point that we are witnessing a political coup to deliberately destroy the economy to (1) defeat Trump in the USA, and (2) to federalize Europe.



Millions of people have been seriously harmed by this coup who are the average people on the street. In many lessor economies, they will have lost their jobs permanently. The world stock exchanges have crashed and many countries are shutting down the economy without justification imposing bans on going out under threat of fines and arrest.

Unemployment claims in the United States have exploded and many small businesses that have lost ground to online sales will simply use this as the excuse to call it quits.



There are many people who are raising their voices screaming, in fact, about the coronavirus is not a crisis. They point out how absurd and hysterical this has become. The measures are overly drastic, and doctors are reporting to us that the tests have a 5% false-positive result. Thus, if 5% or less of the population are claimed to have “confirmed” cases, that means they probably have just a few or none.



They made such a big deal out of Tom Hanks and his wife being infected, the press has not really reported that they are fine and returned to America.

Doctors on the front line have reported to us that this does not even compare with the more serious influenza virus. We have reports from qualified toxicologists and immunologists who see the current corona crisis as artificially created. This is clearly a political coup by the left to seize power. They may not have realized how much damage they would cause, but they will now seek to cover-up their actions. We have DIRECT sources confirming calls were made and key people were just told to sell everything because of this virus back in January.

While Denmark and Norway closed their borders, restaurants and ski slopes and told all students to stay home this month, Sweden shut only its high schools and colleges, kept its preschools, grade schools, pubs, restaurants and borders open — and put no limits on the slopes. Sweden has rejected the idea of shutting down its economy and wisely so.



Pol. Col. Khemmarin Pissamai (center) vowed that, despite the risks of officers contracting Covid-19, they would be on the streets to keep order amid during what he called a "risky" time.

Pattaya police chief warned of a potential crime wave fueled by job losses and income cuts due to the coronavirus crisis.

Outside the United States in third world countries, we are looking at massive rise in civil unrest. People have lost jobs and small businesses have collapsed. This scare has been devastating to the global economy from which there will be no easy recovery (See Thailand, Pattaya). The greatest damage will be outside the United States. What has been done to seize power is unbelievable.



There is a major push to cancel the currency in Europe and since this virus is already being questioned by so many experts from the field, their grand plan to eliminate the paper currency may have to be taken on an urgent basis. We still see the 2nd quarter as the turning point for the Euro. The losses inflicted on institutions have them in a crisis model of raising cash and have been selling assets taking the funds home to cover the books for the end of the quarter.



We have confirmation that the Bank of France is already conducting tests of the digital currency they are trying to rush into place for the Euro. Once again, this is a solution for Europe, not the United States or Canada no less Asia. The ECB can no longer do anything. It has been trapped into negative interest rates since 2014 with nor possible exit plan without a complete meltdown of the European Monetary System.



I have written about what I called the Shadow Repo Market. This grew out of the Swaps market, but to make this clear, the Fed has been lending money to central banks to help them since the Repo Crisis began on September 17th, 2019. A number of people wrote and said they never heard of such a market. All I could say was my sources were direct.

Now the Fed has come out and announced that it is formally opening a "Special Repo" to facilitate other central banks. Welcome to the dark side of the financial world.

This is a political coup. I have probably the best reliable sources than anyone. With time, perhaps this will all be exposed and surface. What will be the political consequences when it does?