

Armstrong Economics 阿姆斯特朗·经济

Forecasting the World

# An Islamic Revolution

## Is it on TIME?



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### A C K N O W L E D G E M E N T S

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

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

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

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

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

# An Islamic Revolution Is it on TIME?



By: Martin A. Armstrong

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ARE we looking at a PROTESTANT REFORMATION in Islam? One of the primary reasons why the Protestant Reformation was eagerly supported by kings and merchants, was that they were abolishing the SIN OF USURY and that meant that now Christians could become bankers without risk of violating religious principles. The Protestant Reformation was fought for a lot of different reasons in the minds of many, but economically, it was profitable to break away from the Church

for those who sought to be bankers in the open to compete with the Jewish pawnbrokers. This eventually led to a class distinction between Protestants and Catholics. The former were now merchant-bankers able to engage in banking to both borrow and lend. The first exchange was constructed in Amsterdam. The Catholics were forbidden to borrow or lend. Thus, the leverage of a debt society took hold within the Protestant nations and they prospered rapidly. The Catholic nations lagged behind and thus northern Europe was exploding with economic innovation, while the southern European nations languished in poverty. Catholics became a second-grade class.

"PROTESTANT" meant someone who had then protested. What we are starting to see in Islam is not much different from the real economic driving force that split Christians starting in 1380 with the rise of English reformer John Wycliffe who translated the Bible into English. This was about the same time frame, 1380 years, that have passed since the death of Muhammad in 632AD. The riots began in Iran, then in Tunisia, and now Egypt. These are ALL Economic driven!

There are other differences in Islam such as extreme right and left wings just as there are within Christianity and Judaism. These extremes are a concern in all major religions. Economics is also a very key factor. Catholics were in fact at first forbidden to borrow or lend at profit that subordinated them to Protestants. Here we have unemployment that is the driving force behind the riots and protests. Yet, government is defending itself shutting down the internet that the US intends

to enact the very same power. What we must realize is that government, no matter what its form, always gravitates toward its own self-interest of maintaining power. There is always this trend and Mubarak came to power in Egypt with the peak of the major **Economic Confidence Model** back in 1981 of the last Public Wave 51.6 years.

We are similarly plagued by the fact that senators and congressmen once they get that taste of power, just never want to leave. Mubarak has placed his own personal self-interest above those of the people and cannot see anything that they are protesting about as his fault.

The Arab World is facing a rising youth who were much like the Catholics in that they have become second-class citizens thanks to religion. The extremists have cast a dark cloud over their culture and this has caused them to be painted by a single brush. Just as the Vandals of north Africa who sacked Rome taking the copper from the roofs left a legacy that someone even 1600 years later who destroys a place is called vandalism.

However, from the outside looking in, Americans are seen as arrogant, prudish, and imperial. Ashcroft, former Attorney General under Bush, had draped the bronze statue of Justice in Washington because her bare breasts offended him. If Ashcroft was in power in Europe, he would have destroyed most statues and paintings because of their nudity. It is people like that and the Janet Jackson incident that causes America to be painted with a single brush as being prudish and religious extremists within the Christian world.

Of course, painting any people with a single brush is never really possible. Still, the rising rebellion in the Arab World is very important. It is no doubt quite critical in the economic evolution of the world economy, that unless we look past the images, we will miss the significance of what is truly developing. For that same trend is starting to surface in the United States and Europe.

The **ESSENCE** of economic evolution is tied to (1) communication and (2) the trend toward concentration. Civilization is born

when people come together to form a society, they are agreeing on a culture - a ways and means of doing things collectively. It then creates a atmosphere in which ideas flow with trade. That is vital to the evolutionary process within the economy.

The **INTERNET** has been the greatest of all advancements in helping mankind reach that next level in economic evolution. This is manifesting in causing the younger generation (**THE INTERNET GENERATION**) to form a much larger global society with the freedom of ideas. This is changing the world and it is why government is doing its best to now try to control what has been unleashed.

The **INTERNET GENERATION** is sharing the most critical of all aspects essential to economic evolution - ideas. They are able to communicate across borders and culture forming a culture that is all their own and unique.

I have often been told that I think differently. While I have long disagreed that I am some sort of genius, from my own perspective I have seen my thinking purely as a product of internationalism. I have been a world traveler since the age of 13. That exposure has shaped my thinking process. I have been exposed to both East and West and everything in between. Thus, when I look at the world, I see it through many different eyes. This is a common trait of early thinkers who traveled among many before they saw the light so to speak. This is what the **INTERNET** is doing right now. It is allowing the new younger generation to see the world through many eyes. It is what use to take place by travel. Now, the younger generation is being exposed to a new global culture. In Egypt, they saw what took place in Tunisia and saw that protest could lead to change. The youth in Iran were using Twitter to communicate. This **INTERNET GENERATION** has the potential to make the next leap in our economic evolutionary process leaving behind those who have yet figured out how to fly.

The **INTERNET** is as powerful as the automobile in its potential to force the economy into a new higher level. Unfortunately, this stands in direct conflict with the self-interests of government. The future is on the horizon. We can at least see it, but so can government.

The Arab youth are using American technology in the INTERNET and that is creating a new world that many behind the curtain in government are starting to fear. This is now spreading beyond Egypt into Yemen, Jordan, and we will in fact see it sweep throughout the entire region.

There is some risk that the religious right will gain power. This could indeed destabilize the Middle East. This will send oil higher and will help to keep a floor in gold at the \$1,000 level.

Again, we are looking at the religion has helped to keep the Arab nations in the economic backseat. This is the same thing that happened to the Catholics in the wake of the Protestant Reformation. With time, the Catholics loosened their grip on the whole SIN OF USURY thing, and gradually a Catholic could participate within the world economy along side Protestants. Today, it would be absurd to suggest that a Catholic is prohibited from buying a house on credit or using a credit card.

Yet this transition still awaits many parts of the Arab world. Countries like that of Turkey are modern Islamic states who have relaxed such restraints. This has to a large extent helped to keep unemployment high in the Arab world and this is part that was the tip of the sword that was first revealed in the student rebellion in Iran. I warned back then that this may be the start of a trend and that the Western governments would then start to consider the way to shut down the INTERNET. That has taken place with a bill now pending in the US Senate.

The period ahead appears to be rising political tension everywhere. This is part of the effect that takes place when we are dealing with a SOVEREIGN DEBT CRISIS. This is the root cause for Marx's utopian ideas assuming somehow that if government controlled everything, clearly this would create a perfect world. What Marx overlooked was that the RICH he learned to hate so very much, were those who also sought political power.

People have been quite concerned about Goldman Sachs. It is certainly not for their trading, but for the armour they have been able to construct by hiring so many politic-

ians or sending their own people into key political positions. This is an old trick adopted by the Borgia and the Medici just to name a couple. The Medici were also bankers with political ties. They also in fact collapsed when the sovereign debt crisis wiped them off the face of the economic planet.

The danger ALWAYS comes from those who simply seek to control government and thus obtain special exempt status to gather all the spoils of wealth unavailable by any fair means. These are typical of manipulating markets as did Edward III of England or dictating to the masses by monopolies. It is NOT THE MERE POSSESSION OF WEALTH THAT PRESENTS A CLEAR DANGER, BUT THE DESIRE FOR POWER OVER OTHERS THAT THREATENS THE LIBERTY OF MANKIND!

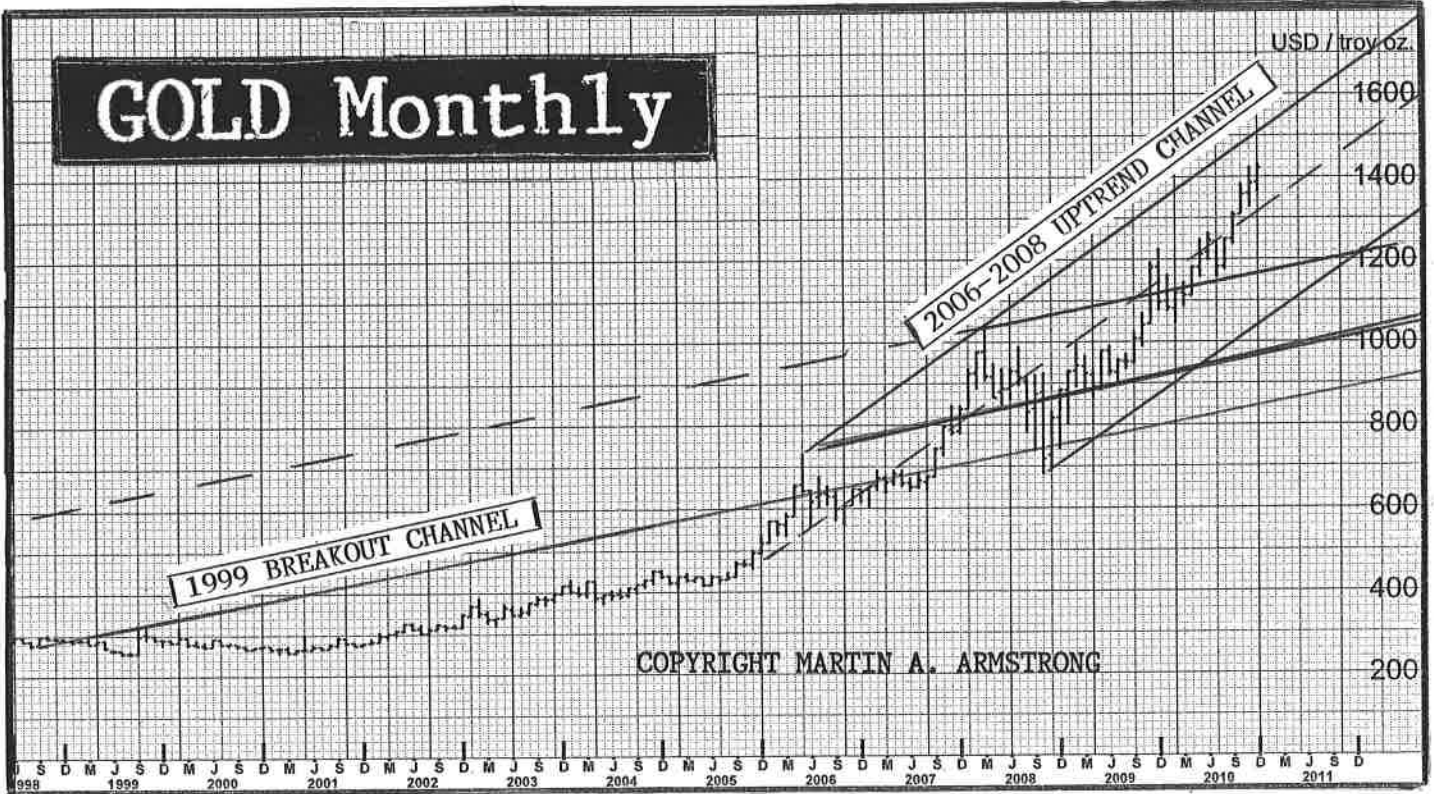
Religion has often been used as the opium of the masses for political purposes. Governments have been known to introduce religion to further political power. Even Henry VIII was against the Protestant Reformation and was against Martin Luther. His seizure of the Catholic Church was purely for political purposes. China also had deliberately introduced Buddhism to help control the masses, and both Stalin and Mao abolished religion fearing it conflicted with the state goals. Therefore, religion has been both a tool to subdue the people as well as on to enflame them.

The economic decline and tension caused from the SOVEREIGN DEBT CRISIS that has been set in motion from 2007, is by no means over no matter what the TV says. They will still speak the party line and say all is back on track, but we are in a period of serious economic chaos. Illinois is raising taxes significantly rather than reform. People are leaving New Jersey and with the same size home, find they have \$15,000 less in taxes by moving to New Hampshire. Far too many states have followed their self-interest and taxed the people to death for they just seize their assets and homes if they do not pay whatever tax they demand.

The economic tension in Socialism is spreading with collateral damage to the rest of the third world. What we are now watching is the rise of a younger generation that is at last saying enough is enough!



# GOLD Monthly



## GOLD

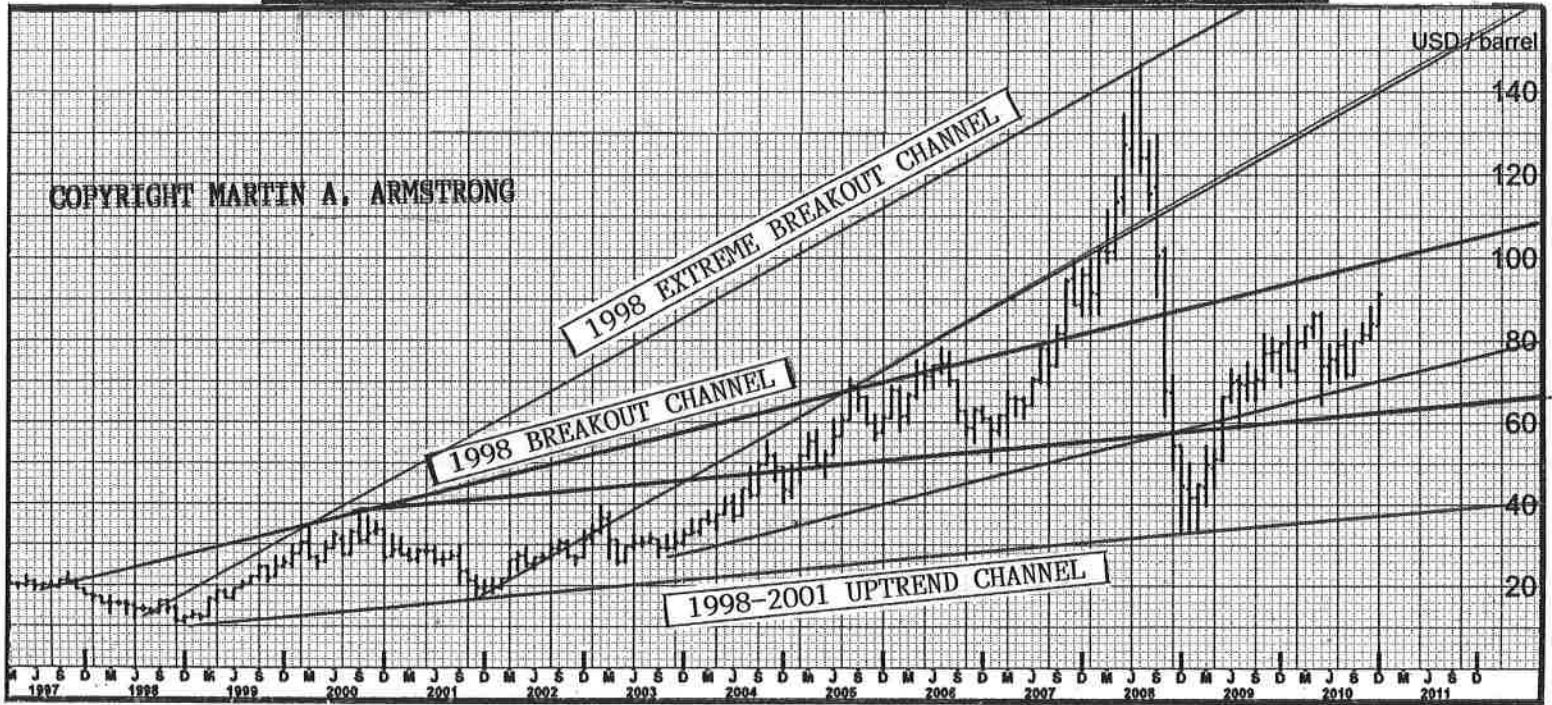
Gold peaked right on time and it has now closed on a monthly basis beneath 1372 suggesting that the decline should now be in motion. The fundamentalists will be pounding their chests yelling at the top of their lungs **SEE! GOLD IS DEAD! LONG LIVE EVERYTHING ELSE!**

There is also the talk about how gold is really a hedge against inflation, but it rallied only because it became a brief hedge against collapse. This is just gibberish. Gold has NEVER been a hedge against inflation for if it was, then it should be right now several thousand dollars. Gold has at all times been a hedge against collapse. It is absurd to call it a hedge against inflation when it by no means keeps a steady pace with everything else. The bottom-line is just that those who refuse to see the world for what it is, hate gold for any rise in price warns them they are wrong. If they tell you gold is dead, listen to what they are trying to sell you. It is usually government debt. These people are insane for just how do they expect to keep the debt game going forever? The music stops some day eventually.

From a timing perspective, we should see turning points in April, June, and October in 2011. The next trending period appears to start in October/November. We could see a low into April/May, rebound into June, a retest of the low or new low in October, and then a rally resuming at that period into 2015.75. Likewise, if Gold rallied back to retest resistance into as early as March or April, then a drop into June would also be possible. If we achieved a low in June 2011, gold could be lined up for a rally 4.3 years thereafter.

The debt crisis is still brewing. We are seeing a reversal of fortune in all such government spending. This is why Obama put a freeze of hiring and raises for government workers that is causing a flurry of retirements now. Obama would not have done that if the economy was improving. The real effect is simply that the worse is yet to come. Gold is not even a safe haven exclusively for the US Dollar. That applies worldwide. Those who try to argue from 1968 into 2001 the CPI rose 5.1% annually and gold 5.6% so that shows its is a hedge miss the point. The CPI is highly manipulated and the formula has been change far too many times to be able to make any kind of comparison. Gold is still the hedge against sovereign debt and that has NEVER escaped default in history just once.

# NY Crude Oil Monthly



## CRUDE OIL

Crude Oil has come back to test the \$100 level that is critical. This is about the top of the 1998 Breakout Channel. As I have made clear over the years, there are ALWAYS three channel constructions from each major turning point. Here I have shown the longest with the shortest being the EXTREME version that provided the high quite nicely. The 3rd channel is the 1998-2001 UPTREND CHANNEL. It was this channel that provided the support the 2009 Crash. Bloomberg News had covered our forecast at Princeton when oil fell to \$10.35 on December 21st, 1998, that it would rally then to test the \$100 by 2007. When that forecast was put out, it seemed quite impossible at that time. But that is the difference between opinion and projections.

Here in 2011, the \$85-77 level is the critical pivot point. We need to see a close above \$105 on a monthly level to signal we could see a sustained rally with the top of the 1998 Breakout Channel becoming support. A monthly closing ABOVE \$100 will also be positive for now. This is NOT basis the Brent, but basis NYC. There are different numbers altogether in each market that is a important distinction.

The rally from early 2007 was precisely a 17.2 month rally into the major high. As 2011 is shaping up, the important turning points in time appear to be May/June and October/November. On an annual basis, it still appears that we should see a 17.2 year high from the 1998 low. That places us also in alignment with the 2015.75 turning point on the next 8.6 year Wave that starts this coming June.

With the uprisings across the Arab world, this is far from over. We are more likely than not going to see real political tension in this part of the world going into 2015.75 and this seems likely to be a big influence in the oil market. We may indeed see crude oil well above \$200 for the next major high due in 2015.75.

From this perspective, this \$100 level is very critical, If we get above it and this becomes support, then doing this at the start of the next 8.6 year wave would tend to imply oil will even get above \$300 by 2015.75. However, keep in mind that we are in the midst of a debt crisis and that is likely to cause the dollar to decline long-term relative to all tangible assets in general with the worst being real estate.