

Your Citizen's Dividend

No Taxes, No Government and
No Paid Politicians



PHILLIP J. ANDERSON

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No Paid Politicians.

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You've probably been taught that nations cannot function without government. It's OK. We were all taught that.

But it's a lie.

In fact, eliminating the need for governments, all taxes and all of our paid politicians is really simple to do. I mean, look around you. How bad can government get now?

It seems to me, to get really rich, really quick these days just become a politician and take charge of your government.

Malaysia's *Government Development Fund*, 1MDB, a fund established to drive strategic initiatives for long-term economic development for the country, was a major factor behind the shock defeat of the then Malaysian Prime Minister, Mr. Najib and his long-ruling coalition.

That was back in a May 2018 election. This ushered in a reformist alliance headed by his former mentor, Mahathir Mohammed.

US investigators allege that Mr. Najib and his associates stole, and then laundered, \$US 3.5 billion from the 1MDB fund from 2009 to 2014. 1MDB is also being probed in at least six countries for alleged money laundering and graft.

The ruling Saudi Royals have just arrested a further (at least) eight writers and bloggers in yet another crackdown, this time targeting supporters of jailed women's rights activists. These are women 'activists' that merely thought they had the right to drive a car in the kingdom.

All creative activity in Cuba is subject to state approval. If the Cuban leaders don't like what you write or draw, you'll be arrested.

The Egyptian President, Abdel Fattah el-Sisi has just extended state control of all media content to television melodramas much beloved by Egyptians. The Egyptian President's office will now dictate the TV show's scripts, cap wages of the show's workers and have a military-linked production company take charge of the bigger shows.

El-Sisi has already jailed most of his opponents. *And* made constitutional changes to make sure he could well be in power until at least 2034.

At their meeting back in 2016, before becoming President, Mr. Trump thanked President El-Sisi — and his Egyptian people — for what they'd done in defence of his country and '*for the betterment of the world over the last few years*'. At their second meeting, in September 2019, Mr. Trump kept up with the compliments, saying El-Sisi is '*doing a great job*.'

I mean, really?

Ali Issa Ahmad, a British football fan, was arrested during the 2019 Asian Cup in the United Arab Emirates (UAE). The UAE was playing Qatar. The Qatar state won.

Mr. Ahmad could potentially have been sentenced to a far longer time in prison — merely for supporting the wrong team in the eyes of the UAE government. He was arrested for wearing a Qatari jumper at the game.

Is this how you want your future to be? Some official in charge of government telling you what you can and cannot do? I certainly don't. There is a more appropriate way.

In March of 2019 Russia's President, Vladimir Putin, signed a new law that can fine or even jail citizens for insulting the Russian state, its flag or him. Repeat offenders could be jailed for up to 15 days.

Just try commenting about Turkey's long-serving President, Recep Tayyip Erdogan. Especially if you're a local journalist and he doesn't like it. Wikipedia reports that 231 journalists have been arrested in Turkey since 15 July 2016 alone.

The Chinese government we know totally censors the entire internet within the country. In China, you only get to see what the Chinese communist party wants you to see. If you jaywalk soon in any part of China, you'll find your face, name and part of your ID number displayed above you on a huge LED screen.

Plus a fine of course.

The Romanian government is presently considering a decree that will grant amnesty to people within its ranks convicted of corruption. This is a member of the EU, no less.

LET'S COPY THE QUEEN OF ENGLAND

To get rid of the burden of government, to markedly reduce taxation levels and to create a lot more personal wealth for you, we need do nothing more than what the Queen does.

That's right.

This solution is so simple, democratic and market based that no one ever thinks to look at it. Before continuing though, we have to trace a little English history.

Then we'll revisit the Queen.

William the Conqueror became King of England in 1066. This was after he defeated the Anglo-Saxon King Harold at the Battle of Hastings.

One of William's first royal acts was to grant land around the country to his knights and other allies. This was to consolidate his power base.

Of course.

Every modern-day dictator knows how to do that.

William continued with the near-universal Anglo-Saxon practice at the time of requiring the landholder to pay him a 'due', or ground rent, based on the value of his land.

He launched what must surely be one of the greatest land surveys in history to make this system work.

William wanted to know what he was owed. He needed to assess the holdings of each landowner.

And he did it thoroughly. The contemporary *Anglo-Saxon Chronicle* sets out how William's assessors went:

‘...All over England into every shire [to] find out how many hides [a measurement of the amount of land] there were in the shire, what land and cattle the king had himself in the shire, what does he ought to have in twelve months from the shire. Also, he had a record made of how much land his archbishops had, his bishops and his abbots and his earls, and what or how much everyone who was in England had....

...So very narrowly did he have it investigated that there was no single hide nor yard of land, nor indeed ... one ox or cow or pig which was left out and not put down in his record, and these records were brought to him afterwards.’

All of the findings were compiled into a book. It's known today as the *Domesday Book*.

It lists almost every landholder, the size of their holding, how many people worked on the land, and what it produced.

Historians have analyzed the *Domesday* records for centuries.

The most important landowner (apart from the Crown) was one William de Warrene, who had 13 holdings dotted around the country.

One estimate puts the value of his lands in today's money at a staggering £57 billion (AU\$103 billion). This is what control of land in the right locations can bring to the owner.

In the 11th century, the land to own was both where the soil was most fertile but also close to the large population areas where you could sell your produce.

These were generally near a castle. People settled in these areas for protection from marauding and drunk Australian cricket fans. Well not really drunk Aussie fans, but you get the picture.

De Warrene owned holdings and castles in places like these. Generally, near a castle.

THE BEST WEALTH GENERATOR

Nowadays, the best thing to do is to own land in the center of the city.

The reason is the same today as it's always been. That's where land yields the most in terms of economic output. Those who own the land in such places can charge the most in rent. This rental income is capitalized into a price.

The *Domesday* Book, surprisingly, hardly mentions London, even though back then, as now, it was the most important city in the country.

However, the metropolitan area of London today covers far more than the original site, which was on the Thames in the east surrounded by a large wall. The original site is now known as the 'City of London' or 'Square Mile'. It has become one of the main financial centers in the world.

The heart of London is now further west, which is where the most expensive properties are.

The city has expanded massively since William the Conqueror's day. And as it has spread, those who owned the land have gained the most. By a mile.

The westward expansion of London started properly after the Great Fire of 1666. That lasted three full days and gutted most of the original city. There were 80,000 homes in the city. 70,000 were destroyed.

At the time, aristocrats and royalty lived outside London in great estates to the west of the City. Probably the most famous of these was the Grosvenor family. They owned 500 acres of land in the area.

This came into the family through marriage. The location of their land is now the 'super-prime' land in Mayfair and Belgravia. Talk about a valuable wedding gift!

During the 17th century the Grosvenor family started to develop the land around their estates, which improved the urban environment — and of course was immensely profitable.

This really took off after 1666. With so much of London destroyed, there was a sudden shortage of housing. That's a situation that has (allegedly) continued right down to today. It isn't true, but we'll leave this issue for another day.

Landowners were keen to take advantage of the shortage by developing accommodation further west of the Thames.

The development model they came up with is immensely profitable. They would grant parcels of land to a developer under a system of land leasehold.

That meant the developer had security of tenure for a fixed period of time (typically 99 years) for payment of a fixed ground rent. On expiry of the lease, the land, and *what was built on it*, was returned to the owner (freeholder).

The developer was expected to fund the building in accordance with plans agreed with the estate owner. (Much of the UK is still built this way.) Then the developer could sub-lease the properties to other people.

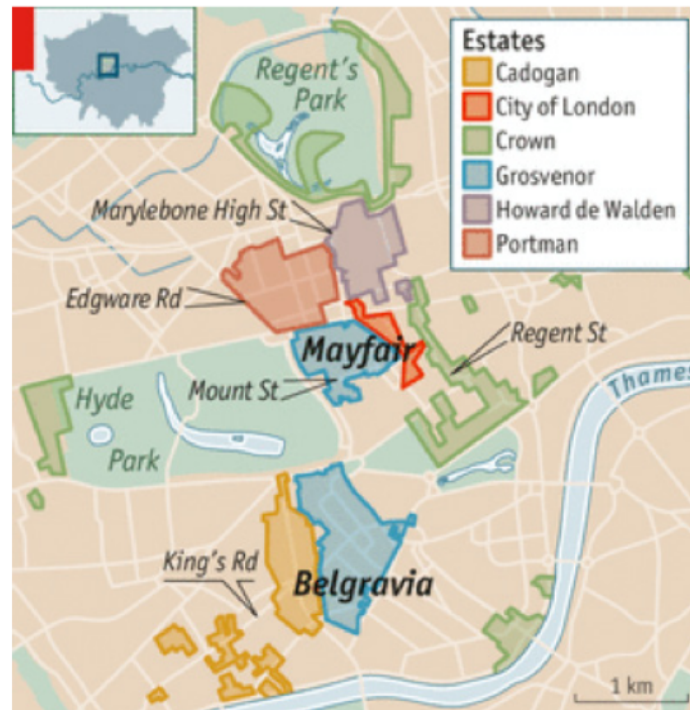
Over time, these wealthy landowners created distinctive districts in the City. And the places they created are certainly special.

However, the financial risk lay with the developer, and the overall value of the development resulted in the value of land everywhere rising. Upon expiry of the lease, the current occupier had to pay a fee to renew the lease. This would reflect the updated value of the properties.

The wealth of these families became secured over centuries. They found ways of passing this wealth down through their families often free from any taxation or death duties.

The image below, from *The Economist*, shows just how much of central London these four aristocratic families still own.

Ownership of Central London



Source: The Economist.

THE OTHER MAJOR LANDOWNER IS THE CROWN ESTATE.

And this is where it starts to get *really* interesting for the purposes of how we're going to so easily rid ourselves of almost all forms of government activity.

Yes really.

And it's also why we had to supply a little UK history first. Now we can revisit the Queen.

THE GREATEST LANDLORD OF ALL TIME

The Crown Estate is no ordinary business.

The estate buys, sells and manages a vast and diverse portfolio of real estate and land, and is the manager of the UK seabed right out to the 12 nautical mile limit.

The Queen owns this vast area of land. I'm sure you know that already. But here's the key. The Queen does NOT own the rent. Her subjects do.

The UK government collects the rental income of what the Queen owns today, on behalf of all the people in the UK.

I'll bet you didn't know *that*. But it wasn't always this way.

The Estate's roots can be traced back to the Norman Conquest of the UK in 1066, as we've pointed out above. But the Crown Estate's modern look dates to 1760.

For it was in this year that King George III handed over the entire management of the Royal lands to the government, in return for an annual 'stipend'.

I'm going to give this term *stipend* a different name. I'm going to call it a **citizen's dividend**. Remember this term. It's important for later.

You can bet George III didn't hand over his entire lands willingly.

The King only did so because he couldn't pay his debts. And worse, frivolous royal behaviour by his predecessors had eroded the Estate's capital base and therefore the King's annual income.

So...

Since 1760, believe it or not, all of the Crown Estate's Rents are returned to the UK Treasury for the benefit of the public finances. In other words, the Rents are collected for the use and welfare of all UK taxpayers and workers.

In 2018 some GBP330 million in Crown Estate Rent was collected by the UK Treasury. From this amount, the UK Treasury then *gave 15% back to the Queen to cover the family expenses of ruling*. That's the Queen receiving her citizen's dividend.

What King George III did, in reality, was to substitute the Economic Rent of his land for an annual wage. A poor investment move from a personal point of view but one which has worked out very well for the UK people as a whole.

Now think about this for a moment.

The Estate manages all the land, and over time has built some incredible buildings and beautiful spaces around the UK, which the public gets to enjoy every day.

The UK government – or in other words the UK citizen's themselves - has complete control over all the *Rents* of their own English coastline and seabed out to the accepted territorial limit of those 12 miles.

This includes the Rent earned from all the offshore wind farms. Today these Rents are substantial – and growing.

Importantly - and something further we'll allude to in a minute - **the more Rent that the Estate collects and hands over, the less that UK workers have to pay in taxes on their labour.**

So, to get rid of most government activity in the first instance, is really easy. All you have to do is this.

Create a special purpose vehicle (SPV) to collect this socially generated Rent – called by economists today Economic Rent – and as this Rent begins to flow into the SPV, begin to phase out all other taxes on your income and spending.

All taxes can be eliminated. Every single one. Without any problem or issue at all.

That means no income taxes, no sales taxes, no GST, no capital gains taxes, no property tax, no inheritance taxes, no wealth tax, no hotel tax, no company tax, no payroll tax, no tariffs, no fees, no tolls, no vehicle taxes and no stamp duty.

Phew, I think that about covers it. Australia's government alone levies 122 taxes in all.

The world looks like it does today (war, famine and an alleged shortage of housing) only because you have surrendered your right to claim, what is in effect, your birthright; a share of the Economic Rent.

The Crown Estate is a perfect example of what the world could look like if all the world's Rent was collected on your behalf, and then handed back to you, yearly, by way of a stipend – or citizen's dividend.

Just like the current UK Queen enjoys.

There's absolutely no doubt she's worth it. You only have to look at the tourism she generates to see that the British are getting a super return on this 15% citizen's dividend.

Interestingly, the Queen is always enquiring about how the Crown Estate is doing. And she is constantly making sure that the Estate is doing everything possible to not only collect, but to maximize, 'her' Rent.

Why?

Because she wants her 15% to grow continuously.

Wouldn't you?

THIS CAN BE THE WAY YOU LIVE TOO

If all the Rent were collected for you by a deliberately created SPV on your behalf, you would do exactly the same.

Any behaviour in society that lowered your stipend - your citizen's dividend, your share of the Rent - simply wouldn't be tolerated.

Those receiving the Rent (which is everyone) wouldn't allow it.

Environmental behaviour that destroyed the worth of a piece of land? Forget it. That would lower the rent. And your share of it.

Building a bridge across a nearby river that increases trade between the two places to either side? Bring it on. Your Rental share would go up as the trade activity increased – *and* the value of the land on which this trade is taking place.

More Rent for you. A higher citizen's dividend.

There'd be no demands for silly taxes either, since this would lower the collectable Rent.

And no one in their right mind would seek a tariff. That's a barrier to trade. More tariffs equal lower land values – and lower rent. Who'd want that?

Imagine, then, what life might look like if the society in which you lived was constructed this way. A society fit for many Kings in a genuine, property-owning democracy.

Totally free of government interference and taxes.

That would be a society of genuinely free, independent-minded people, living totally without fear and in abundance. And without any government at all seeking to penalize you by levying taxes on your labour and you're your hard-earned wealth.

The harder you work, the more you keep.

To eliminate the need for government then, all we have to do is to model our economy on the Crown Estate.

It involves nothing but a small change to the tax system. Indeed, this system is already working and well established.

The surplus after minor SPV collection expenses can then be given back to the people by way of a citizen's dividend. Much like what the current Queen enjoys.

YOUR QUESTIONS ANSWERED

Question 1.

Phil, I don't believe you. This system couldn't possibly work nation-wide, could it?

Actually, yes, it would work. We know this from history. The change is, therefore, genuinely politically feasible and can be easily put into practice. In fact, it's already being done in a few places. Here are some examples for you.

Alaska collects the Economic Rent of its oil wealth. (But not its land.) This was a Republican initiative passed in the early 1970s.

The current Alaskan citizen's dividend – called the Permanent Fund Dividend, or PFD – is [US\\$1022](#). This means the Alaskan state government pays every Alaskan citizen \$1022 every year, no matter how old they are. This begins at birth.

So an Alaskan family of four currently enjoys in excess of \$4000 annually. Each and every year.

Norway also collects the Economic Rent of its oilfields. (But again not its land value.) Norway does this via a Sovereign Wealth Fund (SWF). The Norwegian SWF - officially known as the Government Pension Fund - is the richest in the world. It's currently reported to own the equivalent of 1.3% of [every single listed stock in the world](#).

Imagine that. All this accumulated wealth just from its surplus oil rent.

Of just one country.

And we're not even counting the value of this country's land rent.

Singapore's entire economy operates in a similar manner to the Crown Estate. Almost all land in Singapore is leased on 99-year leases or longer, as it is in the UK. Except that the leaseholder is either the Singapore government or the Singapore owned and controlled Sovereign Wealth Fund, Temasek.

Temasek was the special purpose vehicle created specifically for the task of collecting the entire Singapore Rent. The brilliance of its creation is that it is totally divorced from all and any political influence.

This proves that the change being suggested to you here is minimal in its requirement but immense in what it could do to change the way any country – and indeed how the world - works.

Notably, Singapore has managed to adequately house ALL its citizens in decent accommodation - *which the people themselves own* - since its founding in August 1965.

Singapore does not have a housing issue. And Singapore

A letter in the *Straits Times*

Singapore, 28 August 2018.

“The debate over terminology such as ‘lessee’ or ‘owner’ is largely academic and is much ado about nothing.

I recently watched a documentary from Hong Kong which examined why Singapore has been successful in housing its population while people in Hong Kong are facing so many problems.

In an interview with Singapore’s former master planner, Liu Thai Ker, he highlighted an important difference – that Hong Kong has a lot of land but most is considered private and held in perpetuity by its owners, whereas in Singapore, the majority of the land is used for public-housing, and even private land can be acquired by the government for development if required.

After watching the show, I am greatly heartened by the fact that we have a government that looks after the interest of the majority rather than catering to only the rich.

In the show, Hong Kongers who lived in Singapore expressed great admiration for the spacious apartments and meticulously planned townships here, compared with those in their city.

In short, whether it is a 99-year lease or freehold lease, it is a fallacy to think that one can own something in perpetuity.

Instead of arguing over trivialities, we should count your blessings that the majority of us have a place that we can call home for as long as we live”.

- Seah Yam Meng -

remains one of the few places on the planet where practically all the locals speak reasonably well of their government. I've been there. Ask them.

Question 2.

What would happen then Phil, to my land?

It's still yours. You own it. Just like the Queen does.

In return for legal title, ownership and the fact that no one else can steal it from you, you owe the Special Purpose Vehicle the yearly Economic Rent. In the same way it's collected for the Queen.

Remember, you'd not be paying any taxes. None at all. Zero. Nada. Nil. A small land ownership fee in return for total security and very high wage levels. And your yearly dividend. Is this too much to ask?

Question 3.

Phil, it isn't possible that we'd all be wealthy. There'll always be poor people.

Returning part of the Economic Rent by way of a citizen's dividend is likely to substantially lift everyone's annual income. As it does in Alaska, for example, described above. And Alaska, remember, is only collecting the Rent of its oil. Alaskans closely watch and guard their entitlement.

It is probable that some citizens may not know what to do with such a massive windfall and could allow it to be frittered away.

Now whilst it would be the right of any citizen to do with their annual citizen's dividend whatever they wish, perhaps a genuine financial education campaign could be considered as part of the dividend payment.

Perhaps it could also be suggested that part of any education campaign should be to tell citizens that they immediately go about efforts to own their own - now far more affordable - home.

Question 4.

Well then Phil, just how much Rent is there to collect? And what sort of dividend could I expect?

Good question. A simple way to think about this is as follows. We'll use Australia as an example. The US government does not collect statistics on land value. Neither does the UK.

The total value of all the land in Australia is approximately **\$5.8 trillion**.

That's according to the latest Australian Bureau of Statistics (ABS) figures for the 2017 financial year. That's a bit more than 3 times the level of Australia's GDP of around \$1.7 trillion.

The highest land values are in the cities of course.

The price of land is generally 20 times the yearly rent. So, 5% of this value can be collected yearly. That's about \$290 billion.

Add to this all the mineral rents, the oil rents, a few license fees and you have a lot of collectable rent.

Nobody knows exactly, because it's a figure the major collectors of this rent don't want you to know.

For a better analysis of it all, you could go [here](#). It's a discussion of the total value of Australia's Resource Rents, studied and written up by author Karl Fitzgerald.

Karl's report concluded that:

"My 'Total Resource Rents of Australia' report finds monopoly rents are capable of replacing taxation at all levels of (Australian) government".

So, you could easily live in a country like Australia and at the very least, never pay taxes again.

Question 5.

Ahh yes but Phil, you'd still have to have some sort of government, wouldn't you?

Well maybe, perhaps initially. But as the SPV got underway,

Australia and any other country could easily then begin to operate along Swiss parliamentary lines.

I won't go into that in more detail here, you can do that for yourself, except to say the following:

- Switzerland features a system of government not seen in any other country in the world: direct representation. Any citizen may challenge a law that has been passed by parliament.
- Switzerland has had one of the most stable governments worldwide, ever. Since 1848, it has never been renewed entirely at the same time. It's provided astounding long-term continuity for the country.

The Swiss Parliament is a semi-professional parliament. In other words, the elected officials sitting in the Swiss parliament are NOT paid politicians.

Amazing really. I've lived in Switzerland. I loved it. Their government is genuinely productive and responsive. Any Swiss unhappy with what their government does can actually do something about it.

Hence it is a completely reasonable and valid assertion to say that Australia could, if it wished, get rid of not only its government, but ALL its paid politicians as well.

Not only that, replacing all taxation with the collection of the Economic Rent will eradicate the boom / bust of the real estate cycle.

If you'd like to know more about that, go [here](#).

Best wishes,

Phil Anderson

Phillip J. Anderson
and Your *Property Sharemarket Economics* team.