

## **Neil Howe: The really big crisis has yet to arrive!**

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**Erik:** Joining me next is Neil Howe, co-author of what may be the most important investing book of our time, *The Fourth Turning*. I am such a big fan of this book personally that I literally named my own investment management company Fourth Turning Capital Management after Neil's work. And my own investment process centers on understanding that we're in the middle of a fourth turning. Now, while the book was actually written twenty years ago, I would argue that it's even more relevant today than the day it was first published.

Neil, many of our listeners have already read the book, so I'm looking forward to getting an update on how things are progressing. But, for the sake of listeners who may not have read the book yet, let's start with a review of the basics. What is a fourth turning? What is the theory of how generational cycles influence society and financial markets? And when did the present fourth turning begin?

**Neil:** Great questions. I would just maybe preface this by saying—because people often ask me—did Bill and I start out by trying to write a book about rhythms of history. And the answer is no. The two of us were very interested. I started out as a historian, actually, before I became an economist, and I was very interested in how generations are different throughout history and what implications that's had.

A lot of people remember how much boomers were so different than the World War II generation that raised them. And since then, we've often puzzled over this. Two generations, such completely different sense of where their lives were going.

And we looked back in history and found—and this was actually our first book, that came out in 1991, which was called *Generations: The History of America's Future*. And what we found is—we rewrote all American history from the 17th century onwards—and we found, not only have generations always been there, they've always been noticed, people have—no one's noticed different generations as being different.

And there have been generational clashes throughout American history, but these generations tended recur in a certain sequence. In other words, different generations don't arise at random. Certain kinds of generations always tend to arise after other

kinds of generations. And, lo and behold, at the end of the book we intuited that this had a synchrony with a long-term cycle of American history that many people have noticed.

And that is—it's about the length of a long human lifetime between the great political and civic turning points of American history, going forward from the Glorious Revolution and the War of Spanish Succession up to the American Revolution to the Civil War to World War II and the New Deal. And then on into the era we find ourselves in today.

And that, roughly halfway in between, we find the great spiritual awakenings of American history. We used to literally call these "awakenings." But these were always pushed by the young and always very focused on the new revolution in values.

So, on the one hand, you have these turning points which are civic and institutional and involve politics and empire and the economy. These are the fourth turnings. And then you have these value-focused episodes which involve culture and religion and the interior of life, not the exterior of life. And of course our most recent awakening was in the late '60s and '70s, something a lot of us boomers today remember because they came of age during that period.

So this was an interesting pattern to us, and it was in *The Fourth Turning* where we sort of formalized that into looking at history moving through a series of social moods in a certain order. And we think there's some very fundamental reasons for why we move through history. And not just American, I should mention, but I think most of the modern world moves through history and cycles like this.

They can be interrupted, they can be cut short, but there is a tendency for this. It's manifested itself very strongly in American history. And we call these—each of these eras is about a generation long, they're about 20, 21, 22, 23 years long, and we call them first, second, third, and fourth turnings.

The fourth turning is the final season of history, if you will, the final generation. And that is the period of crisis. That is the period when we tear down institutions that we've built, everything that's dysfunctional. And we sort of rebuild things from scratch again. And it usually follows a period where—it's bound up in a period where there's complete disgust, complete distrust with what we have. And, usually under pressure by the younger generation, we kind of rebuild.

These are the civic rebirth moments we've talked about earlier. That's by way of introduction. That book was in 1997. You're right, it's about 20 years ago.

**Erik:** So you predicted this in 1997, and in your subsequent writings you've said that the present fourth turning began with the great financial crisis in 2008. But I'm curious, though, because when I read the book you explained that these fourth turnings always

start with a catalyzing event that changes the mood of society.

Now, if I ask myself what seems the most likely candidate for that, I would think the 911 terror attacks were the big moment where the mood of society changed. So I'm curious, why do you favor the 2008 financial crisis as opposed to the 2001 terror attacks as the beginning of the fourth turning that we're in now?

**Neil:** A couple of reasons. One is that, although 911 changed America's attitude towards the rest of the world, I think that the stock market boom and celebrity circus that's here in the United States really hadn't changed very much. And I don't think you really had a shift, a fundamental shift, in America's perception of themselves as a people, as their own country, to a fundamental degree until 2008.

Also, 2001, as we explained to many people at the time, was simply too early. Every turning starts when each generation is beginning to move into a new phase of life. Back in 2001 boomers were not yet retiring, millennials were still—maybe the first one of them was barely graduating from high school. So this was not what we expected.

2008 really did coincide with the generational maturity of the turning, so to speak. And I think that, in terms of the basic shift in our efficacy of the social system, I think 2008 was a bigger change.

The economic emergency that occurred in 2008-2009 really catapulted us into by far the biggest economic emergency we've been in since the early 1930s. And, arguably, we are still living out the consequences of that with complete change in central bank policy, monetary policy, with sustaining these record low interest rates and arguable very high valuations in financial markets—almost anything pushed by that—and people still wondering how we're going to get out from under that.

The constant discussion is when are central banks going to pull back on their balance sheets and actually go back to the old normal? So I think there is the sense, even in this the booming markets that we see today, that there is this artificial quality: people think that there's something wrong about this. We have not re-righted where we were. We are not letting price discovery and actual markets function the way they did before then.

So I do believe that 2008 was the beginning of a whole new regime. And I also believe that the political dysfunction, the sense of political dysfunction—created during the two turns of the Obama presidency and, obviously, also into the Trump presidency—of government completely grinding to a halt is going to have some very powerful repercussions in the years shortly to come.

**Erik:** You wrote in the book about how these fourth turnings are basically 20-year-long seasons in history where the bad stuff happens, whether it be revolutionary war, civil

war—the really difficult times.

Now, if we went back to the depths of the Great Depression, let's say in 1934, and we explained these concepts to someone living in that time, they would almost undoubtedly say, well, yeah, that's happening right now. Great Depression. That's got to be the bad times for this fourth turning.

Of course, they didn't know that in reality it was World War II that was going to be the big event. The Great Depression was really just an opening act.

So is that a pattern? Should we be concerned that maybe the 2008 financial crisis that began this fourth turning was the equivalent to the Great Depression and that WWII is still coming, or the equivalent of WWII, in this fourth turning?

**Neil:** It's certainly a danger out there. Now we all just saw this morning how markets reacted to this war of words between President Trump and North Korea. I think that there is a rising tide of nationalism around the world. I think it's driven by younger generations. And I should say not just nationalism but authoritarianism.

And I would say these are strong parallels that we see between the decade we've been living through and the 1930s. Because it isn't just what happens to/in the economy. I mean, you consider so many ways in which this last decade has recapitulated the 1930s, starting off with a financial crisis, worries about deflation, worries about declining fertility rates, and currency wars, and beggar thy neighbor policies, and radical attempts by monetary and ultimately fiscal policy to remedy the situation.

But also consider the geopolitical atmosphere of the 1930s. Which was a new world in which there was no concert of great powers, no great power who was taking responsibility for guiding or leading the world. Britain had largely retreated from its global influence after World War I. The League of Nations had fallen apart. And the 1930s was the time when authoritarian leaders, and with growing popularity—growing numbers of people thought that that was actually a pretty good answer to the world's problems. These regimes were doing whatever they wanted in their corner of the world with no one really to stop them.

And I think today we live in a similar era. Just look around the world today. You see a vacuum of any great power or concert of great powers who are orchestrating what goes on in the world. And basically people doing what they want and creating an increasingly dangerous world.

I even think in the culture you find strong parallels. The decline in home ownership, for example. The decline in the birth rate and the fertility rate. The blanding of the popular culture that occurred during the 1930s is very similar to what's going on with the millennials today. And the growing appeal among younger people, activists among

younger people—younger people have a more collectivist or authoritarian notion of what kind of government works. We actually wrote a piece recently called Are Millennials Souring on Democracy?

And look at some of these recent opinion polls around the world showing that millennials are less interested. Not just in America but in Europe and East Asia. Not necessarily favoring liberal democratic solutions. It's a growing appeal of authoritarian leaders that get things done.

Well, you can see here in the United States we have a government that no longer thinks about the future at all and can't get anything done. So you can imagine how turned off you would be if you're a young person trying to think of the rest of your life.

**Erik:** Let's project that forward. You've written quite a bit in the book about how these fourth turnings evolve. And you just described some of these trends, like people becoming open to authoritarian and even narcissistic leaders (no sign of that with Donald Trump of course).

What do you think is coming next? As you just described, you've got millennials who are open to socialism or things that used to be anathema to American values. In terms of what you've learned about how these fourth turnings play out, is that a flash in the pan where people have some wild ideas that are inconsistent with our past but they fade away? Or do those ideas take over and become the new normal?

**Neil:** I think ultimately those ideas take over. Now, in time we may see this as a very positive development. I've done lots of polling on millennials for both political parties, and one of the things I see in my millennials is this hugely different from older generations—is how much they value what they call community.

So if I ask people of all ages, do you think government should reinforce the principle of community or the principle of self-reliance, older people say self-reliance, younger people of **both** parties—believe it or not—will hugely prefer community.

And how do you do community? Well, you have someone basically saying here are the rules, this is what you're going to get, you may not have as many choices, single payer sounds great (the health problem's solved) and you move forward. Now a lot of older generations would say, my God, I'd rather die than to see an America turned like that.

But I did do think that—again the 1930s is a good example, where the Greatest Generation, we tend to forget, embraced the New Deal. This was a generation that voted—in 1932 and 1936 an estimated 85% of that generation voted for the New Deal and FDR. This was the first generation of African-Americans to vote for the Democratic Party, no longer the Republican Party. And they usually embraced this idea of a much more powerful government. A state that would take care of things. Along with the Social

Security acts passed in 1935.

And later on, when the mid-life leaders of the Great Society—they tried to put in the final bricks in that huge edifice that they'd spent a lifetime building. Of course a lot of boomers didn't like it very much and didn't really want to finish it, finish that project that they started.

But of course that was the difference between these two generations. But the GIs were very much a building generation. They were hugely focused on the future, hugely focused on infrastructure, and they didn't mind a powerful central authority that organized things.

I think in time you're going to see millennials—I think you're actually already seeing it—not minding moving in that direction. And I particularly see the inability of national leaders today to coordinate or act on anything. It's not like—we have these enormous future problems, these unfunded liabilities, entitlements, we have geopolitical threats out there—it's not even just these long-term problems. We can't even get a budget passed or a budget resolution. We can't even have this tiny little corner of our vast health care sector reformed to even the slightest degree by the leadership we now have.

I think you're going to see a big shift. And, as I see it, I think the biggest contradiction we now see is between markets and politics.

So in politics we see volatility is incredibly high. If there were a political index—there is a political index, there's a political uncertainty index which actually you can go on FRED and look at it, which is amazingly high levels compared to where it was for the last 20 or 30 years. There is a political index, but it's very high right now as opposed to the market index which is very low. So, if you're doing valuation divided by some measure of volatility, which is kind of your basic complacency index, that's at record high levels now in markets.

But you'd have to say complacency is at record low levels in our political and civic life. We're totally nervous. We even, I think, to some extent, fear that we've lost any kind of public square, the ability to even have a public discourse on every issue. I think that that is a real problem.

I don't think that is sustainable for long. Countries have to decide on ground rules. They have to respond to public threats. Right now we are a country that can't do that. I think even, it's not just passing a budget resolution. Next month is going to be a problem. I think just getting the debt ceiling raised is going to be a much bigger problem than anyone's talking about right now.

So I think that we have these threats, again, we're going abroad and talking about

threats, or here, which pose a real danger to the markets. And I think we segment these. That's why I say cognitive dissonance: we somehow think these aren't related, but ultimately I think history teaches they have to be.

**Erik:** By your analysis, the present fourth turning began in 2008 and should end sometime around 2030. So we have roughly 12 years left in this fourth turning. Now the very last part, you describe in the book, is the resolution. That's the time—at least in the case of after World War II you'd had Bretton Woods and the IMF and the UN and all these other institutions being created—but that happens in the last couple of years.

So it sounds like we've got about a decade before that resolution begins. So what should we expect in that next decade, for the second half of this fourth turning?

**Neil:** I think this is going to be the real rollercoaster ride. And I do think, not only—as you mentioned there are four stages to a fourth turning. One is the catalyst. The next is the regeneracy when we see some center of public trust beginning to grow around the new public agenda. We really haven't seen that yet. Although you can look at various parts and begin to see certain—I would say particularly look at what young people are doing.

Every fourth turning you kind of see where are young people going, who are they beginning to trust both on the right and the left. I think that's an interesting marker. But then ultimately you move to the crisis.

And that's when this new sense of public trust, which I think won't really begin to appear once we begin to hit public problems that we have to solve. And I mentioned about two or three that we're probably going to have to hit by the end of this year. And then, of course, comes the mid-term election next year. But that's when that begins to grow.

And then the crisis, when all of these problems begin to coalesce into one huge problem. It's when the Great Recession met all of these—the rise of fascism both in Asia and in Europe, and everything came together, currency wars, everything became part of a huge problem. Which, by the resolution, you see—and this is what happens at every fourth turning. All the little problems come together into a giant problem. And the giant problem gets completely solved.

And this is why fourth turnings are not necessarily dangerous or bad things. They're good things. They're necessary things. It's when history solves big problems that otherwise in another era would have seemed insoluble. So you notice that with Bretton Woods, the UN, the IMF, the World Bank, all of these institutions we created, we solved all kinds of problems.

We saw the recovery of Europe, we were going to have a global financial and trade system that put an end to trade wars. With the founding of the UN we thought we had

created a framework for solving international conflict. And we had a great deal of investment in the future and a great deal of peace and prosperity for the next several decades.

So we did, we created a new world. We created a new civic world. Not just the United States but together with much of the rest of the world, which would have seemed unthinkable ten years earlier.

So I like to say—because people sometimes say, well, you know, this fourth turning sounds horrible. A high likelihood of war, particularly of total war. You have these great crises. But on the other hand, it's how you create a new golden age.

And I would just add one other feature of a fourth turning is that, because you're completely upending institutions, political and economic institutions, it tips the playing field away from the old and the established to the young and the have nots. And you saw that hugely, coming out of the last New Deal, coming into the late 40s and early 50s. With this GI generation for the first time the middle class could go to college, they could go into vocational programs, for the first time they could own homes. We truly transformed our entry of all citizens into democracy coming out of World War II.

And of course, hopefully, the dream would be to create a new opportunity for the millennial generation, who by that time will be—the oldest of them will be almost approaching midlife by that point. But that's what happened last time with the Greatest Generation, the GI Generation. And a successful outcome: we'd create that same scenario for millennials.

**Erik:** So it sounds like—at least if we follow the template of how past fourth turnings have played out, where all these little problems come together into the really big problem—the crisis hasn't really happened yet, at least in the cycle that research shows should happen.

**Neil:** No. I mean, it's the same way. You look at 1929. Now, 1929 caused an obviously vertiginous—it was a financial crisis that caused a vertiginous fall in GDP much deeper than 2008-2009. But, on the other hand, it was truly a v-shaped recession. We had enormous growth. Actually, from 1933 on we had between 6-7-8% real growth per year until the next recession in '37, and so on. Then we kind of went down again.

But much of the '30s was actually a period of rapid growth, people forget that. But nonetheless everyone felt shaken by what had happened in 1929, despite the fact that a lot of the mid-30s were actually pretty good growth years.

And I think the same thing is true today. We feel very differently about America because of what happened in that last great recession, and I think that actually our ability to keep us from going deeper into that recession is actually contributing to some problems



that are still with us. Particularly this problem of central banks keeping interest rates so low, keeping us still kind of not too far from the zero bound and raising real questions among people of are financial markets working properly? This is sort of the whole valuation issue of have we created a monster here?

**Erik:** I'd like to shift gears and talk about Europe for a minute because we have a lot of European listeners. Although the name European Union wasn't formalized until the Maastricht Treaty, the process of European integration really began at the end of the last fourth turning in 1945.

We've heard quite a few guests on this program giving us different views from "Brexit was the death knell, it's all over" to "I know Brexit was just a flash in the pan, it's not important, everything is fine." What does the history of turnings tell us?

We've really spent the first, second, and third turning in this process of European integration. Is the fourth turning where it all falls apart? Or is it where it strengthens and becomes the United States of Europe or something? How do you see this playing out for Europe?

**Neil:** Fourth turnings are times when institutions which are deemed unworkable completely disappear, and institutions which are deemed workable are suddenly fortified. So you basically go one way or the other. And that creates a real problem for the EU because the EU is this pretty modern, pretty recent institution with not a lot of popular roots. I would say it remains definitely in danger.

Yes, we had Emmanuel Macron, but, as you remember, in the first round in France over half the French electorate voted for someone on the radical left or Le Pen, obviously, on the radical right, who wanted to leave the EU. Or, you know, of the left spoke strongly about leaving the EU. And so you had basically a centrist candidate who was no one's real first choice, but he's now sort of being celebrated as sort of this pro-EU backlash.

But he reminds me a little bit of Matteo Renzi, sort of a young technocrat who kind of represented the center and tried to bring Italy back. And Matteo Renzi obviously trying to make a comeback after losing his bid to change the Italian constitution. Italy, as we see, remains in question. And I think Emmanuel Macron's future remains in question. France didn't really make any important decisions. They needed to make important decisions and they didn't, by choosing this candidate who's kind of somewhere in the middle.

I think more broadly the generational history of the EU is very interesting, because you obviously have this civic generation which took America into World War II, know the generation of the Resistance and the Axis soldiers and so on. But then you had this generation who were children during World War II. This would have been Helmut Schmidt or Jacques Delors, one of the great architects of the EU. Or Maggie Thatcher

who was one of the children underneath London during the Blitz.

But this was the generation that saw World War II as children and they were traumatized by it. And the generation that built the EU were the children of World War II. And they were the ones that created all these committee structures, and all these rules, and all these ways in which to sort of just band all these countries together with all these regulations and protocols. Because the last thing they ever wanted was a Europe that would have to fight another war against each other. And I think under their leadership any notion of nationalism fell into disrepute and unpopularity.

I remember, like many Americans, being in Europe during the 1970s, early '80s. No one would ever show a national flag. No one would ever sing a national anthem. Well, things have changed. That generation is no longer in power.

You have the younger generation who were the contemporaries of boomers, who came of age in a very different era in Europe. These were the '68-ers, *les soixante-huitards*, the *Achtundsechzigern* they call them in German. But this was a group of counter-cultural rebels. They are now in power. They are less attached to the protocols of the EU. It really wasn't their project; they kind of went along with it.

And now, increasingly, you have the emergence of two younger generations, particularly millennials, in Europe, who are proud of their nations. They're more proud of their own nationality their own national institutions and they're showing flags again they're singing anthems. This is a palpable difference. After 2009, with the sovereign debt crisis, a lot of people were talking about the demise of Europe over sovereign debt. Until Mario Draghi said he would do anything to—and he did it. He prevented that from happening. But I always thought the real problem was not sovereign debt but, rather, political.

And that is politically—popularly and politically people did not want to be locked into a system which prevented them, or even impoverished them, by locking them into a system in which they could not make their own economic decisions which would benefit their own economies.

And I think—probably one of the best parallels in thinking about the EU is to think about the Euro as a currency being the equivalent of what the gold standard was during the 1930s. The gold standard locked people in. In the case of Britain, it almost locked them into permanent depression until they finally got out of it. And you see the Euro today for Southern Europe is playing a similar role.

I think there's some real challenges, and I think the EU is going to be challenged by its lack of popular depth. The elites, many of them still believe in it, and I'm sure that they're hoping it will prevail. A fourth turning really reveals what kinds of institutions have roots, and that would be my one worry for the longer-term prospects of the EU

through this fourth turning that we're in.

**Erik:** Coming back to the United States, there have been plenty of times in history where some flamboyant politician suggests that his state should secede from the United States. And in the past that's always just been political hyperbole, there's no serious follow-through, the public is not willing to consider that.

But your analysis shows that fourth turnings are the time in history when the public becomes open to considering seriously the idea of secession. So when you hear people in California talking about seceding from the United States, and a lot of people just roll their eyes and say that's nonsense that would never happen, is it really nonsense? Could it never really happen? Or is a fourth turning exactly the time when something like that can happen?

**Neil:** It's useful to remember that, obviously, one of our fourth turnings in American history was exactly focused on succession. That was the Civil War. And in certain aspects the American Revolution too involved succession. We now know what a horribly bloody affair that was in the late 1770s and 1780s. And a huge part of America sided with the Tories. They suffered. Many of them left. A sizeable fraction of America—about the same fraction of Viet Nam that left as boat people—left the colonies. They either moved back to England or, most of them actually, moved to Canada.

But this was a—there is often in this intense division and polarization of people into different camps a threat of Americans against Americans. Not just Americans against others or Americans against an external danger. You do see that today.

Actually, I think the secessionist threat would have been worse had Hillary Clinton been elected, because I think secessionist threats in the red zone one takes a little bit more seriously, both because of their antipathy (for many of them) for the federal government, and also for the fact that, politically, Republicans dominate so many state governorships and legislatures. I think that would have been a bigger problem had Hillary been elected.

Well, you have Trump elected and, of course, you have, as you mentioned—you see the secessionist movements going the other way. There are the movements in California, there's obviously the sanctuary cities movement which kind of does the same thing. It's part and parcel of what we call the "resistance" and it is a symptom of the complete dysfunction of the government in the United States today. You have those on the left basically saying we'll do anything to stop this illegitimate leader and this leadership from accomplishing any of the ends he wants and we're organized to do it. This is definitely something you can't imagine happening outside a fourth turning.

**Erik:** Demographers like yourself have warned us for decades now that, when the baby boomers hit retirement, institutions like pensions and social security are going to be

challenged and go bankrupt in many cases. Somehow, as indisputable as that prediction was, very little heed has been given to it by most investors.

Well, now that moment is upon us. The baby boomers are turning 70. Most of them are over-allocated to equities because there's no yield on bonds these days, thanks to central bank policy in the wake of the financial crisis.

You've been studying this as long as anyone, Neil, so what can go wrong here? And what should we expect next as the baby boomers hitting retirement changes from a prediction to a present-tense reality?

**Neil:** It's already becoming a present-tense reality. The first big demographic cohorts are already moving past age 70, and that's even for the upper-income that's almost—you're almost forced to retire by the time you get to 70, age 70-and-a-half. So it's already happening.

And it's interesting, because years ago Pete Peterson and I wrote our first book *On Borrowed Time*. It was in 1988 looking at the future of entitlements, given the aging of America. And we saw it was going to be this enormous window of opportunity as the Silent Generation, a very small generation born in the late '20s and '30s, were retiring. We had this great opportunity. All these boomers would be filling the social coffers full by moving into their peak income-earning years and paying all their FICA taxes. You had this small generation retiring—this was during the 1990s, remember.

This was a great time to reform Social Security. We had all this room and, as you recall, in 2000 we even had the fear—and this was aided and abetted by the cuts in defense because of the end of the Cold War—but there was a fear the United States was going to run a surplus. If you remember, we actually stopped issuing some of our longer-term bonds. We were really getting ready to—worrying about what would happen when we no longer had that U.S. debt [ ]. I mean, how would we run monetary policy?

You know, the things I actually remember back in the year 2000—well, that of course is a total fantasy now. We look ahead and we see—not just post-2008 with all the emergency funding and the emergency deficits run by, particularly, the first-term of the Obama administration—but now, looking forward, we see the enormous deficits that are virtually locked in because of the retirement of boomers and combined with—

It's always useful to remember not just this big tide of older people, and not much growth, and younger people, actually a decline now projected in—immigration projections have been hugely pared back. But I think you also have to add to that this exceptionally robust faster-than-GDP growth in health care spending per capita. I mean, health care is a unique problem in the United States, which we have virtually no control over the level of spending per person.

So the combination of this, the demographic bulge of boomers, plus the actually subdued or pared-back projections in the future of the number of working-age population, combined with this just unstoppable hyper-inflation in health care spending—this is a tremendous problem.

And, again, you're looking for evidence of dysfunction in our political system. They're not even focused on this. It would be great if the paralysis in Washington D.C. were about these issues. We could at least say we're paralyzed over something important. They're not even talking about this.

But I will say that one event where this could emerge seriously is in the debt ceiling debate, and that could be a show stopper. Because if you have enough Republicans who basically say we're not going to raise the debt ceiling unless we do something to control this longer-term problem, that could be a total standoff. And you know there's a fair number of Republicans in the House who say, government could make do if it just lived off its tax income and we just kind of cut back on the rest of government. We'd pay off our creditors, it wouldn't be so bad.

So this is—and we talk about North Korea—but right now I think the real sleeper on the horizon is the debt ceiling. We're going to hear a lot more about that in the next three weeks.

**Erik:** Neil, you're credited with coining the term "millennial" referring to the generation that was born between 1980 and the early 2000s. Many of our listeners are millennials. The rest of us have millennial friends and family in our lives that give us a sense of how that generation's values and attitudes differ from our own.

But there's also another generation after the millennials which you've called the homelander. Please introduce us to them. What are they like? How do their attitudes and beliefs differ from millennials and prior generations? And what should we expect from them as they become our next generation of young adults?

**Neil:** Every generation can be defined a little bit by what they just missed. And when you think of the Silent Generation, what did they just miss? They just missed the roaring '20s, and all they can remember as children was the Great Depression and World War II.

What did boomers miss? They missed World War II. They just remember growing up in the '50s and the American high.

What did Gen X just miss? Well they just missed the American high. The earliest they remember is the world going to hell in the '60s and '70s, and the breakup of the family, and the screaming matches between politicians and generations, and Watergate, and all the rest.

I think what millennials just missed was that consciousness revolution, all that social and family experimentation. Millennials started out as a protected generation of kids. These are the “baby on board” kids, and they had the Lamaze movement parents, and they had all the bicycle helmets and safety playing fields, and just all of this new kind of almost moral panic over children that accompanied the entry to millennials.

And I think to understand this new generation you really have to understand who millennials are. Millennials have been a generation of trends first with the last turning, increasing focus on what— you know, sometimes it gets older generations to shake their heads in disapproval—but being told they’re special, being confident, being sheltered and protected, being given all these safe spaces, and this aptitude for teamwork, a closeness with their family, their increasing risk aversion—to personal risk-taking, which we see in everything from driving without your seatbelt to drinking and smoking and a huge decline over time in the crime rate. I think that’s the best when you’re looking for a backdrop, that’s how you have to see the homeland generation.

The homeland generation, what did they just miss? The homeland generation missed everything before the election of Barack Obama and the Great Recession. That is to say, they can’t remember anything before that. So this generation is hugely impacted by new relative deprivation among American families and wage earners during that period. Homelanders recall much more talk about whether we can afford stuff in their childhood than millennials. And I think you can actually say, in some respects—at the end point of that transition we saw in millennials toward protection, structure, hands-on parenting, parents spending even more time with their kids. And now, of course, after the Great Recession we see midlife parents, particularly midlife moms, Gen X-er moms, spending less time in the workforce and more time with their kids.

So this is a generation that is used to being fussed over, protected, very risk averse, hugely comfortable with following rules wherever they are. We actually did a piece recently on the new rule-making culture which is surrounding this generation. Almost everything they do in life—school, the internet, and so on—there’s a proliferation of rules actually proscribing correct behavior.

But this is in some ways a new version or a modern version of the Silent Generation that we saw who were the children of the Great Depression. And we see some of the same traits, some of the same—this very intense sense of family that they’re being raised with, thanks to very hands-on attachment-parenting Gen X-ers, as well as a huge emphasis on good behavior.

It’s very interesting—one of the most popular new curriculum being introduced in grammar school and now into middle school is called social and emotional learning, which is to teach kids today to be nice kids, to be sensitive to others, to think about what others are feeling.

So, as you often see in generations, midlife parents often want to focus on teaching their kids the very opposite things that they themselves were taught. They have all the Gen X-ers who were basically—when they were being raised parents weren't around and you had to have sharp elbows, basically, to grow up. It was each kid for himself. And now they're raising their own kids to be sort of sweet and adorable.

We do a lot of work with media companies, and you see this huge focus—you know, on what's playing on Disney or Viacom, Today's Kids—it's very sweet, it's very adorable, and it teaches all kinds of lessons in citizenship and how to be good to your parents and how to cooperate with others and how to be friendly and nice. And this is truly a departure from the way we saw—the way we were raised as a kids or, I should say, particularly back in the 1970s and '80s, the way we allowed kids to raise themselves.

**Erik:** I want to drill down a little bit on that point about teaching kids how they should be behaving as citizens and citizenry and so forth.

I think to the Silent Generation, my father's generation—my father and, as far as I can tell, all of his Silent Generation peers are of the opinion that it is the patriotic duty of every American to hunt down Edward Snowden, torture him first, and then kill him for his horrible, horrible acts of treason against the country.

Whereas my generation is much more open to the idea of saying, wait a minute, Snowden is the best patriot of our times—because we have a different definition of patriotism. Where my father's generation would define patriotism as unconditional loyalty to the national government, period, my generation tends to see exposing corruption in the national government to be the highest act of patriotism.

How do these homelander feel? It sounds like they're almost kind of being brought up to be very much back to unyielding blind faith in the government, period, hands down, bar none. Is that right?

**Neil:** You know, I think you're going to find them to be a much more credulous generation and a generation willing to trust. And I think if there's one thing that X-ers realize that our country is missing, it's the ability to trust. X-ers are notoriously untrusting, right? They were raised to be untrusting. And I think that there is an element—and we detail this in our work—about how every generation in midlife don't want to raise kids to be replicas of themselves, they want to raise kids that complement themselves.

This is one of the reasons why boomers who rebelled against authority and demanded the right to speak and dress as individuals—this was the generation that introduced school uniforms in the 1990s, and even Bill Clinton and Al and Tipper Gore took a leadership position on that movement.

So, very often, generations actually want to compensate for their own childhood when

they raise their own kids. And I think you see the same thing happening with X-ers here. They actually want to raise kids to have some of these virtues which they themselves never had.

I do think that's part of a more general trend or a more general reality about a fourth turning, and that is this impetus to find a new locus of a public square of the community that we can again believe in and trust. So when we suddenly see threats, I'm always amazed by the amount of—how much the public gravitates toward intense, even bellicose, national solutions.

I don't know if you've been following some of these opinion polls on North Korea, that over 70% of both political parties today—the American public, both political parties, let's say all three: Democrat, Republican, Independent—agree that this is a serious national crisis, and over 50% agree that we should strike now. Well that's far more than the share of people that approve of Trump or any other particular leader.

But here's the point I want to make. Regardless of whether we act on North Korea or not, there is an underground willingness to define who we are as a community and stand up for something in the face of encroaching danger. And that is the sign of a fourth turning, when public life on the surface is in complete disarray but underneath there is this desire for a new sense of community, solidarity.

And that, by the way, explains why in so many areas of the world you see younger generations moving toward what I call this new authoritarianism. I mean, if you want to look at Japan, who's voting in the most recent election? Who voted most for Shinzō Abe and who's most supportive of Japan changing their constitution? It's younger Japanese. Who voted for Rodrigo Duterte in the Philippines? Younger Filipinos. Who's voting more for these radical leaders on the right or the left, Euro-skeptic movements, or anti-EU movements in Europe? Again it's younger people.

I think we've been a little bit blinded from this by looking at the attitude of the millennials toward Trump, because millennials obviously didn't vote strongly for Trump. And same thing for the UK. But, then again, younger millennials in the UK voted strongly for the Socialist ticket this last election and millennials in the United States voted strongly for Bernie Sanders, which I would suggest is the new—this is the new popularity of the authoritarian paradigm, the new authoritarian agenda.

**Erik:** Most authors find that after their book is published they realize things that they forgot to mention, or new developments occur that would be relevant if they had been known at the time of publication. Now, you wrote *The Fourth Turning* 20 years ago, so, with the benefit of hindsight, what would you change or add to the book? What's the update bringing *The Fourth Turning* up to today's world?

**Neil:** I think about that a lot now because I'm actually working on an update to it. I think the



one thing I would just say is that, although I do think that every turning has this morphology, we should not expect it's going to work out exactly like the last turning of the same type. The current awakening is not going to be exactly like the last one.

I think we can be too mesmerized by the fact that the last fourth turning we had started with the Great Depression and ended with World War II. I think there are more possibilities. We could be defeated on a fourth turning. We could completely unravel on a fourth turning, giving the amazing popularity of these dystopian or alternative history drama shows on HBO and Netflix today really spelling out those scenarios.

If you look at all four turnings and you see that it is a certain kind of social mood, that it can go in different directions—I always allow a great deal for the contingency of history.

But I will say this—and let me just add that there is a powerful thought, and this was by a sociologist who wrote in the 1950s, Talcott Parsons, and he once suggested that all social systems move through four phases.

There's a first phase, he said, society wants a strong sense of order, there's a demand for order, and there's a good supply of order. And that would have been America during the American high, the late 1940s, 1950s, early '60s.

So the next phase is a time when there's a strong supply of order but there's a weakening demand for it. No one wants any of the social discipline anymore, everyone just wants to be on their own. And I think that's the second turning, the awakening, I think.

Then we go through a phase, as Talcott Parsons would have said, where we no longer want order. So demand is low but the supply is also low. Low demand for order, low supply of order. And I think that's the America of the third turning. That would have been the America throughout most of the '80s, the '90s, and some of the '00s. A lightly governed America and an America that was where you could do your own thing culturally and where the dominant idea was deregulation and tax cuts, cutting back on the sizes of any public obligation.

And then he said there is a stage when the supply of order is low but the demand for it rises. That's the fourth turning. We have institutions that cannot supply order, they cannot supply community, but, underlying, the demand for it is rising. That is generationally driven and right now that's where we find ourselves.

**Erik:** Finally, as we close—first of all, I can't possibly be strong enough in recommending to everyone in our audience: if you haven't read *The Fourth Turning*, do yourself a favor. Go right now, order it on Amazon. You don't want to miss this book.

But in fairness to you, Neil, that's a book you wrote 20 years ago and I know these days

you're working with our friends at Hedgeye. You have several projects underway. So please bring our listeners up to date on what else you're working on these days and what they can expect from you in coming months and years, both in terms of new books as well as on other fronts.

**Neil:** Oh, we write about every manner of social trends. First of all, we spend a lot of time just looking at demographics and looking at what's ahead for the population of the United States as well as other countries.

I think what's fascinating to me is this recent rise in the mortality rate. You know, Americans are actually—age-adjusted are actually dying faster than we did in earlier years lately, largely due to the opioid epidemic, as well as due to disappointing lifestyle gains among boomers who are not taking very good care of themselves. Of course that's adding to our whole burden of health care spending.

Fertility interests me hugely, and that's a big wildcard. Everyone's wondering when millennials will start having babies and having kids and moving into homes, or will they be moving into homes at all? Or will they still be saddled by college debt, which is the new mortgage, the new mortgage for this generation.

So fundamental demographic issues, certainly.

I think also what we do is take a lot of both demographic trends and generational trends and try to figure out what they mean for each industry, whether it's hotels and OTAs, whether it's CPG packaged foods for example. What's happening and what are the prospects for the auto industry? What is the likelihood of self-driving cars?

So we do a lot of that. I would say very often many of the people at Hedgeye are very much laser-focused on a particular sector. We sort of cross all sectors and we always just bring our own framework, our own particular generational demographic perspective, and hone in on a particular area of interest for us.

Obviously one thing I'll be doing a lot of work on, probably the coming couple of months at least, the impact of passive investing on the stock market. And this is something that's beginning to turn a lot of people. You know, what is the impact of the Black Rocks and the Vanguard and the State Streets? They represent a greater and greater share of every company and every industry. Do we have a lemming mentality in markets? And most importantly, maybe more disturbingly, does it actually lead to a decline in genuine competition?

I often regard this as a paradox. It's complete industrial diversification in that every investor owns a piece of every company and every industry, so who is any company competing against anymore, in terms of ownership? These are actually new issues on the horizon and there's a lot there.

**Erik:** We asked our friends at Hedgeye if we could share some of your writings with our listeners they were extremely generous sent us about a half dozen different pieces. Registered users, you can find the download links to all of those articles written by Neil in your Research Roundup email. Neil I can't thank you enough for a fantastic interview. We're going to have to leave it there in the interest of time. Patrick Ceresna and I will be back as Macro Voices continues right here at [macrovoices.com](http://macrovoices.com).