

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE
IAN'S INSIGHTS



Lies, Manipulation and Deception. – All for Naught.

I'm just saying, there's hanky panky going on in the stock market, which, I think, is being propped up by the people responsible for the American economy.

This is being done to reassure American investors, and there are lots of them, that at least, that measure of their wealth is not being eroded. But it's not just the stock market that is being manipulated. Every official economic government statistic has been presented in the best light possible so as to convince the public that things are better than they actually are. I am convinced that the officials who run the US government, at least from a financial and economic perspective, Larry Summers, Robert Rubin, Ben Bernanke, Tim Geithner et al, are presenting dishonest data in an effort to revive the US economy, which is at least 70% dependent on the US consumer. These officials are trying to convince consumers that they will soon be able to live the life that they were living until 2007 brought them down to a dose of reality. That reality was debt doesn't make you rich; in fact, eventually, it leads you to the poorhouse, which is the place, where many Americans are now, sadly, en route.

So, all the numbers, whether they are unemployment, GDP, housing starts and others are always presented in the most positive way. In many cases these numbers are adjusted more negatively in the period following their release, which just goes to show that the initial numbers were bogus. Officially, US unemployment numbers currently stand at 9.6%. John Williams who tracks the US government numbers shows that total US unemployment, if you add in the short and long term discouraged workers is now 21.7%. (See shadowstats.com)

To some extent, we understand that governments must be the leading cheerleaders in economics and finance, because they have now become such big fishes in the economic pond. Every government, including the US government, now accounts for a significant portion of GDP, which means that their sole income to finance their economic participation must come via taxes. A strong and viable economy is necessary to finance this massive government involvement. Hence the perpetual "bullish government" speak on the economy, which maintains, "if you do well (the consumer), we'll do well, because of the taxes you'll pay us."

When the last Depression hit after the 1929 stock market crash, government officials including President Hoover, were quick to acknowledge the dire straight of the US economy. In fact, in May 1930, President Hoover acknowledged economic depression, when he said to a delegation of US businessmen asking for government assistance, "Gentlemen you have come too late, the Depression ended 30 days ago." Well of course the depression hadn't ended, it had just begun, but at least the President was prepared to call it as it was.

Now, there's no acknowledgement of the severity of the situation; there's no word of 'Depression', only partial acknowledgement of the "Great Recession", which has only been admitted to by the US press and never has been part of the parlance of present US government officials. These people would like to talk in more benign terms, using such euphemisms as "slowdown," or "contraction," which means

that everything adverse in the economy is only temporary and we are all going to get rich again in the not too distant future. Following a recent regularly scheduled meeting of the Federal Reserve's Open Market Committee meeting, there was an admission that the recovery was laboring and its pace "likely to be more modest in the near term than had been anticipated." This acknowledgement, "however weaselly the phrasing, that the recovery is losing traction, stoked immediate fears that, in truth, things are worse, maybe much worse, than the Fed perceives (to be kind) or is willing to admit (to be, well, realistic). Alan Abelson. Barrons, August 2010.

But we know how bad things are and how they are going to get much worse. We know because we are in the Kondratieff winter, which is the deflation/depression stage of this long economic cycle. Like the seasonal cycles, you can't have a Kondratieff spring (The re-birth of the economy) until you under gone the miseries of a Kondratieff winter, when debt is wrung out of the economy. Like the four annual seasons, man cannot intervene in the natural process that makes up the four Kondratieff seasons.

In fact, when man, think Alan Greenspan, does try to oppose the natural outcome of 'irrational exuberance', which of course, is a bust, it only serves to make things a lot worse than if nature had been allowed to take its course. So, after the stock markets peaked in 2000, and were followed by a crash in prices, particularly in the Nasdaq market, Alan Greenspan panicked by lowering interest rates from 6% to 1% and flooding the banks with money, which they lent out to anyone and everyone. This served to revive stock prices (The Nasdaq only recouped 50% of its losses, whereas the S & P 500 effectively double topped with its 2000 peak and the Dow Jones Industrial Average made a new high at 14,200 in October 2007). More importantly, these low interest rates and the plentiful supply of money were the cornerstone of what became, probably, the greatest real estate bubble ever. Now that bubble has burst and the repercussions have devastated many Americans. It will get far worse, despite the efforts of President Obama's team.

If Alan Greenspan had not intervened in the natural process of the unwinding of a speculative frenzy in the stock market, and in particular the hi-tech and dot.com mania, which he recognized as such, the real estate bubble would have never have attained its ultimate size. Its subsequent deflation would have been far less painful than that now being endured by so many Americans. This is the law of unintended consequences.

The intervention now is in the stock market. Of course there is no evidence of such. But we have to understand that after the stock market crash in 1987, President Reagan vowed that such an occurrence would never happen again. To that end he initiated 'The President's Working Group on the Markets'. This group, which is empowered to thwart any crash in stock market prices, is comprised of the Secretary of the Treasury, acting as chairman, the chairman of the Federal Reserve, the chairman of the Securities and Exchange Commission and the chairman of Commodity Futures Trading Commission.

In 1997, the Washington Post dubbed this group, the "Plunge Protection Team," which is a name that is now in common usage. In the event of the beginnings of a crash in stock prices, there is really only one way this group can act to avert an all out panic in the stock market and that is, it can buy shares or buy futures in the market. But using government funds for these purposes is expressly forbidden by law, as it should be, for fear that the concept of a free market is compromised. But we don't believe for a moment that the government has any use for the principal of a free market when the last bastion of American wealth is in jeopardy. Anyway, the PPT can use its proxies, Goldman Sachs and JP Morgan, to do its bidding.

Alan Greenspan, the former Federal Reserve chairman and master bubble blower, but obviously still respected by the mainstream US financial intelligentsia, which just goes to show how ingrained they are in their thinking and how dangerous they really are, has several times made reference to the importance of maintaining order in the stock market. On August 1st 2010 in his 'Meet the Press' interview, one of the many revealing comments that he made was this: "If the stock market continues higher it will do more to stimulate the economy than any other measure we have discussed here." That pretty well says it all, at least, as far as I am concerned, 'stock prices must be held up at any cost' to, at least, maintain a semblance of confidence in the US economy.

For many years the Gold Anti-Trust Action Committee has capably demonstrated the ongoing manipulation of the price of gold. Of course, it is important, at least to the US government, to promote the stability of the US dollar, because it is the world's reserve currency. Gold is the measure of that stability. A rising gold price is a condemnation of the value of the US paper dollar, which is being created in copious amounts. But still, the gold price must be contained to somehow convince the world that the paper dollar is just as good as gold. That

battle has already been lost. The price of gold is now well above \$1,200 per ounce, whereas it was only just above \$250 per ounce in 2001. But, those in power refuse to surrender their paper dollars to gold. They continue their charade.

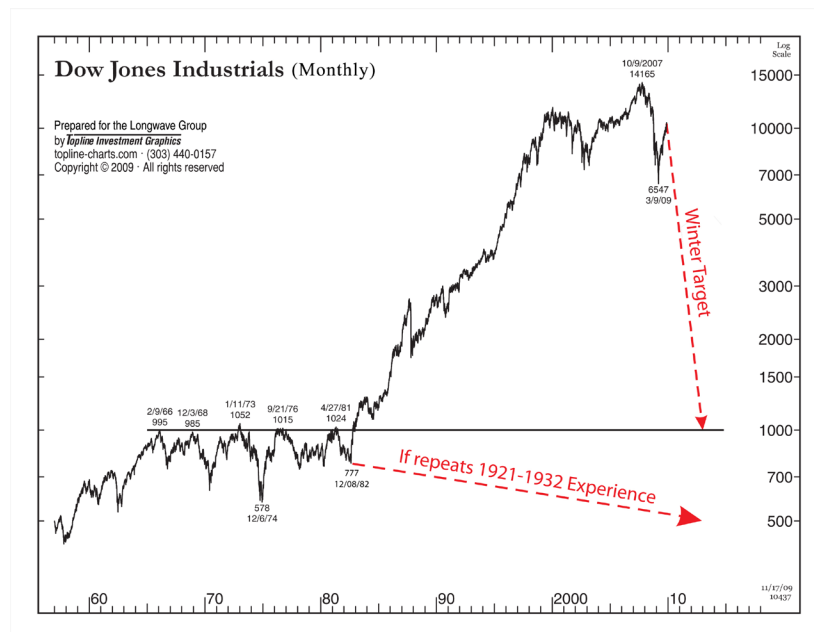
There it is, nothing is real and honest in the US economy and financial system; it is a chimera, built upon lies and manipulation conjured by the ruling elite.

But this cartel's efforts to prop up a failing economy, a cheating paper money system and a stock bear market will come to nothing. All markets and the economy are governed by natural law. Herbert Hoover recognized this and in his book, 'The Challenge to Liberty', he wrote "Economic laws may be said to be the deduction from human experience of the average response of these varied selfish or altruistic raw materials of the human animal when applied in the mass. These cannot be repealed by official fiat." This means the Kondratieff winter will reach its horrifying conclusion, which is an economic depression of unparalleled severity, brought about by the bursting of the enormous debt bubble, which was fostered by a grossly dishonest paper money system.

Our leaders' efforts to circumvent the natural course of events, which they have generated through their total mismanagement of the economy, are bound to fail. In fact, through their misguided interference in the events that are unfolding will only make matters worse. One piece of evidence in this regard is the huge increase in US government debt, created in an effort to re-start the economy. That debt will ultimately bankrupt the United States.

Most people have placed their trust in their leaders, to rescue them from the dire circumstances in which they now find themselves. They are going to be sorely disappointed.

The chart below shows our target for the bottom of this Long Cycle winter bear market. Our reasons for selecting Dow 1,000 as our target bear market bottom are contained in our Special Edition-'Dow 1,000 Is Not a Silly Number' and is available to our subscribers. We don't believe that the 'Plunge Protection Team' has a snowball's chance in hell of averting this very low number.



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"Those who cannot remember the past are condemned to repeat it". Santayana