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Looking Behind the Curtain

The "Real" Conspiracy

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 April 9th, 2009

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 At a future date, a book will be released **The Geometry of Time.** The charts are often reproductions of an earlier publication from 1986 also to be soon republished **The Greatest Bull Market In History** covering from 1900 up to the 1980s. Additional updating is underway to complete the Century and into the current time, providing a month to month history of the financial development of **Western Society.**

Looking Behind the Curtain

the "real" Conspiracy

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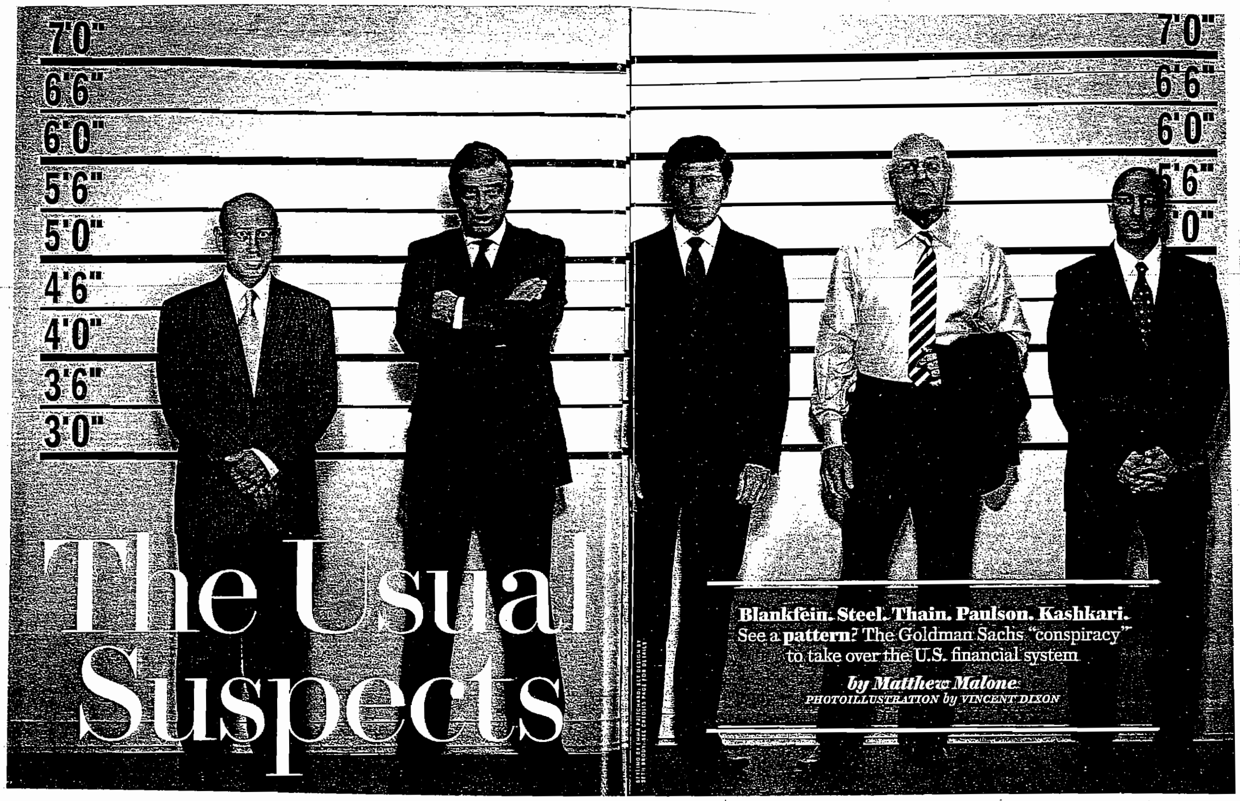
by: Martin A. Armstrong
former Chairman of Princeton Economics Int'l, Ltd.
and the Chairman of the Foundation for the Study of Cycles

Many people have written asking about Goldman Sachs and its conspiracy to control the Financial Markets. I have even been asked whether I believe that the attempt to assassinate me of May 10th, 2007, was connected to Goldman Sachs? Let me explain this subject very carefully. I realize that there is a storm cloud brewing with conspiracy stories with Goldman Sachs at the center. These theories are not perhaps absolutely correct, but they are not far off either.

The February edition of **Portfolio Magazine** ran an outline of the Goldman Sachs' "conspiracy" written by Matthew Malone. It reported eight (8) essential core elements to why people are beginning to suspect something is going on. Where I differ, what I was investigating was a group of houses and individuals who were banding together to manipulate markets. Goldman Sachs perhaps is the leader no doubt for they control what others cannot - politics! But the core element that is at issue is that we do not live in a world that we think we do. I have been behind the curtain. I was invited to join this "club" expecting me to bring billions of dollars from Japan. I was asked to bring $10 billion back in 1998. That meeting was with Dov Schlein President of Republic National Bank. To put this in perspective, Republic National Bank was sold to Hong Kong Shanghai Bank Corp ("HSBC") for about $10 billion. So these were the days when a billion really was a lot of money - the old days when the prime residential street in London by the Park was still known as millionare's row, compared to today it is Billionare's Row. So in modern terms, I was asked to bring over nearly a $100 billion in today's money that the bankers could have fun with offering only a AAA guarantee from a consortium. I declined. I explained that I would have to personally guarantee such a project by my word, and I would not do that. They wanted to grab the commodities of Russia, and they as a group, did not believe in analysis - they believed in absolute control.

I must praise **Portfolio Magazine** and Matthew Malone for having the courage to even run this story. You will never see this even hinted at in the major Newspapers. You have no idea that behind the curtain, there is also no free press, for the US Attorney will call and ask for favors. It is like trying to negotiate with a criminal pointing a shotgun in your face. He who has the power, makes the rules. The Executive will not tolerate a free press that would ever expose them. Look at the case of the New York Times journalist Judith Miller thrown into contempt and held in prison until she was willing to testify and turnover the whisler blowers against the Government. Do you really think there can be any remaining free press after that? Who will now reveal the truth to the media? If they do, the journalist can be tortured until they testify against you. What that case did, was turn out the light on American liberty forever. We will never know the truth, because anyone who prints it, can now be imprisoned.

Portfolio Magazine Feb. 2009



The courage to even print this story by **Portfolio Magazine** is remarkable. I can only hope that the spirit of independence will not die. We need desperately to restore the free press. In the instant matter, you are not likely to see this story in a major newspaper for two reasons (1) it exposes the truth about the game is rigged, and (2) **Goldman Sachs** is a powerful force that not merely controls the government in so many ways, but they can dictate the fate of a newspaper by the revenue and by implication with the criminal prosecutorial powers.

In the financial industry, just to get an interview at **Goldman Sachs** was like appearing before God himself. The image spun around the firm was one that somehow **Goldman Sachs** was just always better than everyone else, and was someone so smart, they were always able to one-up everyone else. **Goldman Sachs** got the biggest deals, was able to groom its employees for top level government jobs securing political control both in the United States as well as Europe. They paid the highest bonus deals that amazingly are never criticised even in this atmosphere. It is a popular view that **Goldman Sachs** is like a cunning cat that always lands on its feet, simply because it has developed an unfair advantage with regulators and politicians alike. As **Portfolio Magazine** reported, when their alumni were asked about the **Conspiracy**, "some didn't appreciate the joke. Goldman said that such claims are ludicrous." Nobody would expect **Goldman Sachs** to admit what they have been doing. What we must understand, is why!

Goldman Sachs is not interested in controlling the world, just the world economy pulling the strings behind the scenes. We should not expect the SEC nor the US Attorney to admit they look the other-way. All we can do is examine the evidence, for those involved would never admit anything. The whole **Sherman Anti-Trust Act** was based on precisely this sort of activity. Never has anyone really found a corporation guilty in the essence of what the **Anti-Trust Act** was suppose to prevent. The theory that corporations could band together to manipulate markets or industries, would be a bust unless they included members of government. The only way to succeed is by controlling the political powers. Unfortunately, we do not live in a real democracy, for we do not elect the treasurer, head of the Federal Reserve, SEC, or Attorney General. These are positions that are the spoils of politics that can be bought like a hooker.

the Alleged Goldman Sachs Conspiracy

The alleged **Goldman Sachs Conspiracy** as reported by **Portfolio Magazine** last February, centered around eight (8) primary points.

(1) Hank Paulson let **Bear Sterns** collapse, and be absorbed by J.P Morgan at a mere $10 per share.

a) Rumors were that traders at **Goldman Sachs** were shorting the stock of **Bear Sterns** to force its collapse.

b) Conspiracy was that **Goldman Sachs** and other firms retained a "grudge" against **Bear Sterns** since 1998 when **Bear** refused to join in the $3.6 billion bailout of **Long-Term Capital Management.**

Truth:

Bear Sterns was <u>not</u> part of the Investment Bank "club" and thus fought in competition against the organized market manipulations. This will be explained in greater detail below, but the stock of **Bear Sterns** was aggressively being attacked in an effort that appears to force its collapse.

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(2) CEO of Merrill Lynch John Thain was once co-President at **Goldman Sachs.** Thain in the middle of chaos, sold Merrill Lynch to Bank of America for an actual premium when days later **Lehman** was bought for pennies by Barclays of Britain.

a) the conspiracy theory was that to protect a former Goldman co-president, the forces behind the curtain moved Geithner and Paulson to urge Bank of America to buy Merrill

Truth:

It is unlikely that this conspiracy to sell-off Merrill was designed to protect the reputation of **Goldman Sachs** or of John Thain. There was exposure inter-related and Merrill Lynch was the biggest retail client base.

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(3) **AIG Bailout** of $85 billion, was later raised to $123 billion. It was Hank Paulson who installed who, Ed Liddy as **AID's** new CEO who just happened to be another Vice Chairman of **Goldman Sachs.**

a) the Conspiracy theory claims that rescuing **AIG** was necessary to protect **Goldman Sachs** who had $20 billion exposure itself to **AIG.**

Truth:

AIG bailout was quite simple, they were one of the founding members of the manipulation club. Gretchen Morgenson of the New York Times reported that it was J.P. Morgan who took the whole idea to **AIG** about creating the CDS product. **AIG** participated in numerous manket manipulations from London, for that operation was set up outside of the United States to ensure privacy from regulators.

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(4) The **Paulson $700 Billion Bailout** package ended up extorting from Congress a vast amount of money far beyond what the banks needed, as a last ditch effort to grab while Paulson was there. Only $250 billion was drawn down of which $10 billion was given to **Goldman Sachs,** but Paulson refused to give only $6 billion to **Lehman Brothers,** because **Goldman** wanted their clients.

a) Dick Fuld, CEO of **Lehman Brothers**, was asked by Congress why **AIG** was bailed out but not **Lehman**? He responded: "Until the day they put me in the ground, I will wonder."

Truth:

Lehman had always been a fierce competitor to **Goldman Sachs.** The chance to put them out of business was far too tempting. **Goldman Sachs** through Hank Paulson, achieved its goal and took one step closer to eliminating the very competition they disliked so much. The dream at **Goldman Sachs** was always to be the dominant force no matter how that had to be achieved from the rumors that poured out of that firm.

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(5) **Goldman Sachs** and **Morgan Stanley** are allowed to become bank holding companies allowing them to take deposits that are now FDIC insured.

a) **Lehman** was the first to approach the Federal Reserve with this idea, but was resoundly rejected.

Truth:

It is amazing that the Federal Reserve would reject **Lehman** yet support **Goldman Sachs** and **Morgan Stanley** who dreamed up these nightmares and sold them to **AIG** to use their AAA rating and name as a major insurance company. Why did **Goldman** and **Morgan** need to become FDIC insured? They were huge in getting their money from money-market funds. That was cheap, but uninsured and the average maturity was at best 30 days. Both **Goldman** and **Morgan** needed long-term capital to play with. What they needed were bank deposits from the average person to keep the game going. The business model was changing, and they saw the light, and stole the idea from **Lehman.**

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(6) **Outlawing Short-Selling:** On September 19th, 2008, the SEC Commissioner Christopher Cox announced a one month ban on short-selling financial companies. It is true that both **Bear Sterns** and **Lehman Brothers** long complained to regulators that "traders" were shorting their stocks trying to create a panic. The SEC protected **Goldman Sachs** and the key manipulation "club" yet when the share prices of **Goldman Sachs** fell by 20% in just three days, the SEC acted to protect the golden child.

Truth:

There is no explanation as to why the SEC would never act when the source of short-selling was from **Goldman Sachs** or friends. The SEC does not in any way protect the markets. They prosecute a lot of small-time offenders to create the image that they have teeth, but they are as corrupt as any third world Banana Republic. They do not audit any of the big houses, and yield to their desires. Even Hank Paulson when he was head of **Goldman Sachs** argued for greater leverage to stay competitive with overseas. Who was using the leverage overseas? Could it have been **Goldman Sachs, Morgan Stanley** and of course **AIG?**

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(7) **Bailing Out Citigroup:** Yes it was true that even after a $20 billion injection for Citigroup, their stock fell by 60% in a single week. **This led** to another $25 billion package and then the government agreed to add more if their losses exceeded $29 billion.

a) Who was the Citigroup advisor? Robert Rubin, former US Treasury Sec. and another Goldman chairman who was paid $62 million in fees between 2004 and 2007.

Truth:

Citigroup was too big to fail, but they had Robert Rubin as their white knight. The conspiracy theories that claim this was to help Rubin, are a bit far-fetched.

(8) **Obama** was the golden Manchurian Candidate of **Goldman Sachs,** is perhaps a bit over the top. It is true that the employees at **Goldman Sachs** were among the largest donors to Obama as reported by **Portfolio** $884,000.

a) the Rumor was that **Goldman Sachs** manipulates Obama and is on its way to become ots own superpower.

Truth:

Goldman Sachs did not only back Obama. You will see they supported McCain as well. They know how to play politics very well. **Goldman Sachs** works very hard at controlling government. They groom their own for positions within the executive branch. Yet don't forget New Jersey Governor Jon Corzine. Also do not for a moment think this is limited to the United States. We also see the **World Bank** run by Robert Zoellick, who was a managing director of **Goldman Sachs.** We find Mario Draghai, who is leading the European Union response to the crisis is yet another Vice President of **Goldman Sachs** previously. Hank Paulson, appointed a 35-year old **Goldman Sachs** vice president Neel Kashkari to head the $700 billion **Troubled Assets Relief Program (TARP).** The **Goldman Sachs** powerbase is even on both sides of the Atlantic, and we find that the Merril Lynch CEO John Thain was also a former co-president of **Goldman Sachs** and the head of **Wachovia** Robert Steel was a former **Goldman** Vice Chairman. This amazing group of political connections runs deep into the workings at the **International Monetary Fund** as well. The real question is; How Can a Treasury Secretary still have stock in **Goldman Sachs**?

25-Years in the Making

For at least the last 25 years, there has been a group of "professional" so called traders that have not really been interested in trading, but in manipulation. Perhaps it began with the Agricultural markets. Like the movie **Trading Places** with Eddie Murphy that centered on commodity brokers who were looking to get access to an agricultural report from Government that would move markets, there was some of that going on. But there were others who actually manipulated the inventories by moving product from one warehouse to another. Not all warehouses were within the official exchange inventory. Therefore, moving product in and out of the warehouse could manipulate markets on a short-term basis since the average traders tended to rely upon fundamental news. The advent of technical analysis was the early 1970s. It was a lost art after the 1929 collapse.

The manipulations of this sort dominated the 1970s and 1980s. There were even expansions into the tax arena. Commodity traders invented tax straddles whereby one could buy say gold in December and sell gold in March the next year simultaneously when gold was clearly declining. This would enable the loss in the December contract to afford a tax deduction while the profit offsetting the loss was then moved forward into the March contract for the next year. Thus, a fictious loss could be taken in one year, pushing off the profit into the next year, avoiding taxation. The IRS then figured out what was going on and put a stop to that trick.

The 1980s, however, brought home a new invention - desk top computers. While I had gone to a computer engineering school back in the 1960s when they still filled a room. Integrated Circuits were born in the 1960s and it became clear that these huge computers that had already shrunk down from a football field running on vacum tubes with the invention of transistors, the chips allowed us to see that a desk top would be possible. The problem strangely was not building the computer. The question was; What would someone do with it? The vision of just build the baseball field in the middle of the cornfield and they will come, was not exactly business policy. There was no one who could foresee Microsoft. The answer was, build it, and someone else would figure out how to use it.

IBM a decade later, created the desk top computer. During the late 1970s, there were companies creating word processors using 8" floppy disks like 3M Corp. But it was IBM that saw the future and gave it a shot. The first desk top computers that were the top-of-the-line were about $6,000 in the early 1980s. Nevertheless, this allowed much more sophistication that was soaked up by the Investment Banks.

The problem with the modeling employed by the Investment Banks, was the limited scope of data. They turned more to professional math genius types who lacked the experience in trading. This blending was a disaster and contributed greatly to the Crash of 1987. Models used by the industry were short-term. Even today, most systems offering screens and charting for stocks and commodities, only now provide any long-term charts back as far as 1980. If your database is this short, then no model will ever be able to comprehend, no less forecast, an event like a Great Depression.

The modeling on derivatives was far too short-sighted to see the long-term trends. The mind-set of the Investment Bankers was still captivated by the 1970s and the efforts to rig the game. Like Leona Helmsley was quoted saying that taxes were for little people, the Investment Bankers view "speculation" was also for little players. The sure bet was the key to consistent success.

During the late 1970s, the silver market was claimed to be "cornered" by the Hunt Brothers. That was far from true, for what they failed to understand, was that the attitude of the major brokerage houses was not that you were a pure trader-customer, but someone to pick-off for profit. During the 1980s, I had to take on some hedging projects that were awesome. One was in platinum. When you are the largest trader in a narrow market, they watch everything you do. If I was to sell, they assume the whole lot is being sold and jump in front. You suddenly find yourself trapped. I was a witness to the Hunt collapse. They couldn't get out of the market at any price. The dealers were selling in front of them taking short positions looking to buy back when the Hunts were in a state of panic dumping at any price.

I learned early on that to professionally hedge, one had to navigate the brokers. The only way to deal with them, was to play one-off-against-another, use related markets to confuse and hide your strategy, or else fall prey to the Investment Bankers. In other words, if you had a large position of gold that you wanted to sell, you go to a broker asking for a market in silver. He gives you a quote, and you then buy taking what will become an intentional loss. You go back to the same broker and now ask for a quote on the real market you are trying to sell - gold. He will anticipate you intend to buy because of the silver, shifting the quotes to pick-up extra profit assuming you are a buyer. When you sell the gold, you just got a higher bid, you are out of the position, and he is scrambling to cover with other brokers. If you hit all the brokers the same way at precisely the same time, they are all now short, and are trapped trying to get out selling back gold that they just bought from you.

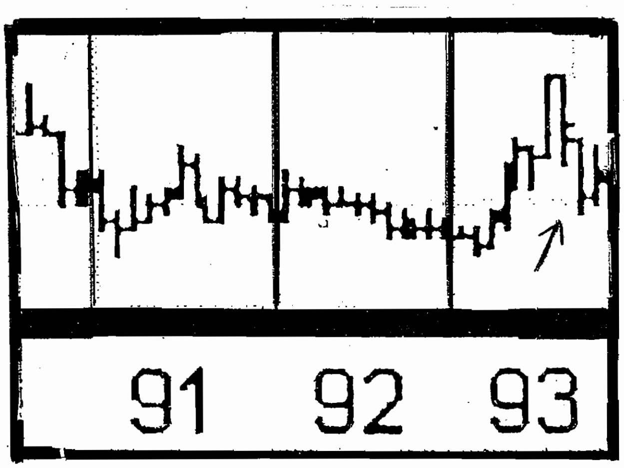
These games are at times necessary in the cash markets because the brokers themselves are not satisfied with just making a real market. They need to create an edge. So when you are the 800 pound gorrilla, you need defensive measures. It helps to understand the method to the madness of the game.

The market manipulations that really began back in the 70's with force, became intermixed among the Investment Bankers with technology. We began to see grouping of houses by the later 1980s and early 1990s. Perhaps at first, they were looking for another Hunt. They needed to sell some billionare on the virtues of cornering and manipulating a market.

The first real coordinated scheme began back in 1993 that I could verify. The target market was silver, and the central player, broker-dealer, was Phillips Brothers who were a big commodity outfit in Connecticut, picked up by Soloman Brothers who was later absorbed as well. This was known as **PhiBro** of the same fame relating to Marc Rich.

PhiBro had a huge client who they were acting for to buy up the silver market in 1993. This was an aggressive professional strategy. The **Commodity Futures Trading Commission** could easily see where the buying was centered in real force. They went to **PhiBro** demanding to know who their client was. **PhiBro** refused to give up the name. The **CFTC** ordered **PhiBro** to just get out of the market. They did. They just dumped everything at the market wiping out small investors in the blink of an eye.

Silver Manipulation of 1993



The **CFTC** just walked away. Had this been a small broker or money manager, he would have been criminally prosecuted. But the **CFTC is** notorious for never even once bringing a complaint against a major house. The sources I relied upon, gave me the name of the client - **Warren Buffett**. Based upon this information and belief, when his name came up again in 1997, it was not a shock.

Nevertheless, this incident set in motion the origins of our current debacle. It is why AIG set up its financial division in London, out of the way of US regulators and the freedom to manipulate whatever markets they desired. Moving to London, was caused by this **CFTC** failure to regulate.

Manipulations began to spread like wildfire. Rhodium, platinum, silver, British pound, Japanese yen, and even the Russian bond market just to mention a few. They began to move in packs, one to cover up a manipulation by making it appear to be a broad market move, and second, to buy strength in numbers. Yes, they even tackled oil and while oil should have gone up to about $100 for 2007, they had their analysts tout like those at **Goldman Sachs** that oil was headed to $300. The trick is always over-shoot the target to create sucking-in power.

It was during the 1990s that the group began to be called behind closed doors, the **"Billionare's Club."** For short, the word **"club"** was entirely sufficient. They relied upon the well known fact even among those that covered the prosecutions of the **CFTC** and the **Securities and Exchange Commission ("SEC")**, and admitted to me personally, that neither the SEC nor the CFTC would bring charges against the big New York houses. Just as you saw there were whistle blowers on Madoff that the **SEC** would never investigate, had those whistle blowers been a **"club"** member, the **SEC** and **CFTC** would then prosecute whoever the "club" handed them.

Michael Milken at Drexel Burnham is a classic example. Drexel was a Philadelphia firm originally, not New York. Milken created the junk bond market and was truly a brilliant visionary. But Drexel created a market those in New York wanted desperately. The way to get that market, was to instigate the powers of government to take down a competitor.

Drexel was not part of the **"club"** of **"white shoe"** members. Drexel embarked on creating a new market based upon debt popularly called "junk bonds" that were thus focused upon profit, rather than the equitable model employed by even the **"club"** and the Federal Reserve. There were companies with great potential, but could not qualify using collateral other than intellectual property so-to-speak. Alcoa Aluminum was perhaps a classic example of the problem. The inventor of aluminum went to all the banks, showing his discovery, but not a single bank would lend money. The last bank he went to was that of Andrew Mellon (1855-1937). Mellon personally called the inventor into his office. He told him his bank could not lend him any money. He then informed him, he would do so personally. The Fed model prevents innovation, the very source of economic growth.

What Milken did at Drexel was perhaps the most innovative advancement in the history of banking so to speak. He created a market for innovation that did not exist, and the **"club"** felt they were left behind. They conspired as always with those in power at the Department of Justice to bring down competitors. These government lawyers are the people who dictate the fate of nations through their own personal greed and self-interest of furthering their career. They are responsible for so much economic damage that far more innovation has left the nation than many suspect. They were the sole reason for breaking up AT&T, and tried very hard to destroy Microsoft. They did destroy Drexel Burnham, and that was certainly not in the public interest.

The S&L Crisis was used as the excuse to destroy Drexel. To set the record straight, James Baker came up with the idea of creating a G-5, back in 1985. The whole idea was to manipulate the dollar down by 40% so they could increase US exports. I personally wrote to the White House warning that this was crazy, would lead to excessive volatility, that would end in a crash. Beryl Sprinkle, Chief Economic Advisor to Ronald Reagan, wrote back. He explained that Princeton Economics was the only firm with volatility models and until others concurred, they could not rely only upon one model. When the 1987 Crash hit, we were urged to immediately provide our analysis since now everyone agreed, "volatility is the number one problem." The 1987 Crash took place because of the G-5, and the failure to understand the offset of the Capital Account against the Current Account. The more foreign investment that poured into the United States, goes through the Capital Account, but the profits in the form of interest and dividends go through the Current Account confusing many that the problem is trade that will result in declining sales and domestic jobs. They forgot, the Japanese had bought almost 33% of the National Debt, real estate, and stocks. Manipulating the dollar down 40% set-off a massive selling of US assets that resulted in the 1987 Crash. When traders call their broker asking why the Dow was down 500 points, the answer was "I don't know!" It was a currency induced Crash caused by the formation of the G-5.

The Democrats gaining control of Congress, wanted more taxes from the rich. They altered the amortization of real estate. They created the S&L Crisis for they destroyed the investment trend in that sector that created a one-way market to just sell. Property values crashed and then their insane regulations of the S&L industry more-or-less required that they lend into the local market with the focus of real estate using the collateral equity model. Suddenly, the S&Ls had portfolios that the taxes wiped-out and the mark-to-the-market accounting rendered many insolvent.

The Government prosecuted two people trying to blame them for their own mistakes. Charles Keating became famous for his S&L went broke defaulting on bonds that the prosecution theory was he knew 7 years in advance that he would default and thus it was a criminal fraud. Keating spent some time in jail, but his conviction was later quietly overruled and a new prosecution was blocked as being political. The other high profile became Milken, targeted because many S&Ls purchased junk bonds that declined with the 1987 Crash. The **"club"** supported the destruction of Drexel to take the market they created, and my sources reported even instigated it.

The theory used to destroy Drexel on behalf of the New York institutions, was to flip inside trading upside down. Unfortunately, the Judiciary protects nobody and will allow the Executive to circumvent the law as if it were a dictatorship. The inside trading issue emerged from the Great Depression. The crime was that a director of a company knew it was broke. He then sold all his stock on inside information, and delayed his action of making a public announcement.

Rudolf Juliani flipped it all on its head. Suddenly, if two people decided to take-over another company, the crime became that a third person was defrauded out of the same opportunity to make money. No one lost money. The courts should have applied the strict construction, but accomodated the will of prosecutors destroying over 50,000 jobs in the process. Office managers at Drexel came into trading-rooms and just told the people to go home. There was no company any more. Never had insider trading ever been used in reverse. Because you cannot win when the courts are not real but controlled by the same employer, everyone was forced to plead. There was one exception. A small timer went to trial, and the jury acquited him.

The **Club** is probably the most powerful force behind the curtain. There have been conspiracy theories about secret groups; but they work together like Anti-Trust groups to just rig the financial markets. They do not aspire to control all governments. They evolved into professional market manipulators that led to both the 1998 **Long Term Capital Management** crisis, and now the current crisis that began from the very same source. Even Gretchen Morganson of the New York Times traced the idea for the Credit Default Swaps to J.P. Morgan Stanley, who took the idea to AIG in London.

The **Club** has been untouchable because they can hire government attorneys directly, or "recommend" a large law firm who relies on their business hire one as a favor. In Congress, a politician cannot go immediately work for a lobbyist. There are no such ethical restraints on government attorneys who truly crontrol far more than anyone has been willing to expose.

We kept track of what the **"club"** was doing and warned our clients whenever their antics were conflicting. One of the big ones that blew the lid off, was again silver. In 1997, I warned that silver was going to rise from $4 to $7 between September and January 1998. I was even invited to join them, and told to stop fighting, and put out false forecasts. I declined. Their strategy became insane.

At first, a friend of mine who had been Prime Minister Thatcher's economic advisor became a board member of AIG in London. He called one day and asked if he could drop in to Princeton the next morning when he arrived from London. I naturally said OK. To my surprise, he arrived with the head trader from AIG London who then proceeded to try to convince me to stop talking about the manipulations. I told him I would not ever reveal any names, and the government didn't care anyway.

Things got insane thereafter. An analyst on the payroll of **PhiBro** had a main contact at the Wall Street Journal. They decided to slander me and get the press to target me claiming I was trying to manipulate the market. It was an interesting strategy, but one I cared nothing about since I was primarily a institutional and corporate advisor, and they were not really interested in silver.

The journalist from the Wall Street Journal called me. He accused me of this nonsense and we argued. It got quite heated. He said if silver was being manipulated, then give him the name. I told him he wouldn't believe me anyway. He demanded the name and so I said fine, go ahead, let me see you print it, knowing he never would. The name I gave him was **Warren Buffett**. He laughed. Told me everyone knew **Buffett** did not trade commodities. I told him that was how much he knew.

The Wall Street Journal published the article. The London newspapers were fed stories by the **"Club"** that I was now the largest silver trader in the world. This became all a joke to me. Even the **CFTC** could look at positions and knew I was not a big player in silver.

The mistake made by the **"Club"** by turning out the press against me, was they actually created such a worldwide story that the **CFTC** was forced to call me. They knew I was not the source. They asked me, where was the manipulation taking place? I told them it was in London, out of their jurisdiction. They told me that they could pick up the phone and find out. I told them that they had to make that clear decision. I hung up. Never did I expect that they would really do aything.

A few hours later, my phone rang. It was a good source in London who also was helping to montitor the **"Club"** actions. He told me that the Bank of England had called an immediate meeting of all silver brokers in London in the morning. I was shocked. The **CFTC** had made the call. But then again, I had given them no names so perhaps in their mind, this was fair game.

Within the hour, **Warren Buffett** made a press announcement. He admitted he had purchased $1 billion worth of silver, in London. He denied he was manipulating the market. Claimed the silver was a long-term investment. Everyone was shocked that **Buffett** was suddenly exposed as a commodity trader afterall. The next day, the Wall Street Journal called me. The writer asked - "How did you know?" I told him it was my job to know! Silver thereafter declined and made new lows going into 1999. So much for the long-term investment.

Curious enough, **Warren Buffett** has now been exposed to be human. He has lost about 50% like everyone else. But there is the curious purchase regarding oil. **Buffett** invested in oil at the very top at the same time **Goldman Sachs** was forecasting oil would nearly double. The burning question is; Did **Buffett** get trapped in at the top in oil along with those manipulating oil this time around?

Warren Buffett has admitted he was "dread wrong" in his oil purchase. **Buffett** had to post a 62% decline in net income, but the revealing loss comes from oil and derivatives that he publicly criticised others for getting involved in. The so called **"Oracle of Omaha"** had to explain his derivative losses suddenly claiming he was just managing the risk. Yet the other contradiction is the huge purchase of **ConocoPhillips** stock when oil prices were at their high. Does this have anything to do with his old contacts at **PhiBro** at a time that all the **"club"** members were seriously long oil and had their analysts telling the public it would still double? Its called talking your own book.

There have been organized market manipulations in search of that **perfect trade** based upon inside information for a long time. The whole inside information crime is bogus. It is one thing for a director of a company to sell his shares before he announces the company is broke, but it is a difference concept when the inside info is to get your hands on government reports or watching what someone else does. There is no 100% guarantee in such a setting. In fact, the movie Wall Street with Michael Douglas portrayed inside information as a young broker following executives around and guessing correctly what the merger would be. Sorry, that is not a crime unless the prosecutors want to make a name for themselves.

What we are talking about is much more close to corruption than inside trading. There have been major manipulations of markets such as rhodium and then there was the manipulation of Platinum. Cornering a supply is far too risky. What the **"club"** did was to join forces with Russian politicians. The deal struck was to recall the Russian supply of platinum to suddenly take an inventory. Platinum soared in price. Of course the long positions were already laid in before the announcement. Russia had never before recalled its entire supply to take an inventory. Nevertheless, it worked. They were able to force platinum up for the auto-industry were buyers. At the top, the **"club"** sold their long positions, reversed into short positions, and then instructed the Russians to end the inventory. Platinum crashed. Even Ford Motor Company sued over that one.

The first major failure was 1998 - the **Long Term Capital Management** bailout. It has been widely reported that this was a failure of their derivative trading. That is only partially correct. The derivatives were <u>**not**</u> the cause of the chaotic event, but merely the domino in a complicated chain. The real target was Russia. The **"club"** was deeply involved with Russia and saw this as an opportunity that was perhaps a once in a lifetime.

You will recall that Russia was borrowing heavily from the International Monetary Fund ("IMF"). The interest rates were exceptionally high for short-term paper. I was again approached to join the **"club"** and was invited to Washington, DC where Edmond Safra of Republic National Bank had rented the entire National Gallery for a party he paid for in honor of the **IMF**. Everyone was there. Both current and past politicians and dignateries, right down to Paul Volker.

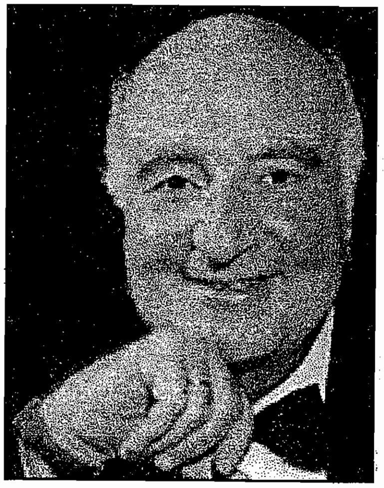
They were trying persistently to get me to join the **"club"** for it was not just money, they were trying desperately to get me to join to tout their ideas. You must understand. Princeton Economics was renowned for our independence. We provided key research to governments, but mostly in times of crisis. We never charged for our services, but always contributed our time as a public service. The primary reason for this generousity, was self-preservation. Once you accept government funds, you suddenly find requests attached. Suddenly, you are asked to generate reports that support pre-determined outcomes. You are quickly turned into a **Economic Prostitute.** This is why when the European Union was forming, a request for a delegation to attend an institutional lecture in London was received. When the Asian Crisis hit, I was requested to fly to Beijing to meet with the Central Bank. China did not pay anything, we would never accept any funds from any Government. This was the primary reason for our stellar reputation, but it was also a target to destroy the messenger, when the result cannot be controlled.

Government has not been the only one who wants to control forecasting. As early as 1983 I was invited to Geneva where the **Gaon** family held a huge party for me and was trying to impress me by introducing me to the mover & shakers of Europe. They had offered me $5 million to use my name to create **"Armstrong"** Financial or brokerage of something like that. I hesitated, confused why someone would offer me so much to just use my name. I was invited to the grand opening of **Herald Square** in New York that I was led to believe was owned and built by the **Gaon** family.

For those who are not European, you may not know who the **Gaon** family was. They owned the Hilton Hotel Chain in Europe known as **Noga Hilton.** They had also owned the Nigerian oil reserves before the coup and nationalization. It was the Nigerian issue that caused the **GAON** family to take in silent partners. To show how **"conspiracy"** theories are not always nuts, the events that followed was like receiving a shock treatment.

It turned out that **Herald Square** in New York was really the property of the renoun Ferdinand Marcos who was President of Phillippines between 1965 and 1986 who lost power just as the **Economic Confidence Model** shifted from a **Public** to a **Private Wave** causing a revolution right on time. The other silent partner was the head of Libya - Mu'ammar Muhammad al- **Quaddafi.** When Marcos fled the Philippines, the FBI was helping to search the world for missing gold reserves. I had long been viewed as an expert on gold after the model accurate pick the precise day for the 1980 at $875 on January 21st, 1980. Adding to the coincidence, I was on the list of invites for the grand opening of **Herald Square.** If this was not enough, suddenly when the FBI came knocking on my door citing these links, I told them I did not know Marcos, nor did I ever advise him of the Phillippines. They then pointed out Marcos had purchase a house in Princeton, New Jersey.

Conspiracy theories are what the FBI and government rely on. It is hard to convince them to the contrary. What the **Gaon** experience taught me, nothing is always what it seems. We had a client in Geneva, **Grainedex,** who I believed was a major grain dealer common to Geneva. It turned out they were a front for the KGB. I soon realized, things were different behind the curtain.



Edmond Safra

Edmond Safra

Edmond Safra of **Republic National Bank,** has always been one of those nebulous bankers whose reputation was in a constant state of flux. There were rumors that he even assisted the **CIA** in the Reagan years with **Iran-Contra** laundering of money. This has never been substantiated, but his right hand man, a Mr. Zucker, seems to have been caught up in the whole mess.

Yes, Princeton Economics did business with Republic National Bank to my regret. But they had a AA rating and were too cheap to try to compete with us in Japan. The problem about dealing with **Goldman Sachs,** they try to steal not merely your clients, but the very business plan itself. One cannot deal with those who are constantly trying to defraud you no matter what.

Edmond Safra was not one of the ranks of **Goldman Sachs,** but he was clearly one of the main players in the **"club"** and I believe his death, or better put his plain assassination, was retaliation for lot of questionable dealings. Through **Republic** I was solicited several times to join the **"club"** and was told specifically to stop fighting them. The **"club"** was so well structured, they held litterally the keys to government regulation. No one would ever question them, and never would the press utter a single word. To wield such power was truly awesome. But we clashed for one primary reson - I believed in forecasting and modeling - they believed in control and domination.

Based upon solid information and belief, Edmond Safra was deeply involved in a bold plot to control the government of Russia. Borris Yeltsin, former head of Russia, was convinced to take $7 billion from the IMF loans to Russia. Two friends of Edmond were involved, Barisnofsky and Gazinsky. One owned all the media in Russia and the other was a partner with Yeltsin's daughter in the national airline.

The scam was to set up a company in Geneva to pretend it was doing the refurbishing of the Kremlin. $7 billion was wired, and Republic steered the wire through the **Bank of New York.** The rumor was that Mr. Zucker organized this one for Safra. As soon as the wire took place, Republic National Bank contacted the US Attorney and alleged that Bank of New York, a hated rival, was deeply involved in a $7 billion money laundering scam. The Feds ran in, and the biggest money laundering case was created.

Once Republic got the Feds to go after **Bank of New York** (not a member of the **"club"**), they then turned to Yeltsin, instructed him that they would protect him, but he was not to run again, and to appoint either Barisnofsky or Gazinsky as the new head of Russia. Yeltsin, realizing he had been set up, surprisingly turned to former KGB head Putin, who promised to clean up the affair if he was appointed as the new head of Russia. To the shock of the world, Yeltsin, who was preparing for re-election, stepped down, and this is how Putin really came to power.

Almost overnight, Barisnofsky and Gazinsky fled. Their assets were confiscated. On December 3rd, 1999, Edmond Safra was assassinated. All his bodyguards were given the night off. Monaco didn't respond to an alarm at Safra's apartment for nearly 3 hours, and in the end, they charged criminally his male nurse who spent 6 years in prison for starting the fire to try to pretend to save his boss. Nearly 6 years later, a truly amazing event took place. The criminal charges were dropped, the sentence was vacated, and the high court merely stated that the judge and the prosecutor colluded to deny him a fair trial. He was put on a plane and sent home. **Never** would such a result take place in a Federal American court. They just cannot bring themselves to rule against the government very often. In a high profile case, it is the old Puritan view it is better to admit no wrong, kill them all, and let God then sort it out.

It was August 1999 when Republic banged on the door of the US Attorney to turn in Bank of New York. Again, after nearly 6 years, the two brokers at Bank of New York were sentenced to no jail time, Lucy Edwards and her husband. When the judge asked who was the $7 billion for, they responded, it was a ransom for some rich Russian businessman. The judge asked no more questions. The American courts will hide the truth more so than any other country.

Eliminating Priceton Economics

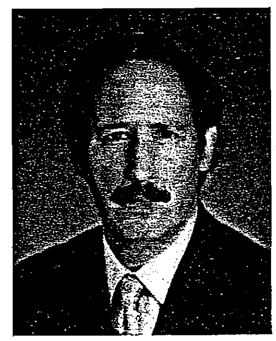
It was also Republic National Bank that started the case against **Princeton Economics** and myself. They lied to the US Attorney, SEC and CFTC telling them that we were managing money and hiding losses. What they failed to explain, it was their own staff that were illegally trading in the accounts. On August 29th, 1999, I went to local counsel Richard Altman who sent an email to Dov Schlien, President of Republic National Bank giving them 1 week to return missing funds or we would file suite. By the end of that week, the US Attorney was storming the office, taking as much as they could, including a computer on which I did personal computer modeling. Republic has issued several hundred Net Asset Value Letters to Princeton, confirming when funds arrived or how much were in accounts. They were on file and audited by Republic beginning in 1995 up to 1999. To escape these, they told the US Attorney they were false to escape liability. But if they were false, why would they actually be on file within Republic?

The government arrested me without ever speaking to a single noteholder. They admitted there was no default. They also admitted that the notes were **"unsecured"** meaning that they were not the accounts of any client. The notes were issued for (1) purchasing pre-existing portfolios of Japanese stocks as part of a bail-out plan whereby the face value of the note owed, was not the net asset value when sold, but the original purchase price of the portfolio. The allegations of the Government made no sense insofar as the accounting reported by the noteholder was always the face value, not net asset value because this was a bailout no different than buying depreciated mortgages from banks today; and (2) we issued fixed rate notes paying 3-4% in Japanese yen, repayable in yen, and again, no trading with such funds would be the property of a noteholder. Hence, the clear allegations were false - these were not managing money for investment purposes with profits or losses flowing back to the noteholder.

Removing All Lawyers

I was raised to believe in the United States, that we were a honest and decent country, the beacon of liberty to the world. Then you step behind the curtain and you see a pervasive wholesale corruption. Justice Setevens wrote, "disposing of lawyers is a step in the direction of a totalitarian form of government." Walter v Nat'l Ass'n of Radiation Survivors, 478 US 305, 371 (1985). Indeed, this is the very objective of the government - to win at all costs and cover-up all mistakes. This is why not only is America the largest penal colony in the world even exceeding Russia and China combined, America has risen since 1987 from a 72% conviction rate to 99% exceeding the worst tyranical institutions in history like the Star Chamber, Spanish Inquisition, Hitler, and we are nearly tied with Joseph Stalin. Prosecutors are very proud in never losing, for they cannot see beyond their own self-interest that what they have done is destroy everything that made us a great nation.

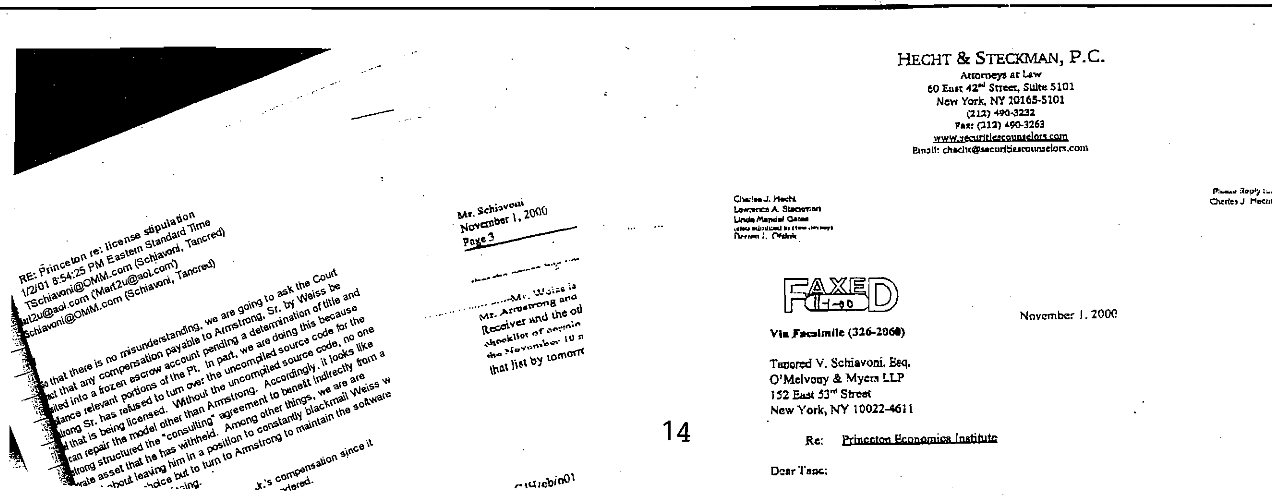
Part of what we call **Due Process of Law** is being served so you are given notice of an action to defend against. In the case of Princeton Economics, there was never any service. The SEC and CFTC insisted upon no lawyers, and then appointed their own equity receiver entering into a secret written **Memorandum of Agreement** directing the receiver **Alan Cohen** to withhold all evidence from myself, my family, and any partners to prevent any defense whatsoever. This alone was a criminal act for it amounted to an illegal seizure without notice.


Alan M. Cohen

Within about 30 days, **Alan Cohen** then pled Princeton Economics essentailly guilty without ever allowing any defense, investigation, or counsel. Can you image if you were criminally charged, denied any lawyer, and then Alan Cohen stands up and pleads you guilty with no right to even speak?

Alan Cohen also seized all evidence gathered in our investigations of the **"club"** that was still in the office, and more than 40 tapes recording sources. **Alan Cohen** threatened my personal lawyer Richard Altman to imprison him on contempt if he refused to turnover that evidence. This seizure was truly astonishing, for the major firm we were keeping track of **Goldman Sachs,** and then after seizing the evidence, he was given a job at **Goldman Sachs** - Executive Vice President in charge of all things, **"Global Compliance."** How does an Executive Vice President of **Goldman Sachs** end up running Princeton Economics under court order? And you still believe in Santa Claus?

Martin Weiss had offered to rent Princeton Economic Institute to keep its staff and the publication and forecasting operating. Suddenly, **Alan Cohen's** counsel, had



revealed that just perhaps this case had something to do with other than fraud. In an email, **Tancred Schiavoni** of O'Melveny & Myers, LLP, to Charles Heck, counsel of Martin Weiss, he insisted that now I had to turnover the source code of the model.

> "So that there is no misunderstanding, we are going to ask the Court direct that any compensation payable to Armstrong, Sr. by Weiss be deposited into a frozen escrow account pending a determination of title and compliance relevant portions of the PI. In part, we are doing this because Armstrong Sr. has refused to turn over the uncompiled source code for the model that is being licensed. Without the uncompiled source code, no one can repair the model other than Armstrong. Accordingly, it looks like Armstrong structured the 'consulting' agreement to benefit indirectly from a corporate asset that he has withheld. Among other things, we are concerned about leaving him in a position to constantly blackmail Weiss who have no other choice but to turn to Armstrong to maintain the software as long as it remains missing."

Tancred Schiavoni

Never would the Government ever admit that they were holding me publicly until they forced me to turn over the model to them. I also believe, that **Alan Cohen** gave every stitch of programing materials he could uncover to **Goldman Sachs.** Of course, neither would ever admit to that one. Mr. Weiss made it clear, they did not require the source code, and that a complied version of the model had been running well for years and did not require routine repairs.

Alan Cohen and **Tancred Schiavoni** threatened our London lawyers with contempt, and put border watches on all partners just in case they tried to come to the United States to assert their property rights. Let one person enter the United States, and they were prepared to have them arrested and thrown in prison without trial for perhaps life under the pretense of contempt. This is the real America most people do not see nor do they even believe is possible. In a letter dated January 25, 2002 from one of our London partners, he quoted the view of our London counsel who said he "hoped he never had to deal with such unprincipled people again." This dynamic duo, have been so oppressive, one cannot even imagine that they would believe in God for they care nothing, and will argue against every Constitutional right shifting the burden to a citizen to prove there is even a Constitution.

How is it possible to pretend publicly that there is a fraud when there was no trading for any third party, and how can they pretend the model is a fraud, yet when the curtain is down, demand that source code as well? By stacking courts with former prosecutors, there is just no hope of ever obtaining a fair trial. There are no rights to liberty or property when the Government is your adversary. To pretend that they are so fair, justice, and magnanimous in front of the curtain, and so evil when you step behind it, is ceratinly not the America the general public believes in.

When I was thrown in jail on civil contempt on January 14th, 2000, it was for an alleged failure to turnover $1.3 million out of an alleged $3 billion. This was so minor, but when friends were willing to put up the whole $1.3 million in cash for bail, **Cohen** and **Schiavoni** objected and prevailed. I was denied bail at any price that could mean only one thing - it never was about money, it was about shutting down Princeton Economics at all costs.

Whatever illegal act it takes to win, **Cohen** and **Schiavoni** engaged in based upon my belief. All civilized nations agree in 1992 to prohibit **"torture"** and of course we know that Bush and Chaney did whatever they wanted in Cuba. They failed to respect that whatever they viewed they could do even to an alleged terrorist, others could do the same to American soldiers. Either we respect International Law, or we have no right to demand others do so when we cross that same line.

Congress enacted the **Torture Victim Protection Act** in 1992, and accepted the world definition of constituted **"torture"** as the deliberate coercion of indicted persons regarding alleged crimes. This mattered not to the American Government, nor to **Cohen** and **Schiavoni**, for they publicly had me thrown into cells along side of alleged terrorists. For more than 7 years, they argued to keep me in jail, even when there was clearly no justification. Instead, they did their best to mislead the press, the public, and the courts to cover-up their shenanigans. They had signed secretly a **Memorandum of Agreement** on or about October 14th, 1999, agreeing with the SEC, CFTC, and the US Attorney, to deprive me of any ability to present a defense by refusing to produce any discovery, including my own files they confiscated. This document set it out plainly and is part of the official court record.

> §13(b) The Receiver and the JPLs acknowledge and agree that they shall not and thay shall direct their respective agents and representatives not to provide any non-public information regarding Group or its Assets to Martin Armstrong, Martin Armstrong, Jr., Victoria Armstrong, any person or entity known to be under their direct or indirect control or acting in concert with any of them, any other former officer, director or employee of PEI or PGM, unless the provision of such information is either (a) agreed to by the Receiver and the JPLs, (b) required by applicable law, or (c) required by order of Either Court.

This was about as unconstitutional as you can get. Yet they still would not obey the Constitution or recognize any rights at any time. When Republic National Bank pled guilty in January 2002, they admitted guilt and agreed to pay back what was taken, $606 million, in return for **<u>absolute immunity.</u>** The **"club"** was caught, but still the Government would not criminally prosecute and only made them pay back what was missing - nothing else. This should have ended the contempt since why should I remain in prison if all victims were made whole? **Cohen** and **Schiavoni** then lied to the court claiming there were still huge losses that predated doing business with Republic, that were not included, yet strangely, there was no actual description of any such fraud. But one existed, as **Cohen** told the court, and I was then held for another near 5 years without any indictment or even civil complaint describing the alleged crime. There was nothing at all!

> **ALAN COHEN:** Losses that occurred in the Prudential period and at the period at Republic prior to the first false NA[V] letter [by Republic] are not embraced within the restitution of HSBC because obviously they weren't in the predeposition period, they weren't involved in it, and in the period before the false NA[V] there is <u>no as description of criminal liability</u>.
>
> (Transcript; 1/7/02, p17, L1-4)(99-Civ-9667)

Cohen, now Executive Vice President of **Goldman Sachs,** is informing the court that in his opinion there are huge losses not included, but there is no list of alleged losses, no list of victims, and no charges either civilly or criminally. You may think that in America there has to be at least some charge before we hold people in jail. Think again.

What proof do I have that **Cohen** and **Schiavoni** knew they were lying to the court to keep me in prison for another 5 years? The US Attorney was deeply involved and I believe did their best to protect the **"club"** not merely giving HSBC and Republic Bank **absolute immunity** for that implies there must have been criminal conduct at the highest levels or else why even give immunity, but when lies are told consistently for so many years, they slip, and the truth springs forth like a weed in the crack of a sidewalk. Assiatant US Attorney **Alexander Southwell** was so eager to get Judge McKenna to recuse himself when he heard that his wife had represented HSBC in some real estate settlements,the truth came out in 2005, more than 3 years later.

> **ALEXANDER SOUTHWELL:** So to be clear, in the event of a conviction, we will request, your Honor, that there be an order of contribution reimbursing ultimately HSBC, who basically made good and paid out these losses for whatever reasons that they did. They compensated the victims ... We frankly think that there is money available, which is part of the reason why Mr. Armstrong has been held in civil contempt...
>
> (Transcript 6/24/05, p11-12)(99-Cr-997)

Suddenly, in 2005 the US Attorney admits that there are no other victims and that any restitution they would want to be paid to the very criminals that they had given **absolute immunity.** Not only was there no alleged huge losses prior to dealing with Republic, but there was never any such criminal or civil charge. The **"club"** did what it had to do to prevent me from ever being released, regardless if there was not even an alleged crime.

Conclusion

We are just not the honest and God fearing country we believe we are. The fact that ever since the **Willy Horton** advertisements, the Judiciary is so afraid of being viewed as "liberal" that the entire Constitution has been reduced to a scrap of dust.

Even when the **"club"** gets caught with their hand in a cookie-jar, they still are told to give the money back and walk away. The **Goldman Sachs Conspiracy** as is now being talked about is far broader than most suspect. One must ask**; How does Alan Cohen end up running Princeton Economics when we were investigating the "club" that included Goldman Sachs?** The answer is simple. The **"club"** does more than influence politicians, they also control the Judiciary and the Justice Department well beyond anything the most outrageous conspiracy theory can create.

On May 10th, 2007, a murderer pending trial was allowed in my cell. He came in and strangled me from behind. After I passed out, he beat me with a typewriter breaking into pieces. He then jumped up and down on my chest trying to cave-in the bone structure to pierce my heart. His name was Mr. George. Inmates yelled for the guard, but I was told he did not push the panic button and waited for Mr. George to finish and he came out proudly yelling he had killed me. I was taken to Beekman Hospital. I obviously did survive after 1 week in intensive care. Mr. George was never criminally charged. Why? Many people, including my family, believe this was an assassination attempt to get rid of me. Of course, when the Feds prosecute everything, and would not prosecute this event, I am myself skeptical about why it took place. I write today because they do not want me to write. I have no doubt that they would kill me if they could. So I sort of have resolved myself to living only for the moment. When you are in the belly of the beast, there is not much else you can do.