

Martin Armstrong: How Europe Destroyed Itself & What Comes Next

Martin Armstrong is the former chairman of Princeton Economics International Ltd. a former leading multinational corporate advisor with offices in Paris, London, Sydney, Hong Kong and Tokyo. He was hailed as Economist of the Decade and was named Hedge Fund Manager of the year in 1998 after correctly forecasting the collapse of Russia. Armstrong explains how Europe has destroyed itself and the difficult future that awaits. Follow Prof. Glenn Diesen: Substack: <https://glennDiesen.substack.com/> X/Twitter: https://x.com/Glenn_Diesen Patreon: <https://www.patreon.com/glenndiesen> Support the research by Prof. Glenn Diesen: PayPal: <https://www.paypal.com/paypalme/glenndiesen> Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

#Glenn

Welcome back to the program. Today we're joined by Martin Armstrong, an economist, founder of Armstrong Economics, and one of the great financial forecasters. Thank you very much for taking the time.

#Martin Armstrong

Well, thank you for having me.

#Glenn

I thought a good place to start would be—well, in terms of predicting where the global economy is going—what do you see as the main variables behind the economic crisis now across the West?

#Martin Armstrong

Well, I mean, primarily I would say the core issue driving a lot of the geopolitical problems is that we're in a sovereign debt crisis. Governments have been borrowing since World War II with no intention of paying anything off—they just issue new debt to pay off the old. The interest expenditures, if you just look at the United States, have now exceeded military spending. I mean, a three-year-old with a pocket calculator could figure out that eventually the interest payments consume everything. And with social spending, that's when you start getting civil unrest and things of that nature. Europe is particularly in trouble—it's even worse there, mainly because they never consolidated the debt.

I mean, they called me in when they were forming the Euro, and I met with them back in '98. I said, "Okay, fine. If you want to create a currency to compete with the dollar, you have to consolidate all the debt." I mean, that's what Hamilton basically did in the United States after the Revolution. And it was Helmut Kohl, who was the Chancellor of Germany at the time, and he didn't allow the German people to vote. He just took Germany into the Euro unilaterally. He admitted before he died that he acted like a dictator, and he said that if he had allowed the German people to vote, he would have lost seven to three, because they would have seen it as bailing out Greece, Italy, and so on.

So he insisted on no consolidation of the debt. Now, I'm more of a trader than an academic economist, so I had to deal with reality rather than theory. If you're a hedge fund manager, you can pick up the phone and say, "Buy me \$10 billion worth of U.S. Treasuries." No problem—it's the deepest market in the world. With Europe, nothing changed. The euro is just a façade. I still have to make the same decision: do I want Germany, do I want Italy, do I want France? So nothing really changed; it was just superficial. And the problem there—we saw the first inkling of it back in 2010, when Greece had to go for an IMF bailout. And immediately, what did the traders do? You know, you're in a trading room.

They just made a lot of money shorting Greece. And who's next? Oh, you know—Spain. All right. So this is the way capital actually moves. And in the United States, all the bank reserves are federal. If, for example, California defaulted, the traders would say, "Oh, who's next? Illinois?" And you'd see them attacking other states. It's the same thing. I suggest you look online and read Herbert Hoover's memoirs from 1931—he describes the same thing. Back then, each country defaulted, and then it would spread to the next one. He said capital acted like a cannon on the deck of a ship in the middle of a hurricane, shooting off in every direction.

He said they couldn't form a committee fast enough to figure out where it was going next. His descriptions—this is human nature. This is how a trading room actually works. And once you draw blood on one of them, you start looking at who's next. The other problem we have is that virtually all your economic theories are rubbish now. Why? Because they were all—well, take Keynes. His ideas were based on the 1930s, all right? The U.S. had a balanced budget then, so raising or lowering interest rates affected us rather than the government, okay? But with World War II and afterwards, Keynes justified that they could go into a deficit.

But he, you know, said that during a recession or a depression, you should increase demand and the flow of money. And the governments basically took that as, "Oh, see, he says we can run a deficit." And then they did it—didn't matter if the country was booming or not. And so I know a lot of people, you know, they keep saying, "Oh, the dollar's going to crash, the Federal Reserve, all this." It's all nonsense. The Federal Reserve is a tiny fraction. What's also changed is that the vast majority of the money supply is really debt. You know, back in the '60s, if you bought a government E-bond, on the back it even said, "Not good for collateral." If you went to a bank and said, "Here, I've got a \$100 E-bond—will you lend me \$50 on it?"

Sorry, we can't. It's illegal. So the theory back then at least made sense—that if you borrowed, it was less inflationary because you were taking money out of the system. You couldn't borrow against it, so it would be less inflationary than printing. But then, after the fall of Bretton Woods, you want to trade gold futures? You post T-bills. So while people are bashing the Federal Reserve, you know, it's a shell game—they're arguing over one shell and not looking at the others. The vast majority of the money supply today is debt, because you can have T-bills posted at a bank and borrow against them, all right? So it's no longer extracting money out of the system.

It's basically just currency that pays interest, and that's why the debt is expanding so rapidly. All the other central banks have cross-holdings. I warned people in Washington that quantitative easing, back in '07, was not going to work. Why? Because, again, these theories are just inadequate. They're all based on a domestic economy—"Oh, if the Fed raises interest rates, it affects us." Okay, very nice, but it's not considering any external factors. All right, why did quantitative easing not work? And then you had other economists coming out with modern monetary theory—"See, we can increase the money supply without inflation." They didn't understand what was going on.

China, you know, took advantage of it. The Fed, in theory—because the marketplace sets the long-term rate—the Fed can only control the short-term rate. So to help the mortgage market, they did quantitative easing; they went in and bought the 30-year bonds. In theory, reducing the supply of the long term would bring down interest rates for mortgages, etc. Okay. Again, that's a domestic orientation. You're assuming you're buying a 30-year bond from an American. But China said, "Thank you very much," sold all their 30s, and moved to fives. So the money went outside the country. And then you have these other people saying, "Oh, MMT—see, we can do whatever we want because it wasn't inflationary then."

You know, it's always this domestic idea—they don't look at anything external. And that's why I say I'm not an academic economist—God forbid. I'm a trader. We have offices around the world, even in China, down in the UAE. I've been an international hedge fund manager, so I know how real capital moves globally. When communism collapsed and you had the Asian currency crisis in '97, I was the one called in by the Bank of China to help. I was surprised—why didn't they call somebody from Harvard or something? And when I got there, I realized they were all traders. China had these people.

They sent them out to work on dealing desks—Tokyo, New York, London—and then they went back to run the central bank. So, you know, it's a funny footnote. When I got back, people from the Fed and the Treasury called me and said, "Gee, what was it like? You were the first person invited by the Bank of China." And I just took the knife, stuck it in their back, and turned it. I said, "Interesting—they only hire people with experience." So, you know, even with the fall of Russia—Gorbachev came to me—and the reason the fall was basically amicable was that he really did understand cycles. He understood that it was time for the USSR to collapse, so he allowed it to happen and didn't interfere.

And most people don't realize it, but Gorbachev also resurrected Kondratiev and apologized for his execution by Stalin. He understood that there's a time and place—no empire has ever lasted forever. The United States won't either. I mean, if that were true, we'd all still be speaking Babylonian, you know? Every empire has risen, and every empire has fallen. And particularly with republics, they tend to be the worst because they become very insular and are very prone to bribery. I'll give you an example. I spoke to RFK Jr., and his staff initially said he was going to run and get on the Democratic ticket. I said, "Listen, all my sources say they're not going to allow anybody on a Democratic ticket to challenge Biden."

Oh, how can that happen? I'm just telling you what my sources are saying. When they wouldn't let him on the ticket, his staff started saying, "Oh, you can win as an independent." I said, "Sorry, my computer says that's not going to work." Only after New York kicked him off the ballot as an independent, I told him, "Look, if you really want to make a difference, join Trump." Why did I say that? Because I knew—talking about this corruption—back in 2016, Trump had met with RFK and given him a commission on vaccines. Most people didn't know that. What happened was the pharmaceutical industry threatened Congress, saying they'd withdraw all campaign funding unless that commission was shut down.

They shut it down a few months before the COVID vaccine came out. So I knew there was a connection, and I said, "Join Trump if you really want to make a difference." That's how that came about. That's what I mean about republics—they're very prone to bribery, corruption, you name it. Not just the United States; it's systemic everywhere. When Trump was elected, you could look at op-eds in the London Financial Times. European leaders all freaked out. They suddenly said, "Oh my God, we could be overthrown." That was the first time a career politician didn't make it, and it scared the hell out of a lot of people. So that's what I mean about republics.

So where we're going from here is that we're in this debt crisis. Back in '98, I warned people from the EU that the euro was not going to survive. What they said to me back then was, "Yes, we understand what you're saying, but we just have to get the bureaucracy in." So they wanted to create the euro, create the parliament, and so on. Then they told me they'd worry about the debt later. Here we are, almost 30 years on, and they still haven't addressed the debt. This is why they need a war with Russia. Any government, when it's facing civil opposition, will always look for an external enemy. Take Iran, for example. When the revolution took place in '79, why did the Ayatollah take hostages from the American embassy? Very simple.

He held them for 444 days. Why? Because there was opposition within Iran against the religious regime. So he said, "America is the great Satan." And any opposition against him—oh, you're for the great Satan. You disarm your opposition with the external enemy. You're seeing the same thing in Europe. Anybody who's against this—oh, you're a Putin puppet. It's standard. This is the way governments operate. In Europe, these leaders are the worst crop I've ever seen in my career. They really think they can conquer Russia. They're believing their own bullshit: "Oh, Russia's weak," and

so on. I've heard that Putin would never push the button because he knows it would blow back on them. So nuclear weapons are no longer a deterrent—they think they can just walk in conventionally.

Putin will fall to his knees and beg for his life, you know, before they cut off his head or something. And Russia is the richest country in the world from a natural resource perspective. It's been estimated to have about \$75 trillion. They've got gold, diamonds, oil, lumber, platinum—you name it. So they basically think if they can conquer Russia and get these assets, then Europe will rise again like the Roman Empire and rule the world. I mean, it sounds delusional, but this is what I've been hearing over the past year. Macron—I speak to some people very high up in France—and they call him the "petite Napoleon." There were three generals who opposed him and wanted Parliament to make any decision on law, not Macron, whose approval rating is now 11%.

He refuses to leave office. He stripped those three generals of their rank because they opposed him. He's a ruthless domestic dictator, really. Now, what I'm saying may sound like a conspiracy theory. However, just last month, the head of NATO came out and warned Europe, saying, "If you think you can conquer Russia without the United States, you're delusional." So he's addressing what I've been hearing for the past year. You're seeing a lot of anti-Americanism in Europe, mainly because, again, they need an external enemy. Carney did that in Canada—"Oh, if you don't vote for me, Trump's going to annex Canada." I mean, nonsense. But he used Trump to win.

Europe is doing the same thing. They have Trump on one side and Putin on the other, so it's very interesting because they're desperate at this stage in the game. You can look at the economic growth of the EU—last quarter it was 0.3%. That's a tiny fraction of the United States. The two economies in the world that are actually shrinking are Japan and Germany. Germany makes up almost 25% of the EU. They imposed COVID lockdowns, and a lot of small businesses went under. Then they pushed the climate change agenda—you saw tens of thousands of workers at Volkswagen protesting because they have to move to electric cars. Then they put sanctions on Russia, which was really brain-dead. Europe has no energy; it has to import it from somewhere else.

And the prices are just, you know, going up astronomically. That put more businesses out. You're seeing Merz in Germany for the first time—someone criticizing Merz and Brussels—because they came out with this, you know, "Oh, you have to accept migrants." The problem is that they're not skilled; they don't speak the language. I mean, how could I hire somebody here if they can't even speak English to answer the phones? I mean, historically, if I wanted to move to Switzerland—in Zurich, I'd have to learn German; if I went to Geneva, I'd have to speak French. If you can't speak the local language, you can't get a job. And that's why, when I was in meetings with Europe, I warned them. I said, "You don't understand what made America great."

I said it was discrimination. "Oh my God, how could you say that?" Because it was fair. Whoever was the last off the boat had a tough time getting a job until they could speak English. Then the second generation did better because they all spoke the same language. Ask an American what they are, and they'll say, "I'm half Irish, half German." But you don't see that in Europe. It's the language that

keeps them all apart. You're not going to see somebody from Scotland marrying somebody from Sicily—well, maybe one or two, but it's not common. In America, once you had the same language, all the ethnic differences didn't matter. That's why they called it the melting pot. So, in Europe, the idea of initially just creating a trade union was fine.

When you created the EU, um, any time you get a centralized government like that, they go power-hungry. They overrule local customs—I mean, culture, you name it. It's like they actually told Zelensky, they approved Zelensky to destroy the energy pipelines to Hungary because Hungary doesn't agree with them. And they're changing their rules so they can, you know—initially, to sell the euro, it would take a unanimous vote so nobody would be oppressed by Germany or some other country. And now, because that doesn't work, they want to change the rules. So, we can't oppress you? You know, you see free speech going out the window over there. It's... they're desperate to retain power. And that's the real problem. If they don't have an external enemy, then the people will rise up with their pitchforks and storm the parliament.

Simple as that. It's what history always shows us. So you have to say, it's not me, it's them. When Biden put on the sanctions against Russia and gasoline prices went up, what did he say? "Oh, it's Putin's inflation." Putin didn't raise the prices—you did. Then he started dumping all the strategic reserves to try to bring oil prices down to save his ass. So that's what I mean about republics. It's just... there's no check and balance. They love to say, "Oh, we live in a democracy." We do not. I mean, just look at Vietnam—at 18, you're old enough to be drafted, handed a gun, told to go kill some people. You couldn't even have a drink until you were 21, and you certainly couldn't vote until you were 21. But at 18, you're old enough to go die. And that's democracy? You have no right to vote?

Should we be in this war or not? We're never asked. Iraq. The documents have shown Wesley Clark—General Wesley Clark—went to the Pentagon after 9/11. And they said, "Well, we're going into Iraq." He said, "Oh, Saddam did something?" "No, we just don't know what else to do." You know? I mean, then they fictionalized weapons of mass destruction. They never existed. And he even came out and said the plan was to—well, they were basically in Afghanistan, and if they took Iraq, then they'd have Iran on both borders. They thought they could basically overthrow the Islamic regime. I mean, it's always this... this nonsense of people in the back room making these decisions. That's not a democracy. We're never asked, "Shall we go to war?" Never. "Shall you raise taxes?"

#Glenn

No.

#Martin Armstrong

Nobody asks us anything. They tell us whatever we want to hear. I live here in Florida, and every once in a while we get a bacteria or something in the Gulf they call red tide. And politicians say, "Oh,

vote for me. I'll make sure there's not a red tide again." It's all the farmers and their chemicals and stuff like that. I just Googled it—the first red tide in the Gulf was reported by the Spanish in 1642. You know, I mean, even climate change, all this stuff... they act as if the climate would never have changed but for us driving our SUVs or whatever. I mean, they never heard of the Ice Age or warming periods.

And, you know, the climate's always been changing. You can even read Cicero talking about pollution back then and flammability, going out of the city to get some fresh air. I mean, this stuff has been going on for a long time. So I think your debt crisis is what's driving a lot of things, and it'll make them look more at war externally as an excuse—a diversion from their own failures. Because they just do not want to address the problems. How do we go to war when we're already debt-ridden at this stage? You're going to have to issue more debt.

Nobody wants to look at this long term. I mean, I've met with people—decades ago—and I warned them, "Hey, this is not going to work." And the response, honestly, was, "Yeah, okay, but I won't be here in 30 years." They don't give a shit. All they care about is winning the next election two years from now. So there's no long-term view. Like, why should I do something that's not popular today for something 20 years from now, when I've got to win an election in two years? That's what's broken. I think you're looking at major political change over the next eight years, and it's going to be driven economically, because this is not sustainable.

#Glenn

Well, in terms of forecasts, how do you think the Europeans will respond to all this? Because I very much agree with everything you said. I think the euro itself—many people in the EU, including some of its architects—describe it as a half-built house, because they realized the foundations weren't there. But they assumed that if you have a monetary union, at some point you're going to have a crisis, because there's no fiscal union. And when that crisis comes, it will be the impetus to build a fiscal union. Then, when a fiscal union is built without a political union, there's going to be another crisis—and that crisis will give the reason to build a political union.

And then, you know, you would start at the other end—to make the EU into this "United States of Europe." So all of this should have been predictable, but it all had to be celebrated as a massive peace project. And as you said, all criticism can now often just be brushed off as, "Well, that's a Putin talking point," or something equally nonsensical. But what do you see happening in Europe in the years to come—or even in the coming months—in terms of social stability? You did mention war, but also populism. Once a political class becomes less legitimate, people look outside the traditional class. Will we have European Trumps here? Or what are the solutions from a political establishment that's becoming more rogue? Well, basically, I think history shows that you'll break up, um...

#Martin Armstrong

And go back to independent countries, etc. If you look at the Soviet Union, Lenin was actually copying the United States in the sense that each republic was to retain its sovereignty. He even wrote a letter, "Do not let Stalin succeed me." There were even rumors that Stalin may have poisoned Lenin, too. When he came to power, he consolidated everything—he wouldn't allow independent republics. And that's basically what broke up Yugoslavia; it broke up along ethnic lines. I mean, the Balkans have been occupied and conquered so many times. You've got Orthodox Christianity, Catholicism, and Islam, because the Ottoman Empire was there.

And each group ends up, you know, colonizing to some degree. And this is why you've had such a... I mean, Bismarck had warned Europe before World War I. He said there was going to be a major war, and it would come from the Balkans. He was right. And Europe has—well, the first level is the differences in language. I mean, I've been in Greece when Merkel was objecting to bailing out Greek banks, and there were protests with people dressed up as Nazis in the streets. The memories are long in Europe. And I mean, this is why the United States was very isolationist. There's a documentary showing how FDR had gone to Boston—he always wanted to get the United States into World War II—and in Boston, you had mostly Irish.

And they said, "You expect us to send our boys to defend the British after what they did to Ireland? Forget it." That's what I mean—memories are very long. So he couldn't get the United States into World War II until Pearl Harbor. If it was just to go to Europe—no. "We left that, they're all crazy, stay out of there." That was basically the view. Europe will break up along its ethnic lines. We're seeing the same thing in Canada, and this is part of the other problem. If you look at the Federal Reserve and how it was initially created, it was absolutely brilliant. It was copying what J.P. Morgan did to save the banks during the panic of 1907. There had been a 1906 earthquake in San Francisco.

The insurance companies were on the East Coast and in London, and the money flowed from the East to the West. That created shortages, and some banks failed. So J.P. Morgan got all the banks together and said, "If we don't bail out the weak banks, they're going to come for us." That's what the idea of the Federal Reserve was about. When you look at its initial structure, it was called the lender of last resort. Why? Because it didn't buy government debt. It was set up with twelve branches, and if you look at a 1920s newspaper, you'll see each branch listed, and each was independent. So if there was a shortage of money in St. Louis, they would raise the rates to 4% while everybody else was paying 3%, to attract money to that region.

#Glenn

Okay.

#Martin Armstrong

And it was more of a direct stimulus in the sense that if you were a company, you went to the bank, you needed to borrow some money, and the banks weren't lending at that moment. You could issue

90-day corporate paper, and the Fed would buy it so you didn't have to lay off your employees. All right. That's where the title "lender of last resort" comes from.

#Glenn

Okay.

#Martin Armstrong

Then what happened? This is the problem with governments. In 1914, the Fed is created, and you start World War I. Congress goes to the Fed and says, "Don't buy corporate paper. We have to issue a lot of debt to fund the war—buy ours." They never put it back. All right. Then 1935 comes. Roosevelt, trying to push his socialistic agenda through, usurps the Federal Reserve, creates a chairman in Washington, and makes it one size fits all—only one interest rate. He usurped all the power of the branches. Why are they even there? Their purpose is basically obsolete now. All right. So he's creating socialism and needs to control the interest rates. All right. World War II comes, and they then instruct the Fed, "If interest rates go above a certain level, you have to buy."

So, quantitative easing was used to prevent interest rates from going too high so they could fund their war. Then 1951 comes—the Korean War. Truman goes to the Fed and wants them to do the same thing again. The Fed is technically independent, and this time they refused. They said, "We're not going to do this again." It was the first time the Fed showed any backbone. All right, and they refused to do it. That's basically where the Fed stands today. But it was originally designed to deal with regional capital flows. This is why Canada is going to break up—because, again, the West Coast, Alberta, is all commodity-oriented. Alberta is almost like Texas: they've got cattle, oil, you know. The East Coast is more like New York, all financially oriented, etc. Most of the big banks are there.

So, when real estate was speculative and a big bubble was taking place in Toronto, the bank accountants started raising interest rates to fight that inflation. Meanwhile, they were putting the farmers and miners into bankruptcy in Alberta. This is that regional problem. It might be one country, sounds nice, but the same thing happens in Europe. Not everybody's economy is the same. Germany is more industrial compared to Italy or Spain—different times, different cycles. In the United States, we always called it the Texas–New York arbitrage. When oil prices were up dramatically, New York was complaining about inflation and problems there. When the commodity cycle was down, New York was celebrating, saying, "We're making a lot of money." So we always called it the New York–Texas arbitrage because they were on opposite sides of a seesaw.

And that's why you're also hearing about Alberta wanting to separate—because here you have Carney coming in, and he was one of the founders of Net Zero. He was actually there at the start. They even said that 16-year-old girl, Greta—"Oh, give up all your jobs, shut down all the oil to save the planet, go on welfare, you know, and sit home and watch TV." You had John Kerry in the United

States going to coal miners, saying, "Oh, you should just close all the coal mines and learn how to make solar panels." It just got to be absurd. So Alberta is supposed to give up all their jobs and stay home and watch TV? Alberta is the number one productive province in Canada. And again, you have people in the capital who just do not understand that. Same thing with Germany.

You cut off the cheap energy, and the industry of Germany declines. That's 25% of your GDP. You can rant and rave against Trump all you want, but the economic growth of Europe is less than a third of the United States. All these ideas of, "Look, you cannot have social justice, individual liberty, and economic efficiency simultaneously." All right, you want social justice? Okay, everybody has to earn the same. But then they have to violate your individual rights to do that, and you're certainly in the same boat as the USSR. Economic inefficiency brings you down. So you can't have all three simultaneously—one cancels out the other. That's what brought Russia down. And in theory, like I said, they're the richest country in the world from a natural resource perspective.

But if you don't have the political structure and the freedom to let people do that, you never get off the ground. I went behind the Berlin Wall before it fell. I saw what was really there. And I've been to China, so I've seen both versions of communism—and they were completely different. Stalin was more paranoid. Kids, even in East Germany, were taught that if their parents ever spoke against the state, they should report them. They even celebrated one kid who turned in his parents and made him a national hero. I think Stalin was so paranoid that he really broke the family unit. I had one friend in East Germany—when the wall fell, his father went and got his Stasi file. He came home, and my friend thought his father had lost his mind.

He starts punching holes in the walls, and he's pulling out microphones. He said that after reading his file, he realized everyone he thought was a friend had been ratting on him. He said he would never speak to anybody but family ever again. That was Stalinism. All right, China wasn't like that. China had more of what you'd call the tall poppy syndrome. They didn't really care what you said to your wife, but if you stepped out the front door and started yelling that the poppy is taller than the rest, it gets its head cut off. So I think that difference is why China boomed so rapidly compared to Russia. They didn't destroy the family unit, whereas Russia, I think, did. Both were communist, fine, but different versions. And that's just my observation from seeing both live and up close, so to speak.

So I just saw that very, very stark difference between the two. And I think that's why China has boomed so dramatically. It has far surpassed Europe, and it will surpass the United States, I think within the next five years, probably. Mainly because the West hasn't learned—we're making the same mistakes that brought down the Soviet Union, you know, with social justice and things of that nature. And, oh, is it income disparity that's the problem? That's all communist thinking. All right, there's income disparity between countries. It all comes down to what is the real wealth of a nation. And I think that was illustrated quite clearly with Japan and Germany after World War II. They rose to the top in their respective regions because they were productive countries.

The wealth of a country isn't just the productivity of its people. That's very, very clear. I mean, look at Russia—it's got all these assets, very nice, but it doesn't have the productivity. Look at China—it has the productivity, so it's rising. We had offices in China, in Hong Kong, and what I found interesting was that somebody could have a full-time job earning very good money, but they still had a second job at night. It was like they had to be working all the time. It was interesting to watch. I'd ask, "Don't you earn enough money?" and they'd say, "No, it's got nothing to do with that." They just didn't want to sit home and watch TV—they'd rather be doing something. So it was very interesting that way.

So I think I'm trying to address that core issue. I think we have to learn that economic efficiency that brought down communism in both China and Russia. We all have different talents. A brain surgeon shouldn't be earning the same amount of money as somebody who sweeps the floor. It's supply and demand. Very few people can be brain surgeons, and pretty much everybody, as long as they're not disabled, can sweep a floor. Everything should be according to supply and demand. And you can't say, you know, somebody who throws a football and earns \$30 million a year—well, he's bringing everybody into the stadiums and so on—so without him, they don't make as much money. It seems crazy that you pay someone such a huge amount of money just to throw a football.

All right, but the market is the market, and I think the free market will decide whatever something's going to be, no matter what. So we're probably heading toward a division and a redefining of government. I'd hope we get to see something more along the lines of a direct democracy—more like Switzerland—where you need a certain number of signatures and then something goes on the ballot. They just had a ballot like, "Should we tax billionaires at a higher rate?" and the people said no. If that were a bureaucrat, they'd say, "Oh, I'll get more money—yeah, just do it." So I think we should be asked those questions. Do we go to war? That's a democracy. If we're not asked that question, that's closer to a dictatorship. So I think we're just at the end of the rope with republics in general.

And the markets are basically going to do that. It doesn't take somebody standing on a soapbox saying, "Follow me, we're going to do this," or whatever. This is more of a worldwide problem, and you're seeing it pretty much everywhere—from Thailand to Taiwan, South Korea, the United States, Canada, Europe. It's a systemic problem, because once you hand power to any government, no matter what they call themselves, good luck getting it back. They often say you can vote your way into socialism, but you've got to shoot your way out. I mean, that's simply the problem with any government agency. And it's the regulation that's critical. That's why I disagree with Trump on the tariff issue.

If we look at the real facts, the city of Detroit was where the auto industry began. Not one auto company remained. Why? Because the politicians got greedy—"Oh, we'll make money like there's no tomorrow." They kept raising taxes and regulations, and they all left. The city of Detroit defaulted on its debt in 1937. Okay, we're not talking about the '60s, '70s, or '80s—1937. So Trump wants to

blame China or whatever. Sounds nice. I've basically restructured multinational companies—that's how I got to meet Margaret Thatcher. She was probably one of the most intelligent world leaders I ever met. She'd heard there was this guy sending companies to Britain, and I happened to know her personal adviser, Sir Alan Walters. He said, "Yeah, that's Marty." And she said, "There's a guy doing this?"

#Glenn

Yes.

#Martin Armstrong

So she wanted to meet me, and I explained it to her, and she picked it up very quickly. I said, if corporations just needed the best tax deal—like airlines—I was putting them in Ireland. If they needed skilled labor, I was putting them basically in Britain, not Germany.

#Glenn

Why?

#Martin Armstrong

I explained to her that if I paid the worker the exact same amount of money in Britain versus Germany, all the regulations on top of that increased the cost by about 40% more in Germany than in Britain. And people don't look at this—they regulate all these different things. Very nice. And I think in republics, you get people who are sitting there bored, and they feel they have to do something so they can say, "See, I did something to get reelected." So they just make up stuff. When I was in New Jersey, they passed a rule that I had to have special liability insurance.

Somebody came into the office—we were on the third floor. When I looked at it, it didn't cover anyone from another company who was employed, because that would be workers' comp, right? I had to pay \$30,000 a year for this insurance, and we could never figure out anyone who could possibly have been covered. We were going to have a conference in Philadelphia at the convention center, and they said we had to have terrorist insurance. I said, "What the hell is terrorist insurance?" I had to cover the convention center, the city of Philadelphia, and the state.

#Glenn

All right.

#Martin Armstrong

We walked across the street and went to the Marriott. I even called my insurance guy and said, "Do you sell terrorist insurance?" He said he'd never heard of it. It's somebody's brother-in-law in the city of Philadelphia making money, and I've got to pay all this in case there's a terrorist attack. Why? Because we had a conference there? I mean, this is what I mean—it becomes more of a thief's stone, just making up regulations that God knows what they are. And the other problem is you can't invite a company and say, "Okay, fine, your tax rate's 10%," and then suddenly say, "Well, my kids have to go to college, so I'm going to raise the tax rate so I can steal some more." All right? That's why a company will leave. I put some companies in Macedonia, mainly because they got a 25-year guarantee of no tax increase.

You can't build a plan that's going to cost, you know, \$500 million to build. You have a business plan, and the tax rate is, say, 20% or whatever. Then they suddenly say, "Well, we need more money, so we're going to raise it to 30% or 40%." All of a sudden, you go from a profitable position to a negative one. Look at California—there's Gavin Newsom. "Oh, we need money, so we're going to put a wealth tax on billionaires of 5%. But it'll only be one time." Once they do that, they always come back for more. What they don't understand is that most of these billionaires are billionaires basically because of the value of their stock, okay? It's not cash in the bank. Most of them have gone public and retained just enough to keep control. Now you're going to sell 5% of that stock to raise the cash to pay the tax.

#Glenn

You may lose control of the company.

#Martin Armstrong

So that's why, all of a sudden, you saw they were all leaving—moving to Texas or Florida. There's a good quote you can look up from Grover Cleveland during the Panic of 1893. He was a Democrat, and he was yelling at his own party. He said that in these periods of unsound finance, you can raise your taxes and capital will leave. They can put their money offshore. Okay, what's left is the wage earner. The wage earner can only pay the tax. He can't take his labor and put it offshore to protect it. He's going to leave. And, you know, this idea of taxing the big companies—they leave. And who has to pay the bill? The ones that can't.

So this is important. Wealth taxes are probably the worst. You have a house—you paid \$100,000 for it—and they say, "Oh, it's now \$200,000." You've got to pay tax on the doubled value. Well, you don't have the cash. If you can't pay the tax, do you have to sell the house to pay it? And even if you had the money to pay, then what happens? Okay, the market crashes, the house goes back to \$100,000. Do you get a refund? No. All right, if it goes back up again and passes \$200,000, now you've got to pay tax again. That's why wealth tax is probably the worst of all, because you're still paying all the other taxes anyway.

You know, I testified before the House Ways and Means Committee—I think it was back in '96. They were asking me why no American company got any of the contracts in China to construct a dam on the Yellow River. I said, very simple: we tax worldwide income. Germany does not. So a German company bidding on the very same project is already 35% cheaper. And they were like, "Oh, wow, really?" I said, "Yes." Did they ever revise the worldwide taxation? No. They'd have to give up money—can't do that. They don't care about the country; they don't care about the people. It's just, "I've got to win the next election." That's it. So I've learned over the years—and I've been doing this for a long time, maybe 50 years—I can tell you, you'll learn from your personal mistakes. Government does not.

Because the people keep changing. So everybody who was there, you know, nearly 30 years ago when I was called in for the Euro—they're gone. All right, then you get the next group, and you've got to retrain them all over again. I feel like I'm in that movie with Bill Murray—Groundhog Day. It's the same thing over and over. Are we going to do this again? It's very frustrating. This is why gold's going up. You have gold bugs who don't even understand why. All the central banks are buying gold—they're not investors.

They basically realized that once the Biden administration put sanctions on Russia, it was the stupidest decision ever because it divided the world economy. That's what created BRICS. You even have Blinken threatening China—"Oh, if you help Russia, we'll do the same to you." Really? Really. Okay, thank you very much. And they leave. All right. Now, if you go to war, the first thing you want to do is make sure you don't owe debt to your adversary, because they're not going to pay. You think we're going to pay interest on debt that China holds? No way. Russia—well, Russia has dumped everything. They understand. All right.

Europe goes to war. Politicians don't understand this. What are you going to do with the debt? Everybody's going to sell it. All right, that's basically it. The United States was virtually bankrupt in 1896. J.P. Morgan organized a gold loan to bring the Treasury back up to 100 million. It was World War I and World War II that made the United States the financial capital—Britain had it before. You can look on eBay: China used to issue its bonds before World War I in British pounds. Now emerging markets issue debt in dollars because they've got to sell it. They go to New York to sell it, just as everybody used to go to London to sell it.

#Glenn

All right.

#Martin Armstrong

So there was no domestic policy by any politician that made the United States the largest economy. It was Europe. With World War I and World War II, all the capital moved this way. We went from being bankrupt in 1896 to having 70% of the entire official world gold reserves by 1945. So, I think

that, you know, you're looking at sovereign debt that's percolating, and it's like a time bomb that has to be addressed. I seriously doubt the governments are going to reform in the sense that they'd have to give up power.

#Glenn

They don't do that.

#Martin Armstrong

Historically, they tend to try to inflate their way out so they can pay off the debt more easily. So we have problems ahead, but I think the light at the end of the tunnel is that we get to redesign government—and hopefully it'll be more of a direct democracy, where we're actually asked questions.

#Martin Armstrong

So that's my hope for the future. But the next few years—the consequences of this fiscal mismanagement we've had—are going to be serious. This is why gold is up: because it's neutral. The central banks don't care if gold goes up or down in value; it's neutral. They don't care who wins a war—it's neutral. I don't have to count on U.S. debt or European debt, and that's the real issue. Gold will probably go higher. By the time you get out to 2032, it may even reach at least 8,000, maybe closer to 10. But just understand, the ramifications of this are serious, and Europe is more vulnerable because it's not unified. You've had France and the UK finance ministers admit they might need an IMF bailout. If that were to happen, traders are going to start not only looking at other countries—they'll look at the banks.

Oh, who has the most French debt? So the European banking system is more vulnerable than the United States. The United States just has the federal debt. In Europe, they have a cornucopia of debt from various different countries. So the traders will look to see who has the most exposure to whoever's in trouble. You know, we have interesting times ahead. It's not the end of the world—we'll survive. We go through these things maybe once every 300 years or so. After the American Revolution or the French Revolution, you sit down and redesign government. This will be our time. We get to redesign it, and I point out these things hoping that we learn from the past and don't make the same stupid mistakes.

When the Founding Fathers created the U.S., there was no salary. They just got paid on a per diem basis. They would meet for a few weeks each year—that was it. To get rid of slavery, that's when the bribery started: "You vote with us, and we'll give you an annual salary." And that's how it began. It wasn't until the mid-1800s that this permanent government was created. That's not the original design. These things mature and morph over time. When people were creating the EU, they never

anticipated migrants and issues of this nature. But a lot of the countries—you know—you're seeing a decline in the birth rate. So they thought they'd allow in all these migrants because all the pension funds are basically a Ponzi scheme.

They expected each generation to be larger than the last, and those workers would pay the taxes to fund the retirement of the previous one. But if that number is declining, then we've got a problem. So they wanted to increase the population. I spoke to Romania—Brussels was telling them to accept 100,000 people. What are you going to do with them? They don't speak the language, they're not skilled—just 100,000, that's it. They don't add to the economy or to productivity; they drag it down. It's like hiring a maid to clean your house—she doesn't increase your income, she costs you something. So I think that's basically where we're at. I'm optimistic for the longer term. If we just understand that we have to deal with these problems, and if we understand what they are, then I think we can come out the other side and see that light at the end of the tunnel.

#Glenn

Well, I like this optimism, you know, considering that it looks like a massive crash is coming. But again, with that, there's some hope of renewal instead of just doubling down on horrible policies. So, thank you very much for coming on. I hope to get you back again in the future to share some forecasts, because these are truly, as you said, interesting times. Thanks again.

#Martin Armstrong

"Chinese curse," right? "May you live in interesting times."