

---

---

# Armstrong Economics™

---

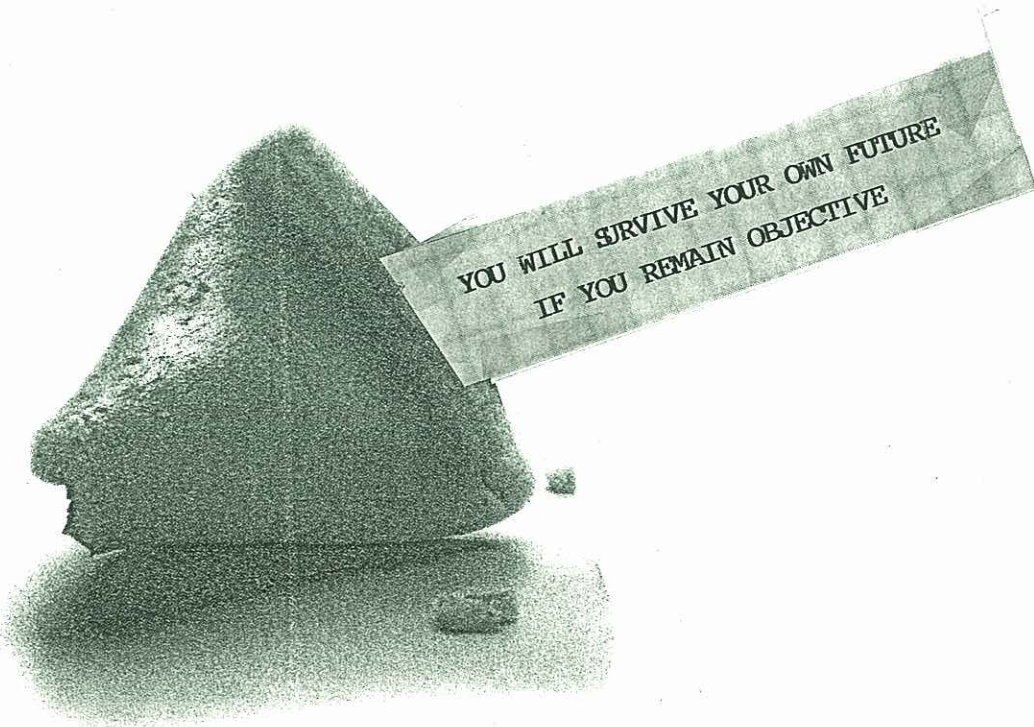
---

## Objective

V

## Subjective

## Analysis



Martin A. Armstrong  
former Chairman of Princeton Economics International, Ltd.

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

I would like to thank the many people who have been writing from around the world. It is encouraging to know that there are so many people who are interested in uncovering the truth. I have also special thanks for so many providing valuable insight into trends around the world from China, Soviet Republics, South Africa, Brazil, Australian, and India. I believe we can survive the folly of governments even if they refuse to listen. The key is understanding the nature of events, and that allows us to correctly make the decision to be on the opposite side.

I would like to also thank all my old friend and former clients for their support and to know that they have continued to gather information that serves us all in times of crisis.

We are standing on the precipice of a new era in global-social-economics. How we enter this new age is of critical importance. Government is incapable to doing anything for any reform of its own abuse of power is not up for negotiation. We must weather the storm, and to do so we need to understand its nature. Just as the 1930s Great Depression set in motion profound changes that were even manifest in geopolitical confrontations, we have now reached such a crossroads. A debt crisis has its tentacles deeply embedded into every sector right into government. This is the distinction from a mere stock market crash that never alters the economy long-term. We are seriously still over-leveraged and some banks are still trying to be hedge funds and have to speculate to make a profit. That is a key warning sign that the worse is yet to come.

## Comments, Suggestions & Questions

Please mail to:

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

PLEASE REGISTER YOUR EMAIL ADDRESS  
FOR FUTURE UPDATED NEWS CRITICAL TO OUR SURVIVAL

[ArmstrongEconomics@Gmail.COM](mailto:ArmstrongEconomics@Gmail.COM)

---

Copyright, Martin A. Armstrong, all rights reserved

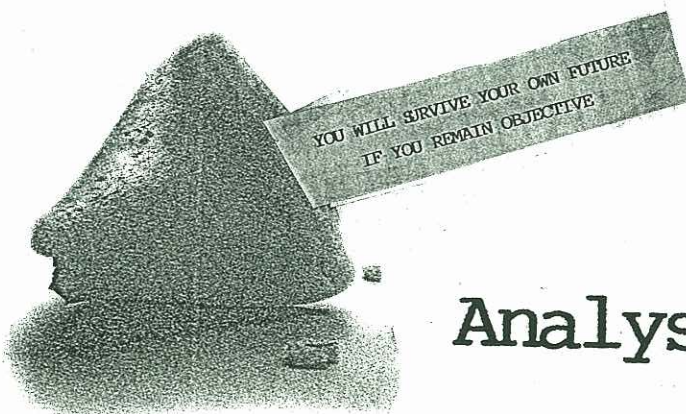
This Report may be forwarded as you like without charge to individuals or governments around the world. It is provided as a Public Service at this time without cost because of the critical facts that we now faced economically. The contents and designs of the systems are in fact copyrighted. At a future 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 affects 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.

# Objective

V

# Subjective

# Analysis



by: Martin A. Armstrong

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

**N**OTHING can be more dangerous than **Subjective Thinking** and when blended with law and politics, you quickly submerge into a deep crevasse that results in endless disputes and no action emerges. The United States political system is handicapped by a very serious defect in our fundamental way of thinking. Lawyers have dominated American politics from the beginning. By default, **legal thinking** is like taking a microscope and constantly zooming in tighter and tighter until it is no longer just looking at a nose, but is now focused on a life form living within the mucus attached to a nose hair. What is happening is where there is usually the danger of **Subjective Analysis** that is simply based upon opinion and **Objective Analysis** based upon evidence and study without bias or a quest to prove a predetermined outcome, when it comes to Government, we end up with not only the **Subjective** form of thinking, but we also then blend that with **Legal Thinking** based upon no rational real world experience that now prevents economic evolution and leads to violence and profound civil unrest. When Mr. Clinton was deposed as President, he was asked a question, and he responded as we now expect all lawyers to act: "What is your definition of is?" Because government is run by lawyers, we are caught in a **myopic** nightmare where we are so short-sighted, we cannot see the future with a search light. When Social Security was enacted, it was a 64 page act. The Healthcare bill has exceeded 2,000 pages. This is what happens when the lawyers are piloting the ship. China, who not only believes in cycles that enabled the government to realize change was coming anyway, and their politicians are far from being lawyers, but are more practical in their training as engineers, has resulted in the much more adaptive form of governing the state and economy **than** what we have seen so far in the West. **Dynamic Thinking** remains the key.

The reason why fundamental analysis always fails, is because of the Fish Bowl Economic Thinking whereas there is a vast array of external forces that can overruin domestic thinking and cause us to create solutions that only lead to new problems. Just as attempting to predict the future from pattern analysis such as **Elliott Wave** or technical analysis is limited by the very nature of Subjective Thinking rather than Objective Analysis avoiding "opinion" reasoning, we are doomed by the merger of Subjective-Legal Thinking that is undermining the evolution of American economic progress.

Legal Thinking has been so destructive to society for it encourages tyranny, major oppression, and corruption in just everything. What happens is a loss of ethics, and the focus now becomes how to technically just lie to make it appear you are doing the right thing. For example, they passed the **Child Pornography Act**, but when a 17 year old girl took nude pictures of herself and sent them to an 18 year-old boy-friend who showed his buddies, he was now locked up and is being criminally charged with child pornography. The prosecutor and the judge see that this technically fits the words, but have lost all common sense destroying society completely.



Chief Justice Roger Brooke Taney  
(1777 - 1864)

There is no better example how the phrase of William Shakespeare, "**The First thing we do is kill all the lawyers,**" comes into focus when one looks at how a nation that is governed by legal thinking can get so lost in its thoughts, we are incapable of moving forward. The man pictured above is the notorious **Chief Justice Roger Brooke Taney** who led the Supreme Court into instigating the **Civil War** when it delivered one of its most destructive decisions in history that illustrates how there truly is no rule of law in America, for we have allowed the blending of Subjective Thinking and Legal Thinking that has been undermining America and will destroy it completely. It was **Taney** who wrote the notorious decision Scott v Sanford where Dred Scott, a black slave, was taken to a state by his master where there was no legal slavery. He sued for his freedom, and lost. **Taney** wrote claiming that every black free or slave, was forever to remain a degraded life form within civilized society and could just never rise to a level worthy of American citizenship. This legal reasoning, he argued, was "**too plain to be mistaken.**" He argued that a century before the **Declaration of Independence**, he claimed blacks had "**been regarded as beings of an inferior order, and altogether unfit to associate with the white race, either in social or political relations and so far inferior, that they had no rights which the white man was bound to respect.**"

The Supreme Court was composed of **Taney** (Maryland), **Daniel** (Virginia), **Wayne** (Georgia), **Catron** (Tennessee), **Campbell** (Alabama), **Grier** (Pennsylvania), **McLean** (Ohio), **Nelson** (New York), and **Curtis** (Massachusetts). The

decision was to be written at first by **Nelson** and was drafted upholding the lower court that **Scott** was still a slave narrowing the question to only the validity of state law. The opinion was taken from **Nelson** and then given to **Taney** to write. This switch has been long debated as to why the justices did this. But make no mistake, there was only one man on the Court at that time who was outright against slavery on a moral issue, and that **Justice Curtis**. That meant that the Southern block could dominate the Court while others like **Nelson** were prone to use myopic reasoning to avoid broad decisions. Both prejudice (Subjective Thinking) and (Legal Thinking) combined to create the Civil War in which more Americans would lose their lives than in all other wars combined.

**Taney** was of the opinion that the South could not break-away and thus the only simple solution was that the nation had to embrace slavery and it was the Supreme Court's job to shove that down everyone's throats. This was his Subjective Reasoning that was based upon his personal opinion. What he did, was in fact force war upon the American people. For what you can gain from objective analysis, is a picture that many fail to see.

At Princeton Economics, we obtained the price data for slave auctions pre-Civil War through a variety of sources including those published in newspapers. While I do not have access to that study at this time, what it revealed was that as the population growth of slaves was taking its course, both natural and limited importation, the price of labor as reflected in the cost for a slave was in fact declining. Thus, from a wealth viewpoint in calculating the amount of land and slaves one owns, it was in a downward spiral.

In 1855, the national population was in excess of 23 million whites, yet there were only 350,000 slaveowners. The Missouri Compromise had skewed the balance in favor of the North and the abolition of slavery. Then came the Kansas-Nebraska Act that only in theory seemed to suggest that slavery would survive. Yet this failed to stem the rising problems and actually helped to bring slavery to the front-line of politics. Like today and how the left and right are speaking in such hateful ways toward each other, the same trend emerged at that time as well. What was happening, slavery was dying of its own weight.

In our analysis of the US economy pre-Civil War, what must be understood is that the decline in slavery was a natural consequence of sheer economic evolution. As the economy of man was about 95% agricultural in the Dark Ages, as trade began to re-emerge and then the Black Death wiped out the labor force of serfs causing the "price" of labor to rise giving birth to wages, slavery became an alternative to the shortage of labor.

However, since ancient times, slavery was justified as the spoils of war. Blacks were taken from Africa sold by other tribes as war captives. But the Romans saw serious problems with slaves. (1) they drove down the price of land and produce making small independent farmers obsolete, and (2) as the population grew like hamsters, so did the risk of rebellion. There was the very famous slave uprising that was led by **Spartacus** in 73BC. **Spartacus** escaped from a training school for gladiators in Capua with about 70 other slaves. He took refuge in Mount Vesuvius and news of this spread far and wide. Suddenly, slaves began running away and joined **Spartacus** causing his numbers to rise to now 90,000. **Spartacus** defeated two Roman consuls (generals) in 72BC. He fought his way through Italy trying to reach the Alps and freedom. When the slaves did not want to leave Italy, he turned south toward Lucania now seeking to cross over into the island of Sicily. But he was prevented from this goal by a new Roman consul sent against him, **Marcus Licinius Crassus**, who was eventually a supporter of **Julius Caesar**.

**Spartacus** divided his army with the Gauls and the Germans forming one contingent. **Crassus** had 8 legions, with about 32,000 men. The Gauls and Germans were defeated and **Spartacus** actually died in battle. **Crassus** wanted to send a message, and he crucified about 6,000 prisoners all along the Appian Way, main road leading to Rome.

Rome began to grant citizenship to the people of its conquered land. There was too much cost to maintain slaves, and the risk of rebellion was squarely within its ranks. So when we analyze the pre-Civil War trends within the economy, we find the same problem beginning to rise. The cost of maintaining the slave population was growing with the population growth, causing the value of a slave to decline. Yet this also lowered the value of labor hurting independent farmers.

The rising costs of maintaining a slave population by itself would have rendered the operation a declining spiral by itself. But now add the problem that this was the start of the **Industrial Revolution**. The invention of the **Cotton Gin** alone, also reduced labor requirements for now a machine would separate the seeds, hulls, and foreign material from the cotton.

Therefore, aside from the moral issue of the abolitionists, the South was losing ground due to the natural economy of size and productivity. Had there been no Civil War, most of the slave labor would have been set free for it was impactful to feed the growing population with declining costs in production. Certainly, whatever slavery that might have existed by the early 1900s, would have been completely rendered obsolete by the invention of the automobile that quickly led to farm tractors and trucks.

Therefore, the trend of the South and slavery pre-Civil War, was already in a bear market. This is the same evolution process whereby the automobile wiped-out the buggy trade. It was one of the wealthiest men of that trade, **William Durant** (1861-1947) who founded **General Motors** for he could see the future where cars would replace horses.

It was the combination of **Subjective-Legal Thinking** that led to the Civil War. **Taney** tried to force slavery upon the whole nation to save a declining industry. They could not see the future because of their bias. We are in serious trouble for the very same reasons.

Those in political power will only see the solution as did **Taney**, force their will upon the nation rather than stepping back and looking at the declining trend in slavery that was taking place because of the economy and evolution rather than a result of the opponent's actions. This very reasoning must be opugned.

We can see the quagmire that has emerged in the United States because our "representatives" are predominantly lawyers. They have no experience in the real world, and thus they are the worst possible choice to lead a nation out of economic chaos. Lacking any real world business experience, they default to the **myopic subjective-legal reasoning** that dooms us all.