

The Fourth Turning Is Here: Navigating Crisis With Community And Capital – Neil Howe: Ep# 573



Neil Howe (00:00)

It's not just preparing for a financial crash. It's really preparing for the advent and things what government will need to do when the survival of the country could be at stake. And this is why protecting your net worth during this period is a challenge. You have to think not just what markets will do, but what government will do.

Dr. David Phelps (00:22)

I hustled to grow my dental practice and real estate empire. Society patted me on the back and every new deal and patient reinforced the success they said I had. Then my daughter Jenna was diagnosed with leukemia. Nine years, several intense chemo treatments and years of epileptic seizures, my daughter was given one more miracle, a life-saving liver transplant. In that hospital, I realized I wasn't successful. I had money, I had real estate assets and a business, but the only thing that mattered was time with my daughter. In that hospital,

I decided to sell my business, leave active income, and sustain my lifestyle with my real estate assets. Now, Jenna is healthy and all grown up, and me? I am teaching others to do what I did, and I continue to uncover the principles, strategies, and lessons we can apply in business and investing to create ultimate freedom for what matters most to each of us. Welcome to the Freedom Founders podcast.

Before we begin today's conversation, I want to set the frame for why this discussion matters, especially now. For more than a decade, we've lived through rising markets, repeated bailouts, and extraordinary fiscal and monetary intervention. Each time the system was stressed, it responded with more liquidity, more debt, and more reassurance that things would return to normal. That success shaped behavior. It trained us quietly to outsource responsibility.

to assume institutions would absorb risk, believe that long periods of stability meant permanence. Then came COVID, and once again, the system stepped in bigger and faster than ever. But here's the tension. The tools that stabilize the system also deepen dependency. Inflated asset values widened inequality and reduced the felt need for personal agency and community. At the same time,

younger generations began to feel something wasn't adding up. High asset prices, heavy debt burdens, fewer workers supporting growing promises, and a sense that their future was already spoken for. That combination, complacency at the top and frustration below, is not random. It's a pattern. Neil Howe's work doesn't tell us what will happen next. But what it does do is helps us understand why societies reach moments where old rules stop working.

and why agency, responsibility, and community suddenly matter again. Today's conversation isn't about fear or prediction, it's about orientation. About understanding where delegation becomes dangerous, where waiting becomes a decision, and where rebuilding agency and community before a shock may be the difference between reacting to events or navigating through them. That's the lens for today's discussion. Neil Howe.

is a portfolio manager at Hedgeye, asset management and director of Hedgeye's demography sector. Before Hedgeye, he was for many years an advisor on public policy for Blackstone's group. He's a bestselling author and acclaimed speaker. is the nation's leading thinker on today's generations, who they are, what motivates them and how they will shape America's future. A historian, economist and demographer, he is also a recognized authority on global aging, long-term fiscal policy,

and migration. has written over a dozen books on generations and history, several of them with William Strauss. Among them are *Generations* in 1991, *13th Gen* in 1993, *The Fourth Turning*, 1997, *Millennials Rising* in 2000, and *The Fourth Turning is Here*, 2023. His books on fiscal policy and demography include *On Borrowed Time*, 1989, and *Reissued* in 2004 with Peter G. Peterson.

and *The Graying of the Great Powers* in 2008 with Richard Jackson. Vice President Al Gore called the book *Generations*, the most stimulating book on American history that I have ever read. And he sent a copy to every member of Congress. Newt Gingrich called it an intellectual tour de force. Of their book, *The Fourth Turning* in 1997, the *Boston Globe* wrote, if Howe and Strauss are right, they will take their place among the great American prophets.

Alan Strauss originally coined the term millennial generation in 1991. His work has been featured frequently by media outlets, including the *Washington Post*, the *New York Times*, CNN, CBS, 60 Minutes. Neil received his BA at UC Berkeley and later earned graduate degrees in economics and history at Yale University. He's currently a senior associate at the Center for Strategic and International Studies and the Global Aging Institute both.

in Washington, D.C. Please enjoy our conversation with Mr. Howe. Neil, great to have you on today. I know that you and your late collaborator, William Strauss, you changed the way a lot of us think about history with your work in the fourth turning. At its core, your work really suggested that history doesn't move in a straight line. It moves in long cycles, roughly the length of a human lifetime, 80 plus years, give or take. Within each of those cycles are

Neil Howe (05:19)

you

Dr. David Phelps (05:43)

called Seculum, societies pass through four distinct phases, as you have outlined, periods of rebuilding, awakening, unraveling, and then what you call the fourth turning, which is the crisis. The winter, if we talk about seasons, a crisis era when institutions that once worked, they no longer work, trust breaks down, and the existing order that we've been used to gets really tested under real restraint.

What struck many people looking back is how early that you and Bill suggested the next Fourth Turning would arrive. You wrote the classic book, *The Fourth Turning*, in I think about 1997, if I got that date correct. Yeah, and so you were predicting at that point somewhere around late 2000s, then intensifying into the place where we are today. That's where we will be in the midst of this Fourth Turning, and here we are today, living through depolarization, institutional distrust, economic distortions.

and really a growing sense that the old rules aren't holding the way they used to. In your more recent book, the update, if you will, the fourth turning is here. You said plainly that we're no longer approaching this turning. We're in it, we're in this crisis. So, Neil, to start us off, I'd like to hear you reflect on this. How has the fourth turning actually unfolded compared to what you and Bill envisioned nearly three decades ago? What feels familiar to you from those writings and what has surprised you, if anything, with where we are today?

Neil Howe (07:07)

Well, David, first of all, thank you for having me on. I'm honored to be here. And I will say, yes, some things have kind of turned out as expected. Some things are surprising. I would say the single biggest shift is that when we wrote the book, the real climax of any kind of fourth turning was 20 years at least.

I mean, it was way into the future. So a lot of what we were focused on is just the emergence of a new millennial generation is still as teenagers, you know, at that time. ■ This would have been ■ more like what we were going through, ■ you know, just around the time of World War One, sort of the previous cycle or maybe the early 1920s. So.

It we were really focused on the unraveling, you know, the fall season at that time. We really weren't like I mean, the winter was way out there and we didn't know what it would be comparable to. We did say it would be comparable to one of those great gates of history. The late 17th century, a period of rebellion and revolution in the colonies, the American Revolution, the Civil War, Great Depression, World War Two. And we said, look, it's going to be the same

generational.

time length, everyone who went through the last crisis will be out of the way. We will no longer have their guidance. We will no longer have their wisdom. We will no longer have their moderation, their behavior patterns. We're going to be governed by people who grew up completely in the aftermath. Right. And we know historically what that leads to. Right. That's what that's how you gain wisdom by looking at how generations evolve, depending on what they came of age with or what they did not come of age with.

Right. So so we knew kind of what we would see. I would say in my more recent book, ■ twenty twenty three, the fourth turning is here is where we focused or I wish to say I focused on those drops passed away about 10 years ago, but where I focused a lot more on the fourth turning itself ■ and really looked at what are the paradigmatic ■ patterns that for turnings take. And in that book,

I think I stressed three particularly ■ challenging processes we're going to go through. Right. One is the complete collapse of trust in notions of collective security, international law and all the rest of it. Right. And that's going to be the outbreak of a great power war. We've seen that repeatedly in four attorneys around the world. The other is the breakdown of trust internally. Right. And the prospect of

political collapse in civil war. So I discussed that and we certainly see both of those today and the other which has been an aspect of previous war turnings is the collapse of ■ trust in market value, right? The idea of a financial crash. And I looked at that, particularly the idea of setting in place how an emergency set in place certain tendencies that are typically unleashed.

for example, inflation that is used for a purpose by forth-turning regimes. So, we spend a lot of time really looking at that and examining that and applying that to what we currently see. Obviously, so much of what we see resembles the past. mean, we now see this is really the seventh realigning election in America, the reelection period. We've had seven great realigning elections in America since the

since the Constitution. occur about every 40 years. And in our nomenclature, they always occur during crisis or awakening periods, right? We're in a forward turning and we've had another one. It's basically 2016 through 2024. It's a realignment of the two parties. Every time we see a realignment. And this most recent realignment has been the movement of

You know, college educated Democrats, should say college educated toward the Democratic Party and non college educated working class toward the Republican Party. This is a huge shift in how the two parties are behaving and obviously the gathering of these two parties into mega parties, tribes really with completely mutually exclusive views of America's future. They differ on every.

You know, attitudes toward authority, toward family, toward nation, toward tradition, to him, whatever it is, they differ. Right. And so this raises the prospect of internal problems. ■ I think America is as polarized as it's ever been in its history, with the possible and ominous exception of the 1850s. And it also, as we see, we see from the headlines, the growing prospect of geopolitical conflict. And interestingly enough, as for markets,

We are unusual in the unusual position of having extremely overvalued markets in the middle of all of this. Right. And that creates another real potential problem. Right. I mean, what if these markets suddenly reverted to the valuations? And I'm going by, you know, Schiller's Cape or any of these popular valuation measures. But what if we go back to the valuation that we had in early 1943, for example, or in early 1942, just after Pearl Harbor?

Well, we could talk about where that would take markets, but it would not be pretty at all, David. So this is what's on my mind. I would say on your question about surprises, what's different? I would say one thing that is been apparent is that the turnings are dilating somewhat. In other words, becoming slightly longer. You know, we originally had things sort of, you know, maybe ■ a crisis ■ climaxing in the early 2020s.

Now I'm looking more at the late 2020s, early 2030s. And I think the reason is, and this was spelled out actually in our very first book, Generations, which came out in 1991, the length of a generation is determined by the length of a phase of life. That is to say the time that it takes between being born and fully coming of age as an adult, that's probably the most important phase of life. And then other phases of life after that. And one thing you see recently, post 1970s,

Is it the phases of life are dilating? It takes a lot more time now for an adult to be for someone to become an adult. I mean, you imagine, you know, getting married, having kids, having a permanent job, owning a home. These are now occurring five, six, seven years later than they used to running for political office is occurring about five or six years later. My God, you know, the highest, you know, being a senior leader at the highest position of leadership. Needless to say, right, we have exactly.

people in their 80s. So this actually slows down the generational cycle. And we've seen this happen before. I would say that's an interesting new development. And obviously, I guess the only other thing to add is all the particulars. I mean, we had no idea about Trump, you know what I mean? But we had no idea that that would be the boomer who would be, ■ you know, sort of the great champion, as we put it at the time, this would galvanize this kind of change.

Dr. David Phelps (14:36)

Well, I'll just take that little piece right there. I want to come back to some it. You laid out a great construct here, but let's just take that little piece there. perhaps the Trump position 2016 and then back again here in 2024, does that have to do with some of the loss of trust in institutions? An outsider coming in who is not part of any particular political party, who's been a capitalist entrepreneur, not in the political arena per se, and he comes from the outside and says,

Hey, if you all are tired of what you've been doing, you know, I'm your guy. Is there something there that he brought to the table?

Neil Howe (15:12)

Absolutely. I mean, I think he explicitly that's his proposition as he announced in his first inaugural address. What we did is not working. I'm here for the forgotten man and woman of this country. Right. We've had the elites take over. They have enriched themselves. They've done nothing for this country. And he went down a list of kind of a litany of things that was, you know,

hollowing out the middle class, the problem, the globalization and problem with China and problem with immigrant and

You know what I mean? don't no need to like rego over the headlines again. But I but I think it's all fundamentally based on a betrayal of the elites. And this is the classic populist proposition. And the other thing that's this classic about populism is that populist parties almost always favor a single person, right? A single person who can come in and take over.

because the entrenched it's the only way to defeat the entrenched elites. know, the original popular race, you know, back in the late Roman Republic, they had their Julius Caesar. I mean, that was the strong man and Julius Caesar. And who did he oppose? He opposed the optimates, the good people. ■ And they were a group. You know, they were all entrenched. They were the finest families. They all had their privileges and so on. But the people and his legions.

They back Caesar. Now, the problem with Caesar is he was a little bit too direct. You know, he actually wanted to put a little purple there. He kind of like the King thing. Right. Octavian, his nephew, finally figured it out. Right. Take the power, but retain the image of just being first among equals. And if Trump ever makes mistakes, I think that he might be a little bit too eager to actually put on the.

the pomp and ceremony of leadership inappropriate in a republic like the United States.

Dr. David Phelps (17:16)

Yeah. Well, we've also seen the uprising as you said, young people who are, think the millennials, know, Gen Z disillusioned today, right? Because of the era that they're coming into with high amounts of personal debt and education debt, no relevant jobs, you know, can't buy a house, aren't starting families, as you said, everything's being delayed, delayed, and they feel very hopeless. And we have, again, I'm not being political here, I'm just saying what we know is we have ■ more socialists

determined socialist like Manami, who is now mayor of New York City. And what's he promising? Well, I'm going to equalize everything. You know, I'm going to we're going to make things affordable for you. We're going to fix the transit problem, fix the housing. So this is all part of a fourth turning, is it not?

Neil Howe (18:01)

It absolutely is. And this impetus toward equality is a very important part and a powerful part of a fourth turning. It has been every time, you know, everyone thinks about FDR as being, you know, the creator of the New Deal and this new principle of equality in American life. He saw himself as the moderate to save capitalism because they were people way out in front of him. There was Huey Long share the way demagogues way out in front of FDR.

So the point is, is that this disenchantment with the growing gap between rich and poor in this country is shared by both MAGA and the left. And by the way, this idea that you need to socialize certain aspects of the economy to make a better life for working class people is embraced by Trump as well. mean, know, Mamdami might be ■ taking over a few grocery stores, but

Trump is taking over Intel. mean, you see your real socialism, right? We are hoarding research, becoming a regional power. We are using government as an instrument, right? To improve the people. We're not leaving it in the hands of the market again. And I think that part of MAGA is very powerful and expresses the same impetus. I will tell you long term that Ford-Turning's

Move the country by the time we're over it. That's after the crisis itself now remember and and i'm i'm sure you recall this from our writing That the climax involves conflict because in conflict always throughout history and and I go back I discuss all the great sociologists. They all agree on that including robert putnam who's you know our current You know bowling alone, you know the the great man of sociology today in america

is that the incubator of community is conflict. Right. That's always been true. And what are we going to see on the other side of the fourth turning? We're going to see much more community in America. We're going to see much more authority, trust and authority. We're going to see much more equality and we're going to see much more focus on the future. And we're going to see a much more conventional culture. These are things we've always seen after

every fourth turning right. We saw the late 40s and 50s after World War II. We saw it after the Civil War. We've you know, I've been I've been through all these parallels. That's what we're going to see on the other side, David, and it's going to please and displease different people, you know, depending on which aspect that they look at.

Dr. David Phelps (20:46)

Sure, sure. Well, Neil, in looking at going through a fourth turning, you're very optimistic that the reset, the restructuring will be overall net positive once we get through this. And so the fourth turning is not really something that we have to survive necessarily, but it's really something that is going to redistribute opportunity and agency. Agency is another thing I want to talk about because it's something that you also have a strong tenet toward.

towards agency and the fact that we become as a society very complacent when we're, I guess, coming up to a fourth turning when institutions have had our back, when the Federal Reserve comes to the rescue, when the markets start to drop and the fiscal and monetary policy pumps everything back up again. So it's like, well, I don't have to worry about anything because someone else is gonna take care of it for me and going through a fourth turning is gonna reset a lot of that, which is gonna be frustrating for people who are not ready for that. Can we talk a little bit about...

going through a fourth turning, is it survival or is it just anticipating so that we understand as individuals, as heads of families, as heads of businesses, how we need to navigate this and prepare for what's yet to come.

Neil Howe (21:57)

Well, it's it's both. So it's both surviving it because the news may get very bad. Right. I mean, what have we been talking about here? Great power war. Are you kidding? And remember this, David, we no longer are protected in the homeland. Right. You've got malware that's embedded in all of our scana systems, you know, our electricity systems, our water systems.

We've got anti-satellite technology that both the Russians and the Chinese have. I could go down the list. You have all those drones. You remember late 2024? Turns out most of those drones, the military thinks, were from China. They were kind of testing it out. But my point is we are no longer protected in the homeland. And I think one thing that Americans should realize is that they've been babied by history.

Dr. David Phelps (22:48)

Yeah.

Neil Howe (22:50)

There is nothing in our ancestral experience except maybe the South, right? With being conquered and invaded by an enemy. And I've been over to Europe and I look at Europe right now, right? Well, they're looking at Russia. OK. And you believe in Europe. They are they are rebuilding all those shelters that they built during the during the Cold War. They are they are.

sending out packets to every family, how much cash to have, how much all these survival information. They have enormous civil defense plans. What do we have in this country? We disbanded our civil defense years ago. We have nothing. And as I often tell some people, you you remember during the 12 day war between Iran and Israel. You know, there are the two images, right? Tel Aviv, where

All the shelters were well marked. The texts went out. Everyone found the shelters. The drones were all shot down. And then you had Tehran, right? No shelters, no texts, just people crowded on all the roads trying to get out and nothing was shot down. I hate to tell you, David, we have more in common in America with Tehran than with Tel Aviv. We have nothing to shoot down drones. In fact,

The head of US Northcom admitted as much. Now we can't really track them. They're too small. They change direction to remember all that discussion after the flying over military bases. We have no civil defense anymore. We have no shelters. have we have nothing in this country. And we just simply assume because we're America, we're safe. Well, we're not necessarily safe. And people need to think about that. So in other words, what I want to say is, yes, I'm an optimist long term.

but I'm a realist short term. And remember that the process that creates community is not a painless one, right? It's not like everyone's going to suddenly come together and just on a, on a nice sunny day say, yeah, let's all be friends. And I often tell people, because younger people often ask me, why was there so much community America in the late 1940s and 50s? And it was true. People did leave their doors unlocked.

people borrowed lawn mowers and people live in identical looking houses that all look the same and they enjoyed it. No one really wanted to stick out as being different. Why were people happy with that? And I said, you can't understand the late forties and fifties unless you understand the great depression and the world war two. You know what I mean? It would not, one would not have existed without the other.

And this gets us back into the whole process of generational formation. It was not until you had a generation that didn't remember that period. I'm talking about our generation, David. Right.

That said, in the late 60s and 70s, to hell with all that similarity and all those, all the, you know, Pleasant Valley Sunday charcoal burning everywhere. We can't stand all that standardization and a modernization at yes, sir, no ma'am.

No, get rid of all that. Let different strokes for different folks. And in my opinion, boomers were very tolerant of inequality because we were very tolerant of diversity just in general. And we have been very tolerant as a generation of whether both on the left and the right of encouraging a great deal of diffusion and dispersion and no, no integrity at all of community. Right. And that's where boomers have taken.

in this world, right? And now millennials who were in young adulthood, they see in America where nothing simple works again. I mean, I play for them sometimes that song by Melvina Reynolds, you know, little boxes all made at a tiki-taki and they all look just the same, you know, different little colors. And a lot of young people say, those look wonderful. Why don't we have any of them? And I tell them because boomers destroyed them all. We hated that idea, right?

Dr. David Phelps (26:44)

down.

Neil Howe (27:12)

But in other words, everything becomes clear in retrospect. And to some extent, each generation has to rediscover these truths for themselves.

Dr. David Phelps (27:23)

So we're going to go through, as you said, a painful period and the markets and where inflation comes into play. totally agree with you that I think long term we're going to have inflation. But you talk about inflation as it's a tool that the government will use, but it's also a tool and part of the reset. Can you explain to the audience how inflation fits in? Because we have these bubbles right now, so we're going to have some deflation or disinflation of certain assets.

but in the long run, there's gonna be inflation. And how does the wealth redistribution, the brings us back to more standardization of more equality come into play during this period of havoc where things are upheaval, where I'm just trying to understand through your lands and your experience and your study of history and demography, when we go through these crisis periods, we've seen riots on the street for different reasons in the last few years, but when general population is unhappy or.

They're not getting their entitlements or they're not getting shelter over their head because not provided by section eight or staff benefits are reduced or taken away. The government is not gonna let that happen. So we have the inflation problem. I know I brought a lot of things to the table, but maybe you can sort them out a little bit so we can kind of see where does this go over the next two, three, five, seven, 10 years.

Neil Howe (28:43)

I mean, think of a rather modest example of this, which is COVID, right? Where suddenly, you know, a lot of people unemployed and this sudden disruption. Well, here's what happens as society gets more more populist and less and less trusting of its institutions to handle things, right? What we do is we liquidate everything.

Right. We want to make sure that no one loses anything. We make sure the stock market stays up, that the bond holders, you know, keep what they have. All the employers keep what they have. All the employees, all the workers are going to get something. Everyone gets something. No one loses. And you remember that huge surge in inflation we had for several years, right? Yes. ■ And, and, and a much greater indebtedness for our country that we God knows when it'll pay off. We're obviously not paying off. We're just adding more to it. Right.

So that's what you pay. But here's the thing. In an emergency, you're interested in the short term. And when no one trusts institutions, you get more and more short term focused, right? Until your back is really up against the wall. Now there are two scenarios, David. One is, imagine you have an emergency like war, right? Where you suddenly have to allocate huge new resources to people right away. Consider America after Pearl Harbor Sunday, right? Right. Well, there...

various ways you can do that. You can tax, can borrow, know, just issue a lot of bonds, have bond drives, you know, try to go out to patriotic Americans, them to buy bonds, or you can inflate, you just print money. Now that's been done in various ways, but inflation is the fastest. It's the simplest, and it's the easiest. And what it does is it cancels out the real claims of bondholders, but I mean, who cares about them?

I mean, they're wealthy, they're financial institutions, you know, they're going to suffer, but that's OK. You actually want them to suffer because you want to cancel out their consumption claims on the economy so that you can actually new wealth toward equipping soldiers or paying them or, know what I mean, getting young people or other people to do things that you really need done for the country right

Dr. David Phelps (30:53)

getting actual productivity and not financialization, right? We're getting back to the Bay Street, boots on the ground, and actually getting stuff done.

Neil Howe (31:01)

Yeah, you reset everything by taking out everyone's nominal wealth claims is essentially what you do. I mean, if we all woke up tomorrow with our wages and income 100 percent higher than yesterday, we'd essentially be all the same except my God, you know, my house, I could get a refi really easily. You know, I wouldn't be as much burdened by mortgages. And obviously, anyone who holds fixed income loans as assets would be ruined by that.

Right. You imagine all the banks, all the bondholders, all the but that's the idea. And this has been done and again and again. And this is why in a real emergency, inflation is never a problem. It's a solution. It's a tool. And this has happened again and again by virtually every war you've ever seen. see massive inflation. No one says, no, let's let's make sure workers don't have any nominal. Let's you know, let's keep inflation absolutely down to zero percent while we

impose all these massive debts. No, everyone lets inflation go because that's one of the burden sharing arrangements you do. ■ And we've done that obviously in all of our wars, the American Revolution, you remember the continental, not worth a continental, I mean, but it were worthless, of course, until after the war when Alexander Hamilton came in and decided to pay all these back. In the Civil War, the Union went about one third debt, one third taxes, and one third inflation.

There's a lot of inflation. And by the way, inflation helps you. It helps you not have to actually cut the nominal wages of workers to cut their real wages. You understand what I mean? mean, that's what's great about it. During the Civil War, working men, people in manufacturing in New York City and Philadelphia had actually less real wages by the end of the war. But their nominal wages went up because we had inflation. So another perfect. So you get

You didn't have no one had to cut their wages. Everyone knows that wages are very sticky downward. We discovered that during the Great Depression. Now the same thing now in the South, as you know, they almost did nothing but print money and the Confederate dollar became worthless. We did the same thing during World War Two and we merged it with something called financial repression, which is you you have inflation. But on top of that, you put price controls, you put profit controls, you start nationalizing industries.

A lot of people don't know this, but all of the manufacturing sector in America by the end of World War II was slightly more than half owned by the federal government. All the capital improvements were basically paid for by the federal government, and they assumed a huge equity share in Ford and General Motors and Kaiser, the building the ships and all these companies, right? Now that was sold off in the years right after the war. But the point is everything becomes socialized.

I mean, when you're facing survival, you socialize everything. You know what I mean? I mean, that's that's where we go when that happens. Right. And in World War Two, America felt like it was facing survival. It looked very dark in the early months of 1942. And by the you know, by early 1943, I think we only had one carrier left the Saratoga in the Pacific. We we were most a lot of our

shipping was getting a torpedo by the Germans. We didn't know how the invasion of Russia would work. No need to go through all the history, David, but things looked very dark. We were willing to do anything at that point. And we did. And after that, we went on to do a lot of this burden sharing. And obviously we had a very strong union movement coming after World War Two. We continue to have financial repression, which it's interesting.

Not only did we have this inflation, but we kept bond rates on 10 year fixed at 2.5 all the way up until 1954. You remember with the Fed Treasury Accord. So we had this huge inflation, is, you know, throughout the late 40s, it was seven, eight, nine percent. So these guys were getting.

Dr. David Phelps (35:15)

Right? Yeah.

Neil Howe (35:17)

So you have to prepare for that. It's not just preparing for a financial crash. It's preparing for the things and not just preparing for the inadvertent things that might happen like deflation or inflation. It's really preparing for the advert and things. What government will need to do in a period of resurgent community when the survival of the country could be at stake. And this this is why, you know, protecting your your net worth.

during this period is a challenge. You have to think not just what markets will do, but what the community writ large, government will do.

Dr. David Phelps (35:58)

Interesting. Neil, I know your work with HedgeEye over the last decade. Recently, you've opened and I'm just kind of going into the arena of how do we protect our wealth? How do we hedge within inflation that we're looking at? And you've got a new ETF. It's actually a hedge eye, forth turning, HEFT, I believe. Can you give me just a little bit of what that's about and why that came about in the last few months and what your focus is for those who are looking to be?

aware of their assets during the fourth turning and what you provide in this respect?

Neil Howe (36:30)

Yeah, sure. After that book came out, *The Fourth Turning* is here, the single question that was asked most by readers, they basically say, Neil, I agree with you. This is where America is going. This is where history is heading. We see the rise of these kind of ethnocentric authoritarian regimes all over the world now, which is what we kind of predicted. Their question was, OK, I got it. What do I do? What do I do to protect myself?

Right. And that's led to two things. One is a book, ■ a subsequent book I'm doing, a Simon and Schuster on, you know, how to prepare for this kind of, not necessarily the end of the world, but maybe temporarily the end of our world, you know what I mean? And the rebirth of a new world. So that's one thing I'm doing. But in that book, I'm going to be talking a little bit about wealth management. But also I decided to start with the company that I've worked for for many years, Hedgeye.

to actually start an ETF, which we launched just before Thanksgiving, which yes, is called Hedge Eye Fourth Turning, HEFT. First of all, I love the concept of an ETF. First of all, it's extremely tax efficient. know, it's everything is in and out in kind. So, you you really get tax much on capital gains. The other is it's open to everyone. I like that. You know, you don't need to be a qualified investor. And the holdings are there every day.

At the end of the day, you can go on and see in any ETF, ETF, what we hold. Right. So there's no mystery there. Now, the premise of this is basically for those who are kind of interested in how portfolios are constructed, is that it is in one respect, it's a 150, 150, 50 funds. So I can, you know, we can go 50 % short, right. On 150 % long. So it can be slightly levered.

But the idea mainly behind it is to put our equity position, David, to pair it not with what funds usually do, is pair it with bonds, long-term bonds, which I think are just losers for the reason I'm talking about nominal long-term bonds, and instead pairing it with commodities and commodity futures.

I've done a lot of work on the history of those and going back to the late 19th century, they performed very well relative to equities, particularly during periods of high and more relevant to our age, trending higher inflation. That's the first thing. The second thing is that I have in their ■ optionality on the downside, right? Which is the idea of using options and using the availability of cash.

The first optionality that everyone should think about in their portfolio is Warren Buffett's solution, which is simply keep a lot of your money in cash. That's an option. The market goes down, your cash is unchanged value. You go in and buy stuff. Warren Buffett's old maxim, right? When the world is greedy, be fearful. And then when the world is fearful, be greedy. And that's exactly how you do it, right? Moving cash in and out. And finally,

in our long short portfolio is going along the things that are going to do well in forthcoming climax. Everything from defense, power, energy, industries, anything not just in the defense, but also stuff that could help us produce our way out of this. We have massive deficits to the rest of the world, not just massive public deficits, about 100 % of GDP, but also massive deficits in what the United States owes the rest of the world versus what they owe us. It's about 100 % of GDP.

Ultimately, we're going to have to produce more than we consume. Right. That's that's the process. Well, we're wildly the other way right now. Right. And so we need to think about that. So we're long those things, obviously long, you know, on the commodity side. I already talked about that precious metals, who obviously done very well recently. But but I would say if we're if we're short stuff, it's mainly short, the most leverage outlandish or unsustainable consumption.

my tickers. So that's kind of, I don't know if that gives you an overall view, but that's sort of what we're about.

Dr. David Phelps (40:50)

Yeah, that gives a good flavor for Portinuel. Yeah, thank you for that. Well, let's kind of land things here today. It'd be fun to go on and do this for hours, but we don't have hours. So let's land this here. I wanna go back to ■ community. So you said it takes a crisis to create community. What are some tangible things that individuals can do? And we talked about community at large, government, but let's take it down to community. You talked about neighborhoods back in the 50s where

people knew each other and left their doors open. What tangibly should people be thinking about intentionally before a real crisis hits or will people even act? Or you just have to wait for the crisis and then people finally come together and they fall to their knees and say, oh, we need to help each other now. Like, well, who are you? My neighbor, I wave to you, but I don't even know your name. Well, now need to know your name, right? I mean, seriously, what should we be thinking about here?

Neil Howe (41:43)

Investing upfront in any of these things is hugely important and often makes a difference between, you know, working through a fourth turning successfully and failing. And I want to be really honest, David, a fourth turning did not necessarily mean we will enter it, exit it successfully. America has in the past, but we know of nations that have been destroyed in fourth

turnings. So we should never just assume, well, I can just kind of ride along here.

I do think that investing in things upfront, for instance, there are associations built in many communities, many counties that actually set up originally by the federal government to respond to emergencies. A lot of these things are complete. A lot of these organizations are completely lacking in citizen participation. They would love people to join that are experts on anything, you know, whether it's medical care or whether it's dealing with a electrical emergency or any of these things. In other words,

the the the ability to volunteer and galvanize that within your own community just to go out and meet people, meet your neighbors. ■ If something happens, I mean, here my advice is you start with small stuff. If the electricity were out for two weeks, who would you get help from? Well, where is your water going to come from? What if food is short? You know, are you going to talk to these people in advance? Maybe introducing yourself in advance would be a good idea. You know what I mean?

And beginning to think about what I do or do I have cash on hand? What if what if a grid failure, which is actually one of the things we have to worry about most? We have a huge decrepit electrical grid, and it's very vulnerable to all kinds of attacks, right? Different ways of attacking it. I think you want to go out and find out, well, what would we do? Who in my community do I know? Who do I know? Who can I get to know? And again, you can do deeper things. Well, as David is like, you know,

And I often ask this of young adults today, particularly millennials who are living in cities. Do you have any idea what's underneath the hood of your car? Do you know where your water comes from? Would you know how to repair a pipe? Do you know what that circuit breaker is for? That box? Do you know anything about AC and and the three polar? know, do you know anything about it? And most of them in the slightest idea is just this big system always works.

The problem isn't just the emergency. It's our incredible dependence on infrastructure that practically nobody understands. Right. Where does food come from? The typical thing that you eat in America has traveled 1500 miles to get to you. And in supermarkets, they no longer have store rooms. Right. It's just in time delivery to the shelves. I mean, that's going to be gone in like eight hours. So where do you go from there? ■ And I'll tell you an interesting aspect of this.

A bunch of scholars did a investigation about six or seven years ago looking at the likelihood of you knowing your next door neighbor. And they looked at this by zip code level. So very detailed analysis of America with the use of certain survey instruments. And amazingly, David, they found that the likelihood of knowing your next door neighbor is exactly and inversely proportional to the population density of where you live.

So if you live in a big urban building and you've got a whole bunch of people just yards from you, you have no idea who they are. But if you live like I do, I mean, I live in West Virginia out here, my next door neighbors, you know, a quarter of the mile down the road, anyone like that absolutely knows who their next door neighbor is. see what I mean? Paradoxical.

Dr. David Phelps (45:28)

Well, yeah,

it is paradoxical. So, yeah, I can imagine that if you live in a densely populated area, there's so many people you think, well, there's no sense in me trying to meet all these people because there's too many. But when you have ■ separation, as you do in West Virginia, then a neighbor is a good thing. And you're friendly and you wave and you stop and you take time to chat a little bit, right?

Neil Howe (45:55)

It's it's more than that. It's that if you live in an urban area, you've socialized all the infrastructure so much. I the garbage gets automatically taken. The police service is automatic. Yeah, but you might even have a dormant. mean, everything's automatic. I don't have to worry about anything. I just you know, when I go down the street, I got my headphones on. I'm looking. I don't have to think about anything. I don't even have to look at people. Whereas if you live in a rural area, you're much more responsible for stuff. Local government.

toss a lot less. I can vouch for that because I used to live. I used to live in the big cities of the Northeast, right? But that's the trade off, right? ■ And so a lot of these things we will have to relearn from people who learned a lot of this stuff from scratch. But the point is that in a crisis, at the same time, we are trying to strengthen and trying to regrow national community to deal effectively with national problems. People at their own individual life will

hugely benefit by relearning what is necessary to run their own lives in the micro, right? Because they may be on their own for a while to do that. And so relearning community at the small scale is going to be absolutely vital as well as investing in things upfront. And this is where time makes all the difference. And let me just add this because I think this is a lesson we can all learn from, you know, one of the things that's commonly known is that if

a war breaks out in the Western Pacific, we're probably out of missiles in about a week. mean, all the land batteries, all that, you know, we just we just never thought about, you know, all our words are kind of wham bang, you know, that's it. Right. And then it's over. And then then Raytheon can take five more years to stock up the inventory. This is not how you to prepare for a large emergency. And one thing that FDR did, and I want to give this as an example, was

The big shift in American opinion going into World War II was not what a lot of people assume occurred around Pearl Harbor Sunday. American opinion had already shifted. And what shifted American opinion was the fall of France. It really, if you look at all the opinion polls, the real shift happened in May, June of 1940. Everyone expected France would stand up to Hitler for years.

And when it fell as fast as Belgium fell, then suddenly Britain was under attack, right? The Blitz. Huge changes in American opinion. And suddenly everyone thought, my God, we're the only democracy left. And we have Japan on the rampage in Asia. And so suddenly everything shifted. FDR, declaring that America had to be the arsenal of democracy, went to Congress.

And he proposed more than doubling the size of the U.S. Navy. This was called the Two Ocean Navy Act. And he laid the kills for all the battleships and all the Essex class aircraft carriers that would, you know, benefit us later on. And he went to Congress in July. It's enormous bill. I mean, single handedly, this bill helped pull America out of the Great Depression because it was so enormous. And of course, it was all deficit spending. And it passed Congress.

without a single dissenting vote. And the Republicans who were kind of in kind of, you know, America first, we don't want to get involved in Europe. They ran their candidate, Wendell Willcox, was an internationalist, actually agreed with FDR on the need to to fight fascism. This is when everything changed. But the reason I bring up this, that investment was crucial because it allowed these big capital ships to show up in the Pacific.

by the summer of 1943. If we had not made that investment, it would have been 45, 46. The war might have gone on for another couple years in the Pacific. We would not have had the capital in place. There are other examples in history you could think of, but I think these are the things we have to think about. Some things we can rise to the occasion, but there are occasionally things, both in public life, like the Two Ocean Navy Act,

but also in our private lives, like getting to know your neighbors and getting them to know before something happened, right? That were investments really a crudier advantage, you know, when, times get rough.

Dr. David Phelps (50:22)

Yeah, that's so well said. It's so interesting that those moments in history had such a deep effect on the future. Well, let me just layer this last piece on. So Neil, when people look back on this period 20 years from now, what do you think that we misunderstood the most while we were going through this fourth turning? If you could project back and we're looking back 20 years and like, what do you think maybe we've missed in trying to ferret our way through the fourth turning? If there's anything you could.

Focus on.

Neil Howe (50:54)

I mean, how are we going to see this in long retrospect?

Dr. David Phelps (50:57)

Yeah,

I would say in retrospect, you know, hopefully, hopefully we're still around and we've gone through the fourth turning and we're we're we're at the next high and we're looking back and I quit. What do think that possibly we missed in looking as we went through this period of time as we're going through right now?

Neil Howe (51:14)

Well, ■ you know, one thing that that that's always true about looking back at a period and that is we know it's all came out. And by the way, that's the the origin of all nostalgia. Right. The past looks nostalgic. Why? We have sort of the semi sweet, you know, pain and fondness for the past because we know how it turned out. We feel safe there. We know how it turned out at the time. No one feels nostalgia.

You know, and that will be the difference when we look back, I suspect or at least I should say I hope because I think I just said we don't know in the end, you know, for sure how the fourth

turning is going to turn out. But I hope that we look back on it upon a time which we we achieved these things, which I think most Americans want right now and which they feel desperately in need of on the things I mentioned early on, which is the pattern for a first turning following a fourth turning.

namely that we re-achieve community, equality, trust and authority, a refocus on the future, and a certain conventionality or a certain kind of standard in the culture that we trust, right? So these are things I think we can look forward to and look back upon.

Dr. David Phelps (52:33)

Very good. Howe, such a pleasure. Thank you for all the deep work that you've done over the decades and we look forward to following through and hopefully you'll have another book that's coming out, Crisis Preparedness. Is that what it is?

Neil Howe (52:49)

Yeah, it's I don't know what it's gonna be called yet, but it's gonna be how to be prepared for, you know, all the stuff we're worried about.

Dr. David Phelps (52:58)

Okay, well, we'll try to get it out soon so we can get ahead. Thank you so much. It's been such a pleasure. The conversation with Neil was really fun and enjoyable. have studied him for some time for many years. I've read a number of the books that he has published those with his former partner, William Strauss, but also the updates that Neil has done in just the last few years, even after Williams passing. And what I enjoyed about talking to Neil was just

getting more of a framework for how he sees things currently with the fourth turning in mind, which he has spoken about for years. And as we watch the really what I would just call a reset, it's a reset that we're going through. We don't know exactly how the reset lands. is optimistic and I like to be optimistic too. Optimism doesn't mean it's going to be easy. It doesn't mean there's gonna be a clear path and something overnight just the switch flips over and all of sudden we have peace and economic stability.

and we have the lack of the divisiveness and polarization we have today, that's not gonna happen. I think there's a lot of chaos and volatility yet to happen and I think Neil concurs with that. Getting prepared for that, think mentally you have to prepare for it. Mentally, you need to prepare yourself, your family, whatever your community is for being more organized and more a part of a community, some level of community. Because when you feel isolated and alone and all you're watching is the news and the chaos out there.

It can be very, very, not just frustrating, but it can feel almost like desperation mode. And we don't wanna feel like that. So finding other people that you can kind of go through this together and when things aren't going well and helping your kids to see the path forward, because I think our kids today too, younger generation are really feeling a sense of hopelessness. And none of this helps, of course. But if the fourth turning turns out to be an actual turning, which I believe it will be, then on the other side,

I think there is gonna be new opportunities. Will it look the same as the past? No, they'll be different. But that's why we've got to stay focused on being adaptable and keeping as many options open in our lives and not becoming so dialed in on one model or leveraged into one model that we can't make pivots and make turns that we need to make in our own lives with our own future in terms of optionality, autonomy and freedom. So that's my take on Neil Howe.

We'll continue to watch and see how things unfold, but I think it's an interesting time to really be alive and to take more of our own sovereignty into our own hands.

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Neil Howe (56:22)

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