

The Secret Life of Real Estate and Banking

PHILLIP J. ANDERSON



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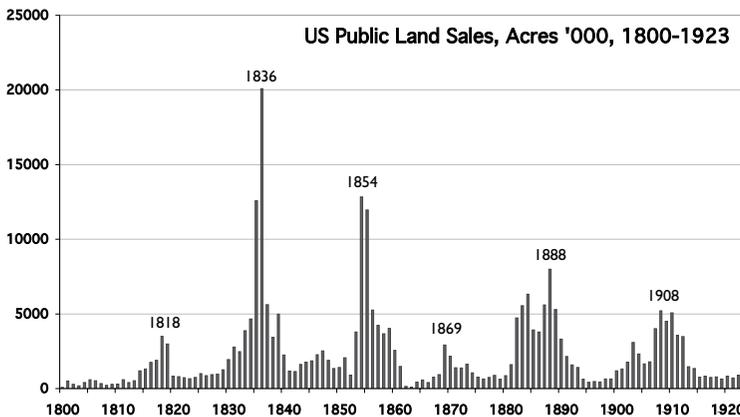
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Every 18 Years ...

THE UNITED STATES began selling off its real estate, officially, under a set legal structure, on May 10, 1800. This marks a convenient starting point for our study of the secret life of real estate and banking, from which a remarkably regular pattern emerges.

In 1818 land sales peaked, followed by a downturn; in 1836 sales peaked again, ending in a depression; the next peak, in 1854, was followed by a depression; the 1869 peak was also followed by a depression; likewise in 1888. The downturn following the 1908 peak was cut short by the build-up to the First World War, and real estate peaked again in 1926, followed five years later by the world's worst ever depression. A construction-led boom (mainly government financed) peaked in 1944; the ensuing downturn was cut short by rebuilding after the destruction of the Second World War.

In other words, for the first 144 years of real estate enclosure in the US, land sales and/or real estate construction peaked consistently every 18 years.



Since the US economy shrugged off the distorting effects of the Second World War, the average 18-year cycle reasserted itself with some vigour. The final years of the first decade of the 21st century will mark the passage of another cycle, 18 years from the trough of the previous one in 1992. So far there is little evidence that anything has changed to prevent yet another housing-related downturn, then recession. Should history repeat itself, we can expect the next trough around 2010.

This book is the story of those 18-year real estate cycles: why they happen, and why you can be assured they will repeat. A little knowledge of which could be exceedingly profitable ...

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Author's Note

CONGRATULATIONS! You have just picked up the best book you will ever read about real estate cycles. This book will show you how the real estate cycle works and why it will continue to repeat. Properly understood, this knowledge will prove of immense value to you as an investor.

Whilst the book deals primarily with the American real estate cycle, it should be noted that the same principles apply to any nation that has enclosed its rent of natural resources, the largest of which is the capitalised ground rent. As more and more developing nations join the Western world in enclosing this ground rent (China and Russia being the latest two) the real estate cycle can only strengthen and globalise. For the 21st century, this will mean even bigger and more violent global (synchronised) booms, then busts.

Imagine knowing how to take advantage of that.

To explain: Part I of the book highlights the present situation in which the US finds itself. Part II of the book, Chapters 1 through 14, detail the clear historical repetition of the real estate cycle – necessary to go through as you probably wouldn't believe it otherwise. Economists deny it, but history clearly repeats. Only after that can the banking system that facilitates this repetition, and the enclosure of the commons that actually causes it, be fully explained. Part III of the book brings all the information together in order that we might work out how the current real estate cycle will play out into 2010, leading to the next real estate cycle boom, then bust, towards the end of the 2020s.

Me? I run Economic Indicator Services Ltd, a company I have directed since the very early 1990s. EIS is the world's foremost authority on business, real estate and commodity cycles; we have been teaching our subscribers for years how to profit substantially from this knowledge. EIS intentionally does this quietly and with little fanfare. You can see all of that on the website: www.businesscycles.biz (note especially the testimonials).

In this book I have tried properly to attribute all sourced material and hope I have not missed any. There has, over the years, been plenty written about each major US downturn but this is the first time anyone has put all the information together coherently and been able to tell you *why* the cycle repeats as it does.

Most of the chapters were written progressively between 1998 and 2004 and posted to the website for subscribers as they were completed, or used in classes run over those years. The original version of each chapter is still on the website. Our 18-hour real estate clock,* as pictured on page 360 of this book, represents the crystallisation of all this knowledge.

You are in good hands here. I guarantee that, if you read all the US land history, go on to read the further chapters explaining the cause of the cycle, and then go back to re-read the history with a new-found knowledge of the 18-year real estate cycle, a whole new world of understanding will open up before you. The information here is timeless and will stand you in good stead for the next US real estate cycle, 2010 to 2028 or so.

But hey, don't believe me – study it for yourself!

PHILLIP J. ANDERSON

September 7, 2008

The title of the book required a slight amendment – based on some feedback. This book is as much about the credit creation process as it is about real estate, so it has been changed to *The Secret Life of Real Estate and Banking*. This is an improvement and more reflective of what the book is all about. Do not fall into the trap, though, of blaming the banks for the recent 'Great Recession', as almost everyone seems to have done this year. It is easy to blame the banks for all the troubles: they are an easy scapegoat, especially for the politicians. As you will read, however, it has been the same every previous real estate cycle: blame the banks for the collapse, then change the banking laws 'to ensure it won't happen again'; 2009 is not proving any different. The recent changes to the current banking structures will, in fact, guarantee us yet another cycle.

PHILLIP J. ANDERSON

August 21, 2009

* Feedback from subscribers and readers of the first printing of the book suggests that it would have been clearer to call our clock 'the 18-year real estate clock', rather than 'the 24-hour real estate clock', the name given to it originally. So for this second printing and onwards, this is what we have done. A definite improvement. Thank you.

PART I

THE PRESENT

*Those who cannot remember the past
are condemned to repeat it.*

George Santayana, *The Life of Reason*