Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

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HarryDent.com

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Dennis Tubbergen:

Welcome back to RLA radio. I'm your host, Dennis Tubbergen. Joining me once again on today's program is prolific best-selling author and commentator and economist Mr. Harry Dent. Harry is offering our listeners a free daily newsletter at harrydent.com. I'd encourage you to check it out. It's harrydent.com. And Harry always a pleasure to chat with you. Welcome back to the program.

Harry Dent:

Yeah. Nice to be back, Dennis.

Dennis Tubbergen:

Okay. So Harry, the word that comes to mind when I look at what's going on in the economy, fed policy, financial markets is just crazy. What's your take?

Harry Dent:

Yeah. Yeah. I call it insane as my word. I mean, to think that you can every time you have a slow down the economy or the stock market, you can just print, infinitely more money and expect it to go away is going to go down in history. I'm telling you 10 years from now, before I die, people are going to look back at this and say, what were they smoking? It's going to look like the stupidest thing in history. And yet everybody, even Warren Buffett, everybody's like, "Oh, it's okay. They're just helping the economy. And it's good policy."

Harry Dent:

This is not good policy. The economy just like your body or anything else needs to reset itself and heal itself now. And then after it's overexpanded and they're not letting it do it. Since 2008, when we had the crash, which really was the beginning of what looked like the next great depression, which is something I was forecasting 20 years before it happened. When the baby boomers would predictably stop spending. They just printed money to offset the downturn. That is cheating. That is bad policy.

Harry Dent:

This is the stupidest economic policy in history and people like Janet Yellen and even Jerome Powell who I like a little more. I mean, Janet Yellen said, "Oh, we'll never have another financial crisis like this in the rest of your lifetime." Wrong. We're going to have a bigger one because we never dealt with the first one, never wrote down the bad debts, never got rid of the zombie companies. You know how many zombie companies, public traded companies to not meet their debt service? 20%.

Harry Dent:

This is a dead economy revived only by endless money printing. And it will not end well. And I think there's a potential peak here in late April or May. And if not, by the end of this year at the latest, if it goes farther than the end of this year, Dennis, I'm going to quit and just retire in Puerto Rico and never say another thing again about economics, because this has gone way past any measure of valuation, any measure of sanity, this is insane.

Dennis Tubbergen:

And speaking of using that word insane. I read a piece this past week by Egon von Greyerz of Matterhorn Capital management. And he said that when you add up the derivative exposure of banks, which he estimates at one and a half quadrillion dollars, and you take unfunded liabilities around the world and you take debt around the world, you've got a 2.3 quadrillion dollar problem. And now we've got all these central banks trying to print money. Well, when this explodes, it seems to me, this is going to be worse than anything we saw back in 2007, 2008, 1929. I mean, what's your take?

Harry Dent:

Well, I think it's, in-between. Definitely no question that the next downturn and the next stock crash is going to be worse than 2007, 2009. Okay. 1929 to '32 was the biggest bubble of that era and the biggest crash. And back then central banks did not have the mandate or ethos of saying, "Oh, we got to print money." They only printed money late in the downturn. And only 6% of GDP were up to 55% between fiscal and monetary stimulus in the last year and a half. So this is different. It is like the '29 top. It is on the same kind of long-term cycle. I think it's going to be the biggest crash of our lifetimes, but I still think that even those central banks will lose control here, they keep printing more money, but it keeps not working.

Harry Dent:

So I think they're going to lose control here pretty soon, but I still think they'll have enough backstop that they won't let the stock market fall 89% like it did in '32. So I think we may see that bigger drop but it may be more like 60 to 70%. But I'm just telling people, this will be the biggest stock crash in their lifetime, home prices are going to go down more than they did between 2006 and 2011, '12 in that crisis. And if you don't get out of the way of this, it's going to hurt really bad. This is really simple. You just get out of the way of an inevitable return to reality where this is not anything stranger. We're just going to go back to where stocks should be. My model says stocks should be at 14,000 today on the Dow.

Harry Dent:

And that means they're going to fall farther than that. And so you just have to protect your assets here. And then within two years, three years, max, you can be able to buy real estate stocks, best companies at bargain prices that you'll never see in your lifetime again. And I'm sitting here in Puerto Rico, just sold my house in Culebra. And I'm looking at actually buying raw land there when things crash here. And they won't crash as bad here in Puerto Rico, but they could crash because it's like the next St. John.

Harry Dent:

So I'm always looking for opportunities and you know what the best opportunities? When things go down. So people say, "Oh, Harry, you're so bearish." I'm like, "No, wake up. If I'm right, we're going to see the buy opportunity of a lifetime and everything from stocks to real estate." But you have to get out of the way. You can't listen to your financial advisor that's going to say, "Oh, just holding all day. There's correction. Just hold." No, this is not a normal correction. This is going to be a 1929 to '32 or 1972 to '74 style reset in stock prices and real estate stopping. You have to get out of the way, you can't hold through this. It's going to be at least a 60 to 70% crash in stocks and maybe 80 to 90%. You got to get out of the way of that, it takes too long to recoup those losses.

Dennis Tubbergen:

Well, if you're just joining us, we're chatting today with Mr. Harry Dent. You can get a free daily newsletter, rather, from Harry, by visiting harrydent.com. And Harry in the past we've talked a lot about some of the demographic research that you've done and back, I believe it was in the '80s. You can correct me if I'm wrong. You wrote a book called the Great Boom Ahead, which was based largely on demographic research. So based upon your research, how do you see this playing out from just a demographic perspective?

Harry Dent:

Well, again, the demographics would have said without all this unbelievable money printing and stimulus that the boom would have peaked in late 2007, which it did, it peaked and that's why we went into a deep recession in 2008 and '09 because the baby boom had bought all their houses, spent all their money. They had peaked predictably on demographics. I mean, how spending peaks 41 to 42 and an overall spending for the average household peaks 46 to 47. And that's going up slowly over time.

Harry Dent:

So it's very predictable. So I said, "Oh, 2008, we would be in the next depression." Well, we started to look like that depression because the downturn was much stronger than 2001 to '02 and previous downturns. And that's when the central banks panicked and just started printing money nonstop. And Mario Draghi said, "I will print unlimited amounts of money to stop you from shorting our stocks and stop this downturn."

Harry Dent:

This is insanity. You cannot tell the economy it cannot go into a recession and heal itself. You just can't do that. And that's what they've done. So we're in this even more precarious position where I think we're going to have the biggest crash and my best cycles, Dennis, come on 40-year cycles. And that's a generation cycle as well. But the best stock market cycle bottoms have come every 40 years. So this one is due for late 2022 or early 2023. And I think people are going to be shocked at what happens and everybody thinks, and I was just at a party the other night, and I'm telling all these crypto guys down here in Puerto Rico, because they're smart enough to be down here for the tax savings.

Harry Dent:

I'm like, "No, the stock market is going to crash 60 to 90% in the next few years." And nobody thinks that's possible. Nobody thinks is even remote and Bitcoin, Bitcoin's going to go back down to three, 4,000 before it has the greatest boom in history. Nobody can believe those. But that's what my research says very clearly. Greatest boom in history. It's been extended now with all this money printing and it's only gone into stocks. The economy's weaker than it's ever been and stocks are at the highest highs they've ever been. And that is a huge disconnect. And you know how the disconnect is going to be corrected? Stocks are going to have to crash 70 to 80 to 90%. And so just get out of the way, that simple.

Dennis Tubbergen:

So Harry, the federal reserve has now really one policy and that is keep interest rates at zero in print. And I think they're printing to the tune now of about 150 billion a month. And the current policy or policy guidance issued by Mr. Powell is you're going to see that for the next 24 months. So when this crash occurs, won't their reaction just be do more?

Harry Dent:

Yes. But the better analogy is the addiction analogy. Any addiction, doesn't matter whether it's heroin or alcohol or coffee or whatever, it takes more and more to get that high. And when you come down it takes more and more to come back again, until you die, hit the pavement or die. That's what's going to happen here. They're are going to keep doing what they're doing until it doesn't work. And it's already not working. Why have they shifted suddenly to fiscal stimulus in this last cycle?

Harry Dent:

Because the monetary stimulus, even though they've done it exponentially higher is not working that much. I mean, how many times do people need to refinance their house or buy a little bigger house with these low-interest rates, artificially low-interest rates until it just doesn't work? And now the fiscal stimulus is going to kick in and that's going to work a little better short-term, but I'm already seeing signs Dennis in my economic indicators, the economy is not responding, the markets are expecting a huge rebound here.

Harry Dent:

That's going to continue. And you know what? China already had its rebound earlier than us and it's already stalling and reversing. So I think that's what's going to happen here. This rebound is going to be just a short-term response from, "Oh yeah, the economy was down and a lot of stimulus. And now people are going to spend a catch up and then it's going to be over." Because my demographic model, which is the best indicator of reality.

Harry Dent:

I didn't expect this when I invented this Dennis. The best economic reality of where stocks and the economy should be in as such, that stock should be at 12 to 14,000 today. So we're going to go back down to reality to catch up with that. That's all we're going to do here, is go back down to reality after the biggest bubble in modern history. This makes 1929 bubble look like nothing.

Harry Dent:

And this is global and it's real estate and it's stocks and it's bonds. It's everything. This is the greatest bubble in modern history. And if you studied bubbles, like I studied to have to do 10 to 15 years ago, when I realized we were in a bubble economy. You got to get the hell out of the way. When bubbles burst, there is, has never, Dennis, been a soft landing of any bubble in history. And if this is the first one, I will apologize, but I am not going to bet on that.

Dennis Tubbergen:

Well, my guest today is Mr. Harry Dent, you can get his free daily newsletter by visiting harrydent.com. The website again is harrydent.com. I'd encourage you to check it out and I'll continue my conversation with Harry, when RLA radio returns. Stay with us.

Dennis Tubbergen:

You are listening to RLA radio. I'm Dennis Tubbergen. I'm chatting today with prolific best-selling author, Mr. Harry Dent. Harry is offering our listeners his free daily newsletter today. You can get it by visiting the website, harrydent.com. The website again is harrydent.com.

Dennis Tubbergen:

Harry for our listeners maybe that are not familiar with your demographic research, which you really pioneered many, many years ago. Can you just give them kind of a cursory explanation as to the basis of the predictability of this demographic research?

Harry Dent:

Yeah. Dennis I came out of Harvard business school and got the typical job at Bain & Company, consulting to fortune 100 companies on strategy. And I got bored with that after a few years because big companies are slow and slumbering. And so I started consulting to new ventures and smaller companies in California. That's when I discovered demographics.

Harry Dent:

These new companies in the early '80s back then, long time ago, they were appealing to the new baby boomers, just entering the economy with their strong spending and innovation. And that's when I discovered demographics. And at the same time in 1981, the US put out its first information on, "Oh, here's when people spend money by age and income and stuff." I mean, incredible information on consumer spending came out year after year, starting in 1981.

Harry Dent:

And I ended up stumbling on that, stumbling on these new companies, realizing the baby boom was much bigger than anybody thought. It's was going to cause the greatest boom in history, because I'm with these young companies appealing to them and not looking at the older companies, at Bain & Company that were maturing with the Bob Hope generation.

Harry Dent:

So I saw this new generation coming and then I saw, "Oh my God, the government is releasing information that makes economic prediction a piece of cake." The average person spends the most money at age 46, now 47. And the next generation is going to be 48, 49. I mean, it's easy to predict when new generations will cause economy to boom like 1983 to 2007 and then buy. The difference is, when we busted this time, government started printing money to offset it. And that of course cannot work.

Harry Dent:

You do not get something for nothing. So my second biggest lesson, Dennis, it's very clear. You don't get something for nothing. And this is the biggest something for nothing policy. So I have cycles and demographics that are just hardcore predictable. And I have other cycles in technologies, technology cycle is 45, in 90 years, we see the biggest bubbles in stocks every 90 years, like 1929 and now. And so I'm a cycle guy and cycles are everything.

Harry Dent:

There's cycles from our daily movements when we wake up to the annual seasons and stuff. But people don't like cycles Dennis, because there's always a winter season and people don't like to think that we're always going to have a winter. So people ignore cycles. I adore cycles. That's my strength. I study cycles and there's clear cycles, 40-year generation cycles in spending, 45 and 90-year cycles in technology innovation and 32-year cycles in political, positive and negative.

Harry Dent:

I mean, it's taken me 40 years to identify the most important cycles that drive our economy. And you know what Dennis? I can predict what the economy's going to look like when your youngest child grows up. And it's the peak of their spending or retirement cycle decades from now. It's that predictable. If you understand demographics and technology cycles, which actually drive growth and productivity and spending over time, it's that simple?

Dennis Tubbergen:

Well, if you're just joining us, my guest today is prolific best-selling author, Mr. Harry Dent. You can get Harry's free daily newsletter by visiting harrydent.com. So Harry let's dig into these cycles a little bit because that that's just fascinating. And let's talk about this generational cycle. I think you said it was a 40-year cycle.

Harry Dent:

Yeah. Yeah. Yeah. I mean, the Henry Ford generation peaked in 1929, the Bob Hope generation peaked in real GDP and spending in 1968 and now the baby boom in 2007. That was the natural peak. And back in the early to mid '80s, I was predicting we're going to see the greatest boom in history because this baby boom was larger than the generation before, much larger.

Harry Dent:

And that's what we saw. Dennis when I was putting out my first books in 1989, The Power to Predict in 1992, the Great Boom Ahead, as you mentioned. People thought I was an idiot saying there's going to be a great boom. They felt the '80s was it. I'm like, "No, this boom is just starting." I could measure it from this generational pattern. I just lagged the path in debts 46 to 47 years, the peak of the spending.

Harry Dent:

I mean, a 10-year-old could do this. Okay. It's not genius. It's just understanding what's important and not. In my criticism of economists and I will go to my grave with this. They don't know what's important. Their academics never had sex, never run a business and don't understand what's important to the economy. And you know what's important right now, Dennis? We just had the biggest downturn in 2008, '09 that needed a lot of restructuring, a business and investments and stuff.

Harry Dent:

And the central bankers didn't let it happen. So we're in this crippling recovery that takes exponentially more stimulus to just grow. And quote this number, 1.6% has been the average GDP growth rate since the bottom in 2009. 1.6%, the worst recovery in all of history and stocks with the highest highs, most overvalued and everything's beautiful. It's not beautiful. So money printing drives up stocks.

Harry Dent:

It does not drive up consumer spending substantially. And we're in this weak economy with overvalued stocks and it's going to have to have a reset and it's going to be major. And I'm telling you if it doesn't start by the end of this year. And I think even likely by the end of this month or early May, I'm going to quit my profession.

Dennis Tubbergen:

Well, let's talk about what happens after the crash. So based on your demographic and generational cycle research, what does the next recovery look like?

Harry Dent:

Well, it will be more like the 1940s and '50s recovery after World War II. It will not be as dramatic because our demographics, the millennial generation people say, "Oh, they're bigger and there's more of them." Yes, there are more of them because they started at higher birth rates and their birth cycle lasted longer. But the relative growth from the millennial generation only takes us back into the late 2000 30s, 20s. I'm sorry.

Harry Dent:

And 30s only takes us back to where the baby boom took us. We don't need more homes. We don't need more infrastructures because our population growth is slowing and our generation cycles are slowing. So the next boom will probably start in stocks between late 2022 and '23 some time. And it will if it may at best take us back. And I don't even think we'll reach there, to where stocks have reached in this bubble where they're overvalued.

Harry Dent:

So we've seen the best of the stock market. We've seen the best of real estate gains in the US forever because we're an aging country. And unless we start opening the gates to many more immigrants, which would love to come in and I love immigrants myself, because they work harder than people here. But whatever your opinion on that, unless we do that, we've seen our best days and all the growth is not going to be in China because China has seen it's best days.

Harry Dent:

It's going to be in southeast Asia and India. That's the future. And if I could live anywhere in the world as a gringo, I call myself now in Puerto Rico, I'd live in Australia and be investing in the Asian boom. And the Asian boom will no longer be east Asia, which means China, Japan, Korea. It will be southeast Asia and India and Pakistan. That's going to be the next giant growth area in the world.

Harry Dent:

So that's the future. The future is not hard to predict in general. It's the short-term movements in the stock market that I have to struggle with. Those are harder to predict and I have my indicators for that, but I'm guessing at the short-term and I just want to be 60 to 70% right to help my newsletter subscribers. In the long-term the future of the world couldn't be more clear and predictable. Demographics and technology cycles tell you where we're going.

Dennis Tubbergen:

Well, the clock says we're going to have to stop our conversation there. My guest today has been Mr. Harry Dent. His newsletter is free. It is daily and you can get it at harrydent.com. The website again is harrydent.com. Harry, thank you for joining us today from beautiful sunny Puerto Rico. And we'd love to have you back down the road.

Harry Dent:

Yeah. Love to come back, Dennis.

Dennis Tubbergen:

We will return, after these words.