FOCUS ON

BOB BECKMAN is a New York-born investment analyst who operates from a luxury apartment in London's West End.

Right now, he is *persona non grata* with his colleagues in the City and Wall Street, who find his economic predictions distinctly unhelpful.

His slogan: *If you think that the market economies of the industrialised West are going through a bad patch, then you haven't seen anything yet.*

According to Beckman, who sounds off his views every morning on one of the London commercial radio stations, The Big Crash is just around the corner and will probably occur in 1984 . . . which means that current investment criteria are no longer valid, for a start.

And yet Beckman, who publishes *Investors Bulletin,* a stock market tip sheet, declares:

"We feel that the next five years will offer greater investment opportunities than anything we have seen in the past five decades. Just like the early 1920s, the long term economic cycle is reaching a terminal stage. We are now experiencing an 'eco-spasm' transforming the investment cycles as we know it to a totally new form of investment cycle.

"The investment vehicles of the last few decades and the investment techniques used will not serve the investor adequately. Just as his counterpart in the 1940s and 1950s did, the investor of the 1980s and 1990s will have to adopt a totally different framework. Property will no longer be the safe inflationary hedge that it was, whereas Fixed Interest investments will experience a re-birth."

Beckman's most chilling prediction is about the housing market.

Values, he declares quite emphatically, will collapse. So investors should get out quickly and families ought to approach house purchasing from an amenity viewpoint, and not expect to make a large capital profit sometime in the future.

There is evidence to support Beckman's gloomy forecast.

- The Chase Manhattan Bank has produced data (see table) which demonstrates that the postwar benefits of owning residential property have now been eliminated. Money-market instruments return a higher yield for your money.
- John Stewart, economist with Britain's House-Builders Federation, has argued that the investment motive in the house market will become less important as house price rises are held down over the next few years. This will force builders to adapt their houses and marketing strategy to changing circumstances.[1]
- In the U.S., house prices have fallen by 17 per cent since 1979, and by 25 per cent when prices are adjusted for inflation, according to John Marshall, Assistant Professor of Finance at St. John's University. The price of land declined at an annual rate of 10 per cent during the first five months of this year. On the West Coast, the drop was at an annual rate of over 20 per cent before adjustment for inflation.

"Long-term fundamental changes are taking place in the pattern of real estate prices as the economy goes through the painful process of dis-inflation," declares the professor, who concludes his analysis with this prediction:

"I believe the 1980s will be a decade of necessary adjustment during which more representative values will return to the real estate market."[2]

THE EVIDENCE, then, supports Beckman's thesis that hard times are in store for home owners who had hoped to benefit from the record rises in post-war property values.

Unless they cash in their properties now, thinks Beckman, they will lose out. For, he declares: "An invisible crash has been taking place. The reason it is invisible is due to the fact that the components of the crash have been disguised by inflation."[3]

But what brought this crash to pass?

Beckman points to the Kondratieff Wave, the 50-year cycle in business activity which was postulated by a Russian economist, Nikolai Kondratieff. Right now, according to this hypothesis, we are on the down slope of that curve – and nothing can stop us from crashing deeper into economic misery.

The problem with the theory, as Kondratieff himself admitted, is that it offers no explanation as to *causation.*

Over the past two years, some economists have begun to volunteer a variety of explanations, none of which is satisfactory.

Indeed, two authors who wrote a book around Kondratieff admit: "In an age that still relies on a narrow definition of scientific proof, a long wave that controls not only the

● Bob Beckman – a chilling predicti

A CRASH

economy but the way people act smacks too much of the occult to win the approval of rigidly scientific economists."[4]

Beckman resorts to a variety of explanations for the current depression – including a "Drought Clock", which is predicting lengthy periods of drought and famine. "According to the weather cycle," Beckman informs stock market investors who buy his tip sheet, "the next era of prosperity is not expected to develop until around 1995."[5]

Politicians, bankers, stockbrokers and members of the Establishment deter the media from disclosing the gloomy facts, he asserts. They want people to believe that the worst of the recession is over.

apes
izes.
they
re
ame
te

IN '84?

And when he went on to one of London's commercial radio stations to present an alternative view, he found himself under attack by powerful vested interests.

"It was my view that house prices were due for a severe fall in real terms and in absolute terms. I advised people against taking out mortgages if there was any way it could be avoided," Beckman wrote afterwards.[6] He has not since been invited back to that radio station.

But Beckman has fought back.

"There is more money tied up in residential property than in any other physical asset. Accordingly, there are more vested interest cartels dominating the residential property market than any other market and you can be absolutely certain the information that is released will favour their interests, not necessarily yours."[7]

BECKMAN, now aged 48 and with the good looks of an Omar Sharif, is a graduate of Harvard Business School. He has demonstrated the independence of his intellect, but it remains to be seen whether he can turn his criticism into something constructive.

The job of an investment advisor, of course, is not to propose policies to alter the movements in a system, but to anticipate and *play* the system to his advantage. And in Beckman's view, it would be futile to propose reforms in the structure of the system itself.

He has a grasp of those elements that can be constructed into a sound theory of business cycles. For example, he knows that land speculation is bad.

He told *Land & Liberty:* "Land speculation is extremely bad for the economy, because when speculators dominate the land market instead of industrialists, they push the price of land up above the prices that industrialists can afford.

"When land for homes and industry becomes a gambling token, can this possibly benefit the economy? Vested interests prevent the end of land speculation. Government knows that land speculation is bad for the economy – it's *heinous* when it is speculation in industrial land.

"Political pressure groups prevent the government from doing anything about it. We have a government ruled by labour cartels, on the one hand, and property cartels on the other hand."

It seems, however, that Beckman's forthcoming book, *The Down Curve,* will not propose reforms that might eliminate the periodicity of business activity: "There are no solutions to human psychology." Booms and slumps, he says, have "emotional causes."

If this were true, then we need more social psychologists than economists.

In fact, the causes of booms and slumps are to be found in the structure of the economy which *can* be altered (thereby shifting the pattern of peoples motives and expectations).

But perhaps it is sufficient for one man to point out the reality of underlying trends, which then alerts us to the future course of the economy.

When the housing market slumps, for example, a general recession follows within a short space of time.

Such a sequence of events is upon us right now. Let us hope that Beckman is too pessimistic when he states, cynically:

"Prescribing solutions is an exercise in futility. I have no doubt that government knows precisely what has to be done to provide a healthy economy. But it isn't the function of politicians and government to provide us with a healthy economy. Their function is to keep their jobs. Providing a healthy economy is usually incompatible with keeping your job as a politician, because it is usually unpalatable for the electorate."

REFERENCES
1 'Houses in the '80s: Still a Good Investment?' *House Builder*, May 1982.
2 John F. Marshall, 'Land: Some Perspectives on Investment Trends and Value', Paper presented to the Conference on Land Policy Through Taxation, Engineering Foundation, Rindge, New Hampshire, July 11-16, 1982, mimeo, p.15.
3 *Investors Bulletin*, 28.8.82, p.6.
4 James B. Shuman and David Rosenau, *The Kondratieff Wave*, New York: Dell Publishing Co., 1972, p.viii.
5 *Investors Bulletin*, 29.5.82, p.5.
6 Bob Beckman, 'The Paper Curtain', *Penthouse*, Sept. 1981, p.41.
7 Bob Beckman, 'Bricks without Straw', *Penthouse*, June 1982, p.40.

RETURNS TO ASSETS, 1969-1982
(compound annual percentage change, adjusted for inflation)

	Year-end 1969 to year-end 1979	Year-end 1979 to June 1982
Gold[1]	20.8	–20.3
Housing[2]	2.5	–0.6
Bonds[3]	–0.2	3.1
Money-market instruments[4]	–0.5	4.7

1 London afternoon fixing, average of daily figures.
2 Median price, existing homes.
3 20-year corporate AAA bonds, with reinvestment of coupon payments at commercial-paper rate.
4 Prime 4-6 month commercial paper.
Data: International Monetary Fund, National Association of Realtors, Federal Reserve; and Chase estimates for June 1982.