

Is the Queen a Georgist?

A transcript of Phillip Anderson from the 126th Annual Henry George Commemorative Dinner

An Englishman, an Irishman and a Georgist walked into a bar. They were in France and they promptly were arrested, the French Secret Service arrested the three of them for spying in France.

Now, of course, if you're arrested for spying in France and if it's proven that you're guilty, you get the guillotine. The guillotine was named after Mr Guillotine because it was a very effective method of execution. They were properly arrested and put into jail, French jail, not a really good place to be, and sentenced to execution with the guillotine. So the Englishman comes up first and he's there, he's lying on it, and the execution's all set to take place and the guillotine gets stuck. Now under French law if the guillotine gets stuck, if it doesn't come down and take your head off on the first go, you're set free, so the Englishman was set free. It's the Irishman's turn, so the Irishman gets onto the stage and the guy that's in charge puts his head into the dip and the blade doesn't come down again, so the Irishman is set free. So the Georgist gets up, the Georgist comes up, he's on stage, he's ready to be executed with the guillotine, he looks up at the guillotine and he says, "Wait, stop! I see the problem".

Now, all Georgists will get that because that is the quintessential problem, is it not? Yes, we can see the problem. You see the problem, you stand up for it and you are, in one sense, properly executed.

Before I go any further I will take the time to introduce myself a little bit for those who haven't heard me speak before, I'll go through a little bit of my history of what I've done, then we're going to ask the question about the Queen, then we'll do a little bit more about the whole economy, if we get time we might do some forecasting. I'd like to leave a good bit of time for questions.

Is the Queen a Georgist? I have a suspicion that for some Georgists in the audience you might be in for a paradigm shift this evening, we'll see how we go. You can judge me about that at the finish.

To give you just a little bit about my history, it must have been back in about 1990 or thereabouts, a few years after I had travelled the world. I spent nearly two years travelling around the world. I resolved when I was travelling that I would not come back to Australia until I had worked out why things are as they are and why we get the

politicians that we do. I really didn't have some of the answers when I came back, but I resolved still that I'd find them. I spent a good deal of time in India and I came back a fairly angry young man, so I did probably the dumbest thing you could do and I stood for parliament because I wanted to change a few things. I joined the Australian Democrats because they were pretty much centrist you could say, I also thought because they were moderates. I also really, really liked what I used to hear from Don Chipp in those days and also Janine Haines.

I stood in the seat of Hotham, which is where I both lived and worked, and I was standing against Simon Crean. When you stand for a political party or when you stand and do some of that stuff in politics, there are lots and lots of groups that send you their political paraphernalia. One of the groups that sent me some material was the Henry George League in about 1990, thereabouts, and they sent me a little brochure by Winston Churchill. I threw it immediately in the bin. There was absolutely no way I was going to read anything by that right-wing Tory, as such. Now, in those days I was so far left of centre that I was in the Anarchists' Society really, if you could call it that anarchists had a society. We'd meet at Ross House and I'm still there in Ross House. They were some of the most interesting meetings I've ever been a part of really, it was fantastic. So for me to get something from Winston Churchill was a bit of an offence I thought.

Anyway, three months later, after politics was over. I was at the family property down at the beach and the Winston Churchill booklet fell out again and I thought, "Oh okay, synchronistic, there's got to be something about that" so I

started reading. I got to the little piece in Winston Churchill's book about where the bridge across the Thames there was a toll on the bridge to get from one side to the other and the poor people were complaining that they had to pay the toll every day to get from one side to the other, so the politicians scrapped the toll.

Winston Churchill wrote this - one month later it was found that the rents on both sides of the river had gone up by the exact amount of the toll.

That was an absolute astounding revelation for me. It completely changed my life. I saw everything in an instant and then I knew what I had to do after that. So I immediately went down to Prosper, read all the material, signed up and the rest is, as they say..... I was very fortunate that somebody back then gave me a book from Fred Harrison. Now my beat, I've always been interested in economics, my beat's been largely to do with cycles as well because the business that I was in at the time, it was a family business, we employed about 300 people. It was in ladies' lingerie.

Now for some reason, don't ask me why, ladies tend to buy more lingerie and lipstick in a downturn, hence the business that we had was a cyclical business, certainly in the fashion field. It was often actually countercyclical, our business tended sometimes to have a good idea if there was a downturn coming because suddenly the embroidery market would pick up, which was what we were in. So that gave me a good cyclical background.



Somebody handed me Fred Harrison's *The Power in the Land*. I've been greatly interested in cycles. Fred's book greatly impressed me - it's a book I think you should read - because Fred wrote the book in 1983 forecasting for the world, particularly the UK, to go into a severe depression in the very early 1990s, 1990/91, at least after 1989. Fred called that depression seven years in advance.

Now, a bit more of my history. I started an interest in the stock market when I was 14, I used to pull up the papers before I was off to school or afterwards. I'd get *The Herald* in those days and I would just briefly jot down the prices of some of the stocks that I was interested in. One of the stocks in those days was a stock called Renison Goldfields and I'd noticed that some days Renison Goldfields had traded 20 cents, some weeks it would trade at 25 cents, sometimes 30, back down to 20. I thought to myself if I could buy at 20 and sell at 30 I wouldn't have to work for the rest of my life. That was my goal. Of course, as we've all known since then, it became far more common to be buying at 30 and selling at 20 and I lost a bit of money.

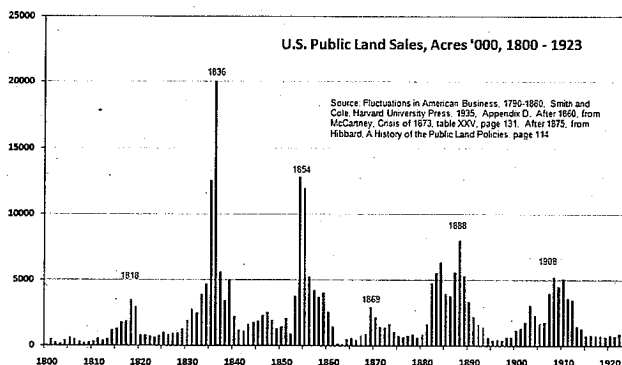
Needless to say, Fred's book came up at a very, very intriguing and interesting time for the family because as a family we had a couple of decisions to make because it was now 1991. Most of Australia was in recession if not in Melbourne, if not depression by that time. We had a business that was still had a positive cash flow, it was still going well. The banks knew that and the banks were looking for people to offload property to that could then continue to pay the interest on the loan, which meant then the banks had performing property on their loan book. So at that time I was reading this book. My family had a difficult decision to make. Do we buy these properties? We're not talking chicken feed here. We're talking significant commercial buildings, more than 20. So we bought on the knowledge that real estate, according to Fred Harrison, has a rough 18 to 20 year cycle.

After that, things kept moving. I decided I wanted to work and run my own business. After having finished Fred's book I knew then that I could probably make a business out of economic forecasting, because once I'd cottoned on with Henry George I was absolutely certain I wouldn't have any competition because, after all, which of the mainstream forecasting houses are going to

come out and understand land and then start promoting land taxes? It was unlikely to happen.

I thought if Fred could write about the UK, I'd write about the US. So I went ahead and researched the US and here's what I found.

You have a chart there of public land sales instituted by the Federal American Government after 1800. Now, just to put some context to that chart, after the Americans thrashed the British and threw them out of the country, the 12 American states got together to form a Federal Government. To give the Federal Government something to do, the 12 states ceded all the land that they owned to the Federal Government and



the Federal Government then began selling it off to all of the United States citizens and anybody who would come to America to live there. So, as in typical American fashion, the Americans record absolutely everything.

From May the 10th 1800 their Federal Government started selling off the real estate. So you can see where I started - you have to remember that we're talking here 1993/94, that research, when I was trying to find land sales, it's pre-internet and it's pre-Google. I mean, we are talking dinosaur age now, yes? Eventually, I found that book which I've referenced there. I had to go up to the public library, which was up in the top end of Swanston Street in those days, and I'd sit under the dome and I'd try and get a list of books I could see that might be of interest regarding land sales. I'd then go to the librarian and she would contact the Library of Congress or wherever the book was in the United States. The book would be posted out here, I'd read it, send it back.

To illustrate how far we've come with the technology, I was the other day watching a bit of a kid's show, a film called *Zootopia*. I don't know

if anybody's seen it, but I find often the best adult jokes are in kid's movies and this was no exception. At the end, one of the singers comes on and sings a song. I didn't know who the singer was and I wanted to know. I just pulled out my iPhone, I hold the iPhone to the TV and the iPhone tells who it is. And the singer happened to be Shakira. I mean, how cool is that? That's happened in 20 years. I mean, you think about all the stuff that had to happen to make that happen?

As I've tried to show you within the *Cycles, Trends and Forecast* newsletter, I try to show it and it's something that absolutely nobody tends to get. Ultimately those productivity gains in the end must flow through to land price. It's the iron law of economics. There's just no other way around it. We'll come to a bit of that in a minute, because I want to finish off telling you what I've been doing.

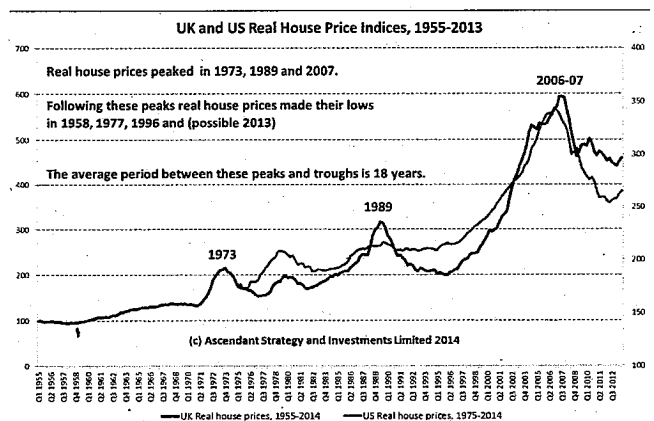
So you can see when I plotted the figures for US public land sales, the United States experienced a land boom every 18 years: 1818; 1836; 1854; 1869, it was 1872 in Chicago; 1888; 1908. The next one from there was 1926, which involved Florida. Here you had it, after Fred had said every 18 years there's a real estate bust after a big boom and here we had the figures again that I'd assembled. That's when I thought, "Yes, I have a business here. I can go out on my own" so that's what I started to do since 1995.

I ended up in France and the UK for good and interesting reasons. I ended up meeting a very good friend of mine, Akhil Patel, who has been interested in the same research as me and he's also seen a lot of Fred's work. So he and I put together some UK and US real house price indices and you can see there since 1955, which Fred so neatly showed was the land price low point in the US, we had a boom, a peak in 1973, 1989, and then as I was putting things together what odds were you going to get for 2006/7 as a top?

We've since come down there and you know the story after that. What odds do we have if the cycle's to repeat, which I'll show you why it will. What odds do we have for another boom going into 2026, which is just the 18 year cycle, if history's to repeat?

Akhil put that in another way. He stylised the 18 year real estate cycle this way, which you can see. We've put the lows at 1955, 1975, 1993, and

now from the data it shows the lows in 2012. You can break down that 18 year cycle and you get 14 years up, four down. That's been year perfect since 1955. From the lows, and so from 2012, you get seven years up, that's going to take you to 2019.



I've been showing this since 2009 - it created great controversy in 2010, '11 and '12, but this is starting to look pretty good now, isn't it? Yes, seven years up taking us to 2019.

We've just seen a great real estate man elected President. He's going to cut taxes shortly, where's that going to go? It's going to go straight into land value.

We're going to get a big boom at the peak to take us into 2019. Then we'll get a pause. If history's to repeat, we head up for another seven years. Fred Harrison spoke beautifully about a "winner's curse" phase and it's the last two years of the real estate cycle. It's in those two years that you just never should be over-leveraged because the people that get over-leveraged in the last two years of the cycle go bust, they break completely. Then from there, 2026 it will presage, if history's to repeat, a severe depression in 2028, if history's to repeat.

Everything you see around you (The Docklands), all the wealth and certainly since 1991 all that you see out there has been built from the ground up. There was nothing there before 1991, in fact, even before 1996 really. That is wealth. You need land, labour and capital equipment to get that wealth. But it is all about earnings and the earnings are rent, wages and interest, but for the sake of the argument we'll call it profit. Earnings are the key, that's what you've got to study. The question then gets asked what do you pay for

earnings? This is a question that all the analysts in the stock market ask themselves every minute of every day - earnings.

Now let me give you an example of this so I can prove to you over the next three or four minutes why the real estate cycle must repeat, and it's easiest to explain this way. Let us say, for example, that you own a hairdressing business and you've been earning a good wage and a good salary, the hairdressing business has been earning well for the last couple of years, but for some particular reason, whatever it is, you decide to sell that business. How do you decide what to sell for? What price do you put on your business? I don't know. What price do you put? It's a bit of a rhetorical question there from me, some people say, "Well, it's demand and supply, it's whatever somebody will pay". But there is an accounting method to work out the price of something and the price of something is always a multiple of the earnings. A hairdressing business is usually priced at two times earnings, so if the earnings for the year are \$50,000, if you go to sell your business and you get a valuer or an accountant to do that for you they are going to say your business is worth, somebody will buy it from you for \$100,000. Does that make sense for everybody so far? Yes?

Now remember, going back one - the earnings. If you've got land you collect rent, if you've got labour you collect wages, capital equipment you're collecting interest or profit. Let us assume for a minute Karl Marx has been reincarnated and decides to stand for government. His policy manifesto is to scrap all taxes, except a tax on business earnings and corporate profits. So he is going to tax business earnings at 100%. Now imagine, just try to recall what I'm suggesting about earnings. The price is just the capitalisation of the earnings, so in the stock market the price of all the banks in the stock market for instance, the price of the Commonwealth Bank, the price that you pay for one share, usually the market will value Commonwealth Bank at about somewhere between eight to 11 times earnings. If you wanted to buy a retailer of some sort, for some particular reason, I don't why this is, the market will generally suggest retailers are valued at about 20 times earnings. Now it goes up with various things, but that's about the average. Let us say that our Karl Marx has been elected

and his policy is put into practice, from now on all corporate earnings are taxed at 100%. What would be the price of most businesses? What would be the price of their shares? The businesses would still be there, they're generating earnings, but what's the price of the shares? Nothing, zero pretty much, yes? Okay.

Now let us suggest I decide to stand for parliament again and by some wildest dream or wildest imagining's I get elected on a platform of getting rid of all taxes except one.

The only tax we're going to have is what I would call a rent resource tax, a site rent, but my opposition would say, "Oh, that's just a land tax". So let's call it a land tax, for want of a better word.

That means that there's going to be no GST, no payroll taxes, no taxes on wages of any sort, there'd no taxes on corporations anything like that, it's just going to be a tax on land value. Now, we need to know that as a general rule, you may not have thought of this, you may not have considered it, land is generally priced at 20 times earnings usually. That will go up in good times, comes down a little bit in bad times, but the land price will be 20 times its earnings.

If I get elected and the policy is put into practice, what would be the price of land? Zero because the earnings are being taxed, the earnings cannot be capitalised into a price. The use value does not get affected, but the price would be zero.

It's a concept most people understand when you talk about stocks, but when it comes to land most people cannot get this concept of a society where land price is zero.

Now these days, the only way I can show you that we must get a real estate cycle is because we don't have land taxes.

I've got to reach carefully into my pocket here. If I was to put this pen here and if I let this pen go, which way is it going to fall? Downwards. Absolutely nobody in this room would argue with me about that because it's clear we know the law of gravity. The law of economic rent is to economics what the law of gravity is to science.

So if the economic rent, if the earnings of land are not collected through some sort of mechanism, then those earnings are going to capitalise into a price. It's a price people will chase and we will get a real estate cycle, it's as simple as that.

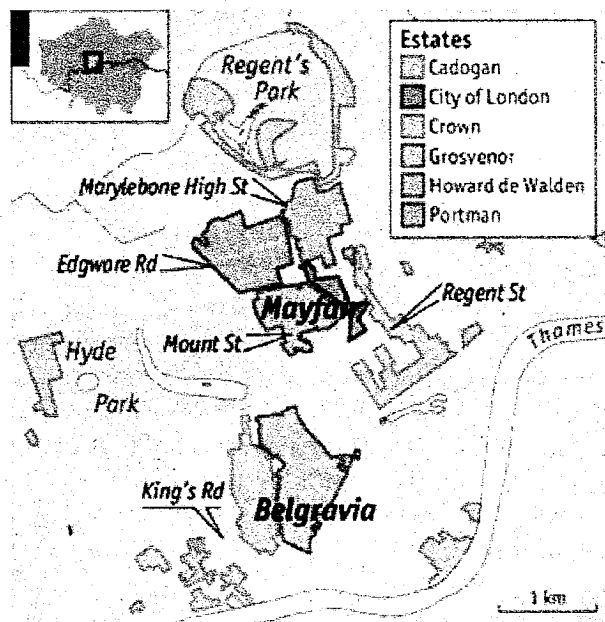
It just staggers me, it's a concept so many people outside this room just don't cope with, but I'm okay with that because all of my *Cycles, Trends and Forecast* readers, that gives you an astounding advantage in the market, it really does, because you can use it to do all sorts of wonderful things as far as investment goes. It gives you a theoretical, well it's more than that, it gives you a structure with which to have a look at the world around you and to judge what's happening and when. So it was just absolutely no surprise to me, President Trump, Donald Trump, he's been elected at the exact sweet spot, a real estate man, at the exact sweet spot of the real estate cycle. If Trump wanted to make himself immortal, he won't because his ego's too big, but if he wanted to make himself probably the best President of all time he simply doesn't have to do anything at all because the economy will do it for him. It really will and it's astounding what's happening in America at the moment, some absolutely amazing productive forces.

Is the Queen a Georgist? Here she is, she's on the \$5 Australian note. I have a couple of notes. The Queen owns 19,000 acres of real estate around the UK, mostly. The Duke of Westminster owns 133,000 acres of land around Great Britain, 300 acres of which is in Mayfair. I did some digging around and you can see there are basically six owners of London land. You have the Cadogan Estate, the City of London, the Crown, which is the Queen, the Grosvenor Estate, the Howard de Walden Estate and the Portman Estate.

So you can see there the Grosvenor Estate, which takes in 300 acres of Belgravia and Mayfair - that's a nice 300 acres to own. Just that 300 acres generates about £175 million a year, that goes straight into the pockets of the Duke of Westminster in his business; the Cadogan Estate (Knightsbridge, Kensington, Chelsea area), £121 million of rental income and so on.

But it's the Queen I'd like to talk about, because I have a suspicion very few people in the room

Ownership of Central London



Source: *The Economist*.

probably understand much about what the Queen does. Now, I'm going to read a quote here because I think this is the best way to explain it, and this comes from *The Times* in the UK. It's in the business section and the title there is headed *Crowning Glory for 'the Queen's Property Firm'*. So if you could just bear with me while I explain it, it's only about 100 words, 150 words, but it explains the Queen's system.

"Timing, they say, is everything and a decision taken four years ago to redevelop a large tract of St James in London has paid off handsomely for the Crown Estate. The Estate, which is often called 'the Queen's property company', said it had delivered a record £328 million to the Treasury last year; this is up 8% on 2015. In the past decade, the Queen's property company has returned more than £2.6 billion to the Exchequer."

Are you starting to get an inkling of whether the Queen is Georgist or not?

Now this is the important bit - now this is printed in the paper I might add, so I'm not making anything up. The Crown Estate essentially dates from 1066, but in 1760 George III surrendered crown revenue to the Treasury as part of a deal that relieved him of his personal debts, relieved him of the national debt, and relieved him of responsibility for the cost of civil government.

The Queen's surplus income goes to the Treasury. In return, the Treasury pays the Queen every year a citizen's dividend. The Treasury pays the Queen £40 million every year for her to carry on her work.

I'm sure she's probably, definitely, she's definitely worth it, £40 million a year, because she would generate far more than that in the tourism industry of all the people that go to see the House of Windsor and all the attached properties. Now, fellow Georgists, you tell me if that is not pure Henry George? Is it not? The income from every piece of property that she owns goes to the Treasury. The Treasury then collect it and then pay her a dividend.

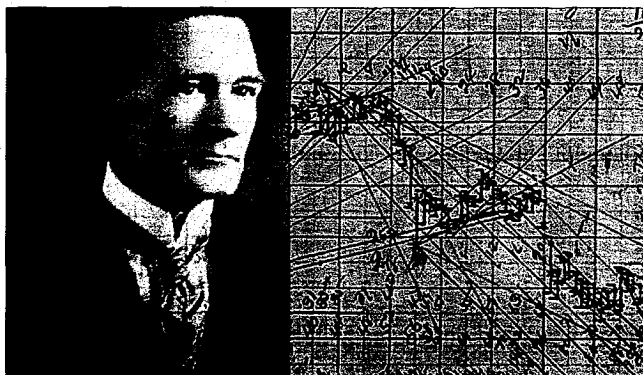
One of the fastest growing businesses of the Queen is offshore wind energy. The Crown Estate has control of 30 wind farms and it's helped to build a well-established wind farm industry for the United Kingdom. She added that during the past year, the Estate's strongest rise in valuation had come from the energy, minerals and infrastructure division where values had risen 18% to more than £1.1 billion.

So the Treasury is managing those assets on behalf of, firstly, the Queen, but also the people. The sector is now meeting over 5% of the UK's electricity demand and is on course to meet 10% by 2020. The Crown Estate also generated record surplus income of £12.1 million from its assets in Scotland, which include the rights to salmon fishing, wild oysters, sites such as Kings Park at Sterling. Now shouldn't the government be collecting that sort of revenue?

But it's the last year that the Crown Estate will be managing these assets because those assets - that's the salmon fishing, the wild oysters, sites such as Kings Park at Sterling - have been transferred to the Scottish Government under devolution. I bet the Queen was not happy about that. The Crown Estate Scotland will manage the assets and profits will go directly to the Scottish ministries and not to the Treasury. The more that the income is collected by the Scottish and UK Treasuries, the less that the people of England have to pay in taxes. So you tell me, is the Queen a Georgist or not? Now, would she have any understanding of Henry George? I doubt it. Do you

think she's happy with the arrangement of all that money going back to the Treasury and she only sees £40 million? I doubt it either, they're always asking for more money. But the UK Government could, if it wanted, do the same thing for the Duke of Westminster and simply say, "Duke, that revenue belongs to the people and we'll pay you back a citizen's dividend". Do you think the Duke would be happy with that? This is why we've got the system we've got today, which is why we are where we are.

So there we have it, that's pretty much what I wanted to cover. For the next couple of minutes we can talk about the economy in general. Because we must get a real estate cycle you see the situation as we've got it out there and around people having to work, couples having to work a 40 hour week to afford one particular house where it used to just take one income, all the problems you see.



In the early 1900s there was a chap named WD Gann, he happened to also believe in cycles. Gann in his study of time rediscovered that time moves in sets, for want of a better word, vibration or frequency and Gann suggested that if you could get the birth date of something or if you can get a major top or a major bottom which is easy to spot in the stock market. He was then able to calculate backwards and forwards using specific time counts when the next top or bottom should happen in the stock market. Now I think you'd agree this would be very useful information to know if you like trading stocks like I do, yes? I've since come to see a little bit about what Gann was doing.

Gann essentially used time in a circle, with 360 degrees in a circle, he divided the circle by two, which gave you 180, by three, which gave you 120 (a triangle), by four, which gave you four equal

divisions of 90 degrees being a square, by five which gives you 72 and so on around things and he found that history tends to repeat in set timeframes. If we stop talking a little bit about real estate and we move to the stock market, I've shown you how real estate has a 14 years up and four down cycle and it is exactly 18.6.

The brilliance of Gann, somehow Gann cottoned onto a timeframe, and he released this in what he called his financial timetable. That financial timetable since 1909 has accurately forecast what the US stock market would do year in year out. I know that sounds really hard to believe.

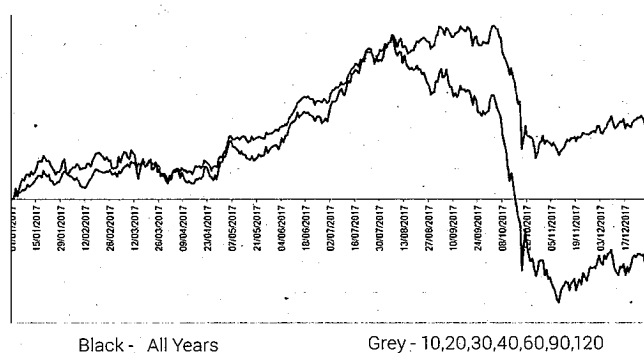
If you were part of my *Time Trader* service you'll have seen that financial timetable and so far it's been very impressive. The financial timetable breaks the 18 year cycle down year by year according to what the US stock market will do year by year. It repeats every 18.6 years.

Gann also had what he called a decade cycle where he felt the US markets will repeat from year one to year zero. What you have in front of you is the rough outline of what Gann called his decade cycle shape. If you go and study the Dow back a hundred years you will find the Dow consistently bottoms in years one and two, it consistently starts rising in year four, it always has a positive bullish year five, and it usually goes sideways upwards year six. Then in year seven we get to the 84th and the 90th month, which brings us to August, where the US stock market tops out. If you're following markets at the moment we have a very interesting situation where after 90 months from the bottom, August, the US market is starting to top out. Years ending in seven, normally around about October you tend to see a bit of a top again and then you get a bit of a reaction, one or two months downwards, back up years eight and nine. I'm very bullish about the world economy, as all of you know, despite the odds, despite everything that's been happening, and I'm bullish because if you go back 30 years, from 1982 to the beginning of 1990, the US stock market was very bullish, with a correction in the year ended in seven. If you go back 60 years, from 1952, 1951 really, the US stock market was very bullish right up until January of 1960. Now you have a repeat timeframe going there. If you

count forward 60 years from January 1960 that will take you to January 2020, with very good odds that the US stock market will continue up until about December of 2019.

Can you see how that rough shape 60 years ago and, again, we had a bounce in October of 1957, that's when the Russians launched Sputnik and it caught the Americans by surprise? Ninety years back was the 1920s, a very bullish decade, again. Can you see the lows in years two and three, going up to a bit of a bounce in 1927? It was serious at the time, but they got over it pretty quick, up to the top in 1929. 30, 60, 90 years back, which are the typical timeframes Gann would have talked about. Again, the decade cycles, the Dow has followed that. You could overlay the Dow on that almost perfectly and that's the 2017 curve.

Dow Jones Industrial Average 2017 Forecast Chart



So my forecast, which I've been doing for a number of years now and this slide was at the ATAA in Melbourne some years back, back in 2015, topping out August 2017 for a reaction in October, we'd be up with a mid real estate cycle peak in 2019. It's in that year, 2019, you're going to see a lot of tall buildings open up, they'll be big ones and then the usual mid cycle slowdown in 2021, and then the real estate cycle is really going to let loose because after 2021 into 2026, that's when everybody's got a lot more money. We've been through the hard stuff. The speculation really starts to take over, all of the financing, all of the ponzi stuff all comes out after 2021. It's going to be amazing to witness this time. In my opinion it's going to be bigger than ever. It's going to be absolutely massive and I think we're on the forefront of what will be one of the biggest real estate booms of all time, especially in the US, but certainly in other places. Thank you.

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