

History Creates Generations, Generations Create History

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– Neil Howe

Neil Howe, author of “The Fourth Turning: What the Cycles of History Tell Us About America’s Next Rendezvous with Destiny” and managing director of demography at Hedgeye, joined Real Vision TV in February to discuss the demographic forces shaping the coming retirement crisis and the future of America. As one of the world’s foremost demographers, Howe discussed the collective personality of generations – what he calls “generational archetypes” – and explained why he’s optimistic about the future relationship between Baby Boomers and Millennials. Given recent world events, including the Covid-19 pandemic and escalating tensions in Hong Kong and the United States, we found the interview so compelling that we wanted to share it with our readers. The interview was originally filmed right before these crises on February 4th, 2020 in Washington D.C. between Neil Howe and Real Vision’s Ed Harrison. Per the ending of this transcript, the government is indeed resorting to unprecedented deficit spending in reaction to the pandemic, what Evergreen believes to be the equivalent of MMT or Modern Monetary Theory (MMT). Thus, a radical new policy is being used even though that wasn’t precisely what Neil Howe was expecting. The full video can be found [here](#) and we’ve also provided a summarized transcript of the conversation below.

Ed Harrison: The conversation we’re going to have is about demographics and retirement in the context of your “Fourth Turning” framework. So, let’s start out with your “Fourth Turning” framework. How does that relate to demographics and retirement?

Neil Howe: A lot of what I do is demography which is defined pretty narrowly as studying mortality, morbidity, fertility, and migration. One of the interesting things about demography is that you can be pretty certain about numbers and populations projected way out. This forecasting capability is one of the special features and strengths of demography. When you’re studying things such as old age dependency ratios and how much it will cost to pay for the old relative to the number of people working, demography is central to that.

One thing that demography doesn’t pay a lot of attention to, but that is part of my work, is looking at populations and how people are shaped in their attitudes and behaviors by coming-of-age experiences. Those attitudes and behaviors age with cohorts through life. These are what we call generations, and each generation reshapes during each phase of life they move through. This adds a whole new dimension to demography. It’s sort of like making chess three dimensional. Instead of just numbers, now you have qualitative shifts in each of these groups moving through what I like to call the “generational diagonal.”

As I often explain to people, if you have age on a Y axis and time on an X axis, we all live a diagonal line. A generation is a group of diagonal lines. A single event is a vertical line through all of those diagonal lines; it hits people at different ages. What most people do is they study individual events or a phase of life such as old age over time. What I set out to do a long time ago was to look at history from a different perspective. I was amazed to discover that history only looks at points in time instead of groups of people and their generational experiences. What

I found is that even going back to the 17th century, generations had very different collective personalities, perspectives, and opinions from generation-to-generation. Beyond differences, I found that these kinds of archetypes tend to recur in the same order historically.

For instance, a generation that takes a country through a war or calamitous time and helps the nation survive in a heroic way is often followed by a very timid and risk-averse generation because that generation were children during the war. A good example of that is the “G.I. Generation” – the generation that went through WWII – and the so-called “Silent Generation” who were kids during WWII and ended up very cautious and risk-averse. The Silent Generation ended up doing very well economically and got rewarded by following the rules. But then you have other generations that have different characteristics. For instance, a generation like Baby Boomers – which came of age during a great awakening period where there was great upheaval in the culture – are more of a “left alone” generation that we call the “nomad archetype.” These are the kids that no one had time for because everyone was out finding themselves. What’s fascinating to us is that Generation X is not the first of this archetype. The Lost Generation and Gilded Generation are also fascinating archetypes that come in certain characteristic orders.

These generations come in an order that's connected to a fascinating pattern that’s often called the “long cycle” in politics. Major civic crises help redefine who we are as a nation politically and institutionally in fundamental ways about once every 80 or 90 years. The War of Spanish Succession was probably the first great global war in European history that happened around 1700. About a lifetime after that there was the American Revolution, followed by the Civil War, Great Depression and World War II, and a lifetime after that – here we are today.

Roughly halfway in between those great “outer world events” you have “inner world events” that are called awakenings. In terms of American awakenings, these are typically awakenings in religion. Many people call the 60s and 70s America's 4th or 5th Great Awakening.

Here’s my point: when you look at these mood shifts that are very characteristic, you see how they're driven by the generational change, and this is what creates a closed system. History creates generations by creating these moods. You see how that works? History creates generations, and generations later create history.

Ed Harrison: As you say that, it makes me wonder where we are right now? The sense that I’m getting globally is that the prevailing socio-economic ideology – let’s call it neo-liberalism – is breaking down and people are not believing in it in the way they used to.

Neil Howe: That’s one attribute of what we call the “hero archetype” or “civic generation.” It’s a strong belief of wanting to gravitate toward community, which is what we’re seeing all around the world.

When you look at this new populism – which basically believes in the power of ordinary people – it historically always means authoritarianism. Populism by its definition was first used to describe Julius Caesar. He was the authoritarian ruler of populism and the link has been true ever since. You now have them all over the world: Vladimir Putin, Xi Jinping, Narendra Modi, Rodrigo Duterte, the list goes on and on. And they're appealing to the mainstream of their communities and saying everyone else can go to hell.

The populism we've seen in America since 2016 is fundamentally Millennial. People get too hung up on right-wing verses left-wing. But let me give you a great example of a Millennial. Take Sebastian Kurtz who is the first Millennial leader in Europe (Chancellor of Austria) at 33 years

old. He's so millennial and so nice. Austrians love him but here's the interesting thing: he used to be linked up with an extreme right-wing party – the Freedom Party. Now he's with the Green Party. What a great millennial story to think, “Why can't we all just get along? It doesn't matter if we're left or right, we believe in the same thing. Security. Order. To slow down change.” This is the emerging mentality of Europe today. 15 years ago, the mentality was completely different. It was about Europe advancing and progressing – now the mentality is about hunkering down and protectionism.

Ed Harrison: At a macro level, how did this fragmentation and desire for order develop?

Neil Howe: First of all, Millennials were raised with order and to be risk-averse. They're also very community oriented. The CDC has 150 youth risk surveillance indicators that are all way down. Millennials want to create a world in which people can live in a more supervised way, live a good life, and not have so much uncertainty and risk.

In contrast, Baby Boomers and Gen Xers wanted a riskier world, with more individualism, in an entrepreneurial state. The last thing we wanted was a strong middle class. Guess what the first thing Millennials want? A strong middle class. That's why they're flocking to Bernie Sanders. Not because they're attracted to his left-wing politics or cultural ideas. This is what Boomers mistake about Millennials' fascination with Bernie. He's promising them a strong middle class in America so that they can just belong to a team and not have to compete so much. Because they look up at their Gen Xer and Baby Boomer parents and they see people who are competing themselves to death. These are the differences they sense and where they're going.

We had a very similar generation back in the late-1920s and early 1930s: the G.I. Generation. An estimated 85% of them voted for FDR and the New Deal, which was a massive tidal wave. This was the first generation of African Americans to vote for the Democratic party and no longer for the party of Lincoln. This was a massive shift. And what did they care about? Community, community, community. They all joined unions and did sit-down strikes. A lot of them joined the Communist Party and some of the best and brightest were dedicated to the overthrow of capitalism in the United States.

Whenever a boomer gets upset with Millennials because too many are voting for Bernie, would you prefer a generation like in the 1930s where they actually were card-carrying members dedicated to overthrowing the nation? That's what we had in the 1930s. By the way, in the 1930s, it was also a very isolationist generation. Up until Pearl Harbor, they were signing the Oxford Peace pledge saying they never wanted to go to war. Once the country galvanized around the issue, they joined in and invested hugely in the country's future. I would argue that we're still living off a lot of those investments today. We need a new generation to come along and fill that void.

The senior citizen generation is almost gone. When one generation of archetype dies another one must fill the void. Because archetypes are important, you need a “profit archetype” like Baby Boomers to reshape the culture and think deep thoughts. You also need a generation of builders and doers. You need all types. I believe there's a certain process of compensation and correction.

Ed Harrison: Immediately when you started talking about the 1930s and FDR, we also know that there was Hitler, Stalin, and Mussolini on the other side. In many ways, people rightly look at Fascists negatively because of genocide, but they were looking towards the same sort of

things as today. It's not necessarily the case of left verses right.

Neil Howe: Exactly. That era was an era full of populist dictators all around the world. It's very similar to the era we're in today. Think back on the mood in the late 1920s and 1930s. You had the desperation and the rise of all these authoritarian dictators with no global concert of nations to restrain them, much like today. Think of the world now. We no longer have a concert of nations. We're all going different directions. NATO is toothless. No one is signing treaties anymore. The mood globally was very similar back then. The mood in term of feelings of inequality was very similar, including the actual trend in inequality.

And we have other trends that are similar. Think about living patterns. Remember those Frank Capra films that showed big Victorian homes with multi-generational families? After WWII, we shifted to the nuclear family in the suburbs and got rid of that. Suddenly we had a 30-40 year gold rush of home building and the development of the suburbs and the number of adults per household went way down. Guess what's happening now? The number of adults per household is going back up and homes are starting to look like Victorian mansions from the Frank Capra movies. We're right back to where we started.

The rise of multi-generational living is a stunning sociological fact. We thought that the rise of the nuclear family was here forever. But it only lasted about 1 ½ generations. Millennials are driving this pattern. About 20% of people between the ages of 25-34 are living with an older generation – typically their parents. This hasn't been true since 1937 or 1938. It's very high in historical terms.

It's all these parallels that interest me. The fact is that generations are getting along better in their personal lives, but they are diverging in terms of their overall national and economic interests. The problem here is that Boomers and Xers who believe in free agency and capitalism have given up on collectively investing in America's future. No one gives a damn about infrastructure anymore. When it comes to dams, all Boomers have done is tear them down. My point is that we have generations now that tear down infrastructure.

We forget that at one point, state universities were very often free. I went to UC San Diego and UC Berkley and paid \$85 a semester and guess who paid for it? The G.I. generation. And now Boomers and Xers are saying, no, no, pay for your own education and build your own infrastructure. We're not going to build anything for you, but you have a lot of liabilities to us such as Social Security and Medicare. If I were a Millennial, I'd be outraged. Boomers were given everything publicly, never replaced anything that was built, and now they want to take all their marbles back from the generation that's coming next.

Again, I bring this up to contrast the difference between private life and public life. In their personal lives, I think Boomers and Millennials actually get along very well. Many call each other every day. You see the closeness is there. By the way, Boomers never called their G.I. generation parents in their 20s and it wasn't because they didn't have cell phones – they didn't want to talk to them. No one back then lived with their parents. And it wasn't just because of the economy. You'd live under a highway before living with mom and dad. That's different to today which, by the way, I think is hugely positive and is one key for how we're going to solve this problem eventually. In the end, we're going to have to cancel out those obligations. It's the only way we can begin to invest in the future again for Millennials or any generation that comes along. In order to have a sense of future again for our country, we can't spend so much on obligations to the past.

Ed Harrison: What does all this mean in terms of politics today? Most people think of Donald Trump as moving in the direction of an authoritarian. That's true to a certain degree. But in terms of safety – which is a key value for Millennials – he's not necessarily offering that.

Neil Howe: That's why there are not armies of Millennials voting for Trump. Bernie Sanders is a more interesting case when it comes to security and order. What cognitive psychologists talk about is the paradox of choice, that too many choices paralyze you. Millennials are more bothered by that than older generations. I've done a ton of work in employer benefits. When an employer offers a ton of different benefit options, Generation Xers love it. When you provide that to Millennials, they feel betrayed and get disappointed. Why? Because they know the employer knows which the best one is and just wants the employer to tell them. They want to be told and given advice. The mentality is so different and it's not just consumer goods, it also leaks into politics.

Even when looking at the whole privacy argument and the “surveillance state” that we live in, Millennials are less bothered by it than older generations because it means increased safety around the world.

Ed Harrison: This is where the rubber hits the road if you think about asset markets because what you're talking about is things that involve anti-trust and privacy.

Neil Howe: Anti-trust is a huge issue. Bernie Sanders, Elizabeth Warren, and Amy Klobuchar are huge on this issue. It's more talked about now than it has been in a long time. Beyond pricing power and monopolies, new and emerging issues such as price discrimination are a big, hidden anti-trust issue of our time. It's being practiced everywhere by big pharma and universities. Look at universities now. They look at how much each family can afford and then they bring their price down to just the amount they can barely afford. This used to be a crime that we prosecuted people for. It's standard now. Everyone does it.

In parallel to what we're saying, if you look at the new generation of economists in Chicago, they're all in favor of a stricter anti-trust stance. Here too, you see the Millennial wave. What's interesting is that even Republicans are now talking about how companies need to be broken up. Even President Trump talks favorably about breaking up large telecom, big pharma, and tech companies. But it's not about right and left, it's just the era we're entering.

Ed Harrison: The real question for me is what the transition period looks like. Will it be smooth or chaotic?

Neil Howe: [Transition periods] are never smooth. Big changes are made under duress. When things are pleasant, no one wants to change anything. The Fed is worried about this. Jerome Powell recently gave a speech to the House Budget Committee, and he basically said, "I have one fear and that is that we're running at a record low unemployment and running at a 5% GDP deficit." How many times in the post-war era have we run a 5% GDP deficit? Only five times. That's it. His real fear is that the Fed will be out of ammo when a bad recession or market turmoil hits and that it will only be at that moment when Congress wants to act on the budget deficit. The psychology of budget cutting is the opposite of the economics of budget cutting.

Do you think Congress is suddenly going to say, "the economy is massively spiraling into a recession so let's just not impose any taxes for three years and run an 18% GDP deficit?" No, that's not going to be the political response. The political response is going to be the opposite. That's the mix of what I call "The Fourth Turning" when suddenly efforts to correct things are happening at the wrong moment. It's in those periods where you can suddenly say "if things are going to change anyway, if all of the rules have to be different, and if we're all going to be suffering anyways, let's do something really new. Let's rewrite the rules of the game."

That's what we do in these creative moments like when we first passed homesteading legislation at the peak of the Civil War. The idea that we wait for a time of plenty to implement our big, bold new ideas is not actually how history works.

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