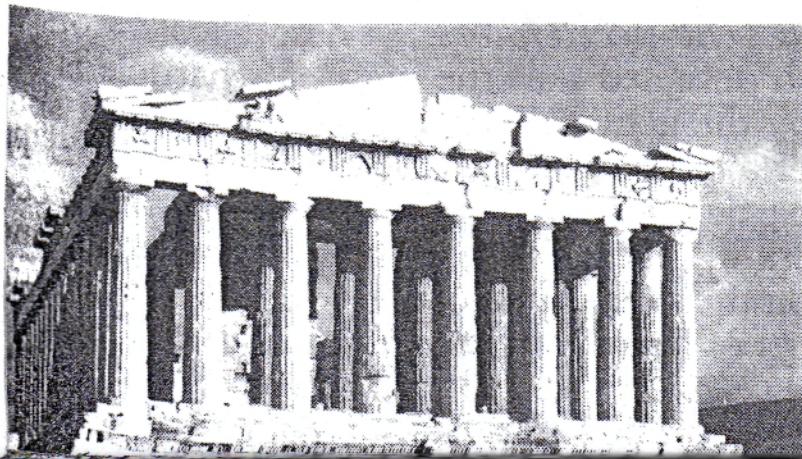


# Armstrong Economics<sup>TM</sup>

## Greek Debt Crisis The Preview



of What Is To Come.

Economics International, Ltd.

Martin A. Armstrong  
Former Chairman of Princeton



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

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

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

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

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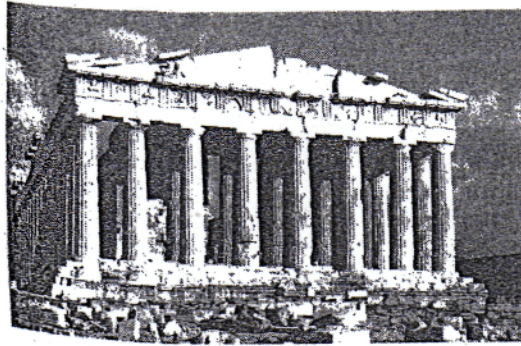
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This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future date, a new edition of the 1986 The Greatest Bull Market In History will be released and a new book will soon be published on the model itself - The Geometry of Time. It is vital that we do not forget this is a world economy and the arrogance that any nation can dictate to the world is just insanity. Every nation effects all others no different than if one nation were to pour all its toxic waste into the ocean. Everything is interlinked and solutions are never isolated events.



# Greek Debt Crisis

## The Preview



## of What Is To Come.

By: Martin A. Armstrong

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

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**G**REECE is starting to produce the unsettling economic undertones that I have been warning about for some time. The mortgage crisis was just the tip of the iceberg. That set in motion a economic catastrophe that is still ignored by governments, and is quietly undermining everything about our economic future. The prospect of the West in general actually surviving our lifetimes, is moving closer to nill. What people do not get is very simple. GREECE NEEDS TO BORROW FROM EVERYONE ELSE TO COVER IT BUDGET DEFICIT. Excuse me, but are we not doing the same thing when we go hat in hand and sell our debt to China and Japan? What is happening is that capital is starting to notice we are in the final stages ready for a major default. There is no nation that is going to survive. This whole nonsense that if we borrow instead of print to cover the deficit, somehow this is less inflationary, it just brain-dead. Neither we nor our children will survive this one. Our politicians are incapable to stopping the train before we run out of tracks. They will not listen to reason, and thus, what you see in Greece today, is coming everywhere be it in Europe or the United States. The vast amount of capital in bonds will be wiped out just as it was during the Great Depression.

The talking heads on TV are so far off the mark it is not even funny. The Dow Jones Industrials fell nearly 1,000 points today and recovered for the close. Their explanation is that the crisis in Greece is having an effect on the dollar pushing it higher and that means US exports will decline and thus corporate profits will decline. That is just nuts.

The biggest down days for the Dow were the 1987 Crash fall of about 500 points in one day. Then in 2008 there was about a 750 point drop. Now today on May 6th, 2010, we fell almost 1,000. And this they want to attribute to corporate profits related to Europe? This is just so serious! flawed, it is not worth even disproving.



This Greek Crisis is extremely serious. The real capital at the big level knows the truth about the debt crisis. Look at China. They shortened their holdings of US debt and have dropped from first place to second. WHY? They see what is coming down the road.

Unlike the government in the West, when I was invited to fly to Beijing in 1997 due to the Asian Currency Crisis, I was excited from the standpoint I had never been to the ancient city of Beijing. While our main headquarters was Hong Kong, I did not travel to Communist China. Being invited was shocking and it blew my mind.

When you meet with people in the US government, they have no real experience. What you end up with are people hungry for power, but that's it. When I met with the Central Bank of China, I was expecting the same like having to lecture on complex topics to third grade. To my total surprise, it was like sitting down with a bunch of traders. Each person had to work on a real trading desk in the West before landing a job at the Central Bank. They had everything I ever wrote and studied it carefully. I was just amazed.

My experience in China explains a lot. China is NOT made up with fancy degrees from academics who never traded anything. These are people calling the shots that are savvy traders. They can see the handwriting on the wall and are acting appropriately.

Our mistake is that we have people in charge who cannot even figure out how to regulate hedging compared to proprietary trading or how to distinguish the two. They work in their bubble assuming they are the center of the world. Nevertheless, they are really sitting in a corner with one of those pointed hats clapping quite excitedly and delighting in their own applause. Like Frank Sinatra sang, don't send in the clowns, for they are already here.

There will be no hearings or even the slightest hint of planning for what if such a debt crisis hits America. They delight in their own power, and cannot foresee their own demise. To them, the idea of a debt crisis is just not plausible. This is why we are living so dangerously for the cabdriver is a monkey and he's too busy peeling his own banana to pay attention to the road.

The reason why the Dow came back even if there was no mistake on Procter Gamble, is that we are in a world of global capital flow. The dollar rose and gold shot up for what we are looking at is where to hide. As the debt crisis gets worse in Europe and in fact spreads from Greece to Portugal, Spain, Italy and even Britain, capital will flee at first to the United States. Even the Japanese yen rose in value. This is a reflection that the Euro is in deep trouble.

Germany can dig deep to save Greece. But where will that end? Are we assuming that will prevent a contagion to others in the Euro? The Debt Crisis in the Great Depression saw Europe default in 1931. This drove the US dollar to record highs. Then when the dollar was at all time highs, capital turned and ran from the dollar assuming the US would be next. The US didn't default, but it devalued the dollar thanks to FDR.

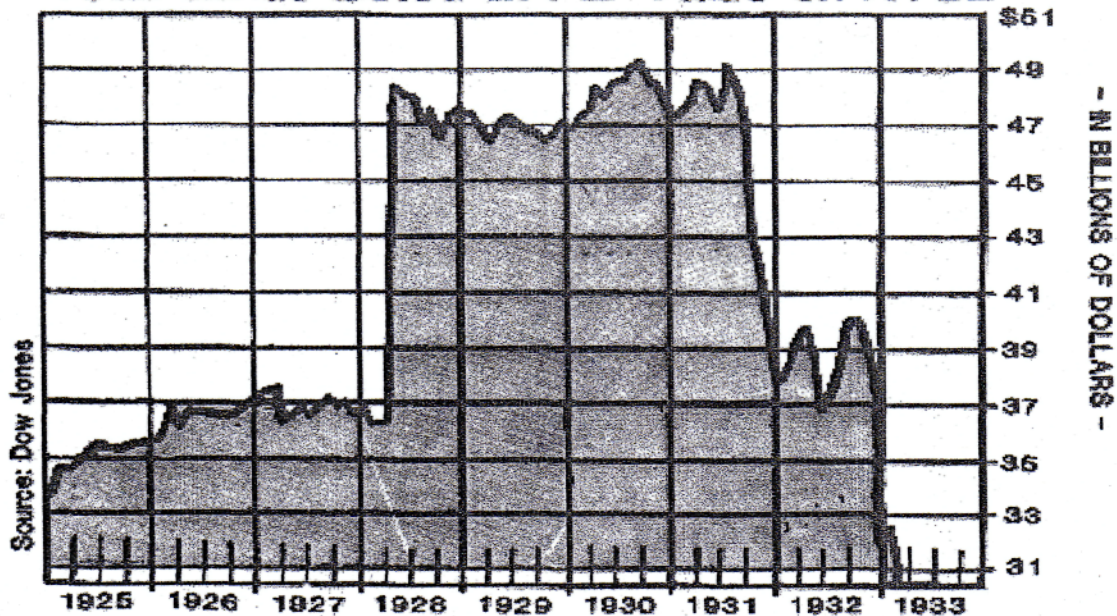
The critical issue here is that Greece is a road map to what we will see hit in all major Western nations. The Europeans will be torn apart because of the Euro. This was a merger of nations, not local provinces. Thus, the critical issue is that the Euro will be unable to sustain itself built upon this structure. I wish I was out now instead of next year. I would submit a urgent plan to restructure and get former clients to plead with the politicians to listen. Europe just could be saved, but there is not much time.

We have to face the music. Politicians will do nothing and will not even listen. So the worse things get, the dimmer our future prospects will become. The IMF is imposing the very same solutions that created the Great Depression. To cut expenditures in the face of this economic implosion in Greece, is going to create massive civil unrest. It also raises the prospects of revolution. We are also seeing a bloodless coup developing in Turkey. We are watching crazy times in Britain. The political fabric is coming undone all over. In the US, the contest between the Republicans and Democrats is reaching pure hatred levels. This could spill over into violence. It is also manifesting in a war against aliens. The world is falling apart because those in power will not listen.

The capital flows are moving the same as they did in the 1930s. It is like a rerun. Unless we pay attention, we are simply doomed.



## Total Bonds Listed at Par Value on NYSE



Above is the chart showing the total number of bonds listed on the NYSE back then. Many were foreign oriented. Whatever had in fact survived the stock crash, was wiped out in the bond crash. The amount of money that is invested in bonds compared to stocks is so overwhelming it is scary.

What made the Great Depression so great was NOT the decline in the stock market. It was the wiping out of capital in the huge global debt crisis. This is what we are now facing. It is why the stocks came back today for in the end, I would be long stocks and short government bonds.

At this time, the US debt and dollar will rally WITH GOLD because we are dealing with a flight to quality internationally. That means capital will flee European debt and flock into US debt. It is the safest only for the immediate moment. The US crisis will hit LAST! This is due to the plain fact that the US is still the largest economy for a while, but it also has most of the nukes.

The early signs in the US economy are already here. They have cut medicare benefits for the elderly dramatically. Doctors can write prescriptions once a month. Care is now denied based upon age.

The very same solution you see right now in Greece you will see in the USA. We will see state pensions of civil servants cut. We will see government pensions federally cut. We are looking at serious cuts coming in this area and that will also cause civil unrest.

There is not much that will survive. Obama has already passed an act punishing foreign banks by charging them 30% penalty on their assets in the USA if they refuse to disclose Americans overseas. US banks cheered since this is protectionist. The key now is to withdraw from the USA if you want business. This means foreign banks should NOT buy US debt at all! This was brain-dead to say the least. Why should foreign banks participate in the US market if their own assets can be seized? Getting every dime from Americans overseas will not solve the debt crisis. It is now going to be worse. This is broadly written so it will effect hedge funds as well. If there is a hedge fund still doing business in the USA, they are asking for trouble. This illustrates that instead of reform, the state will always attack.

Watch closely the events in Greece. It is a road map to what lies ahead. Our own politicians will do nothing. So collapse is impossible to prevent. Hang on. Its going to get nuts.