Harry’s Take

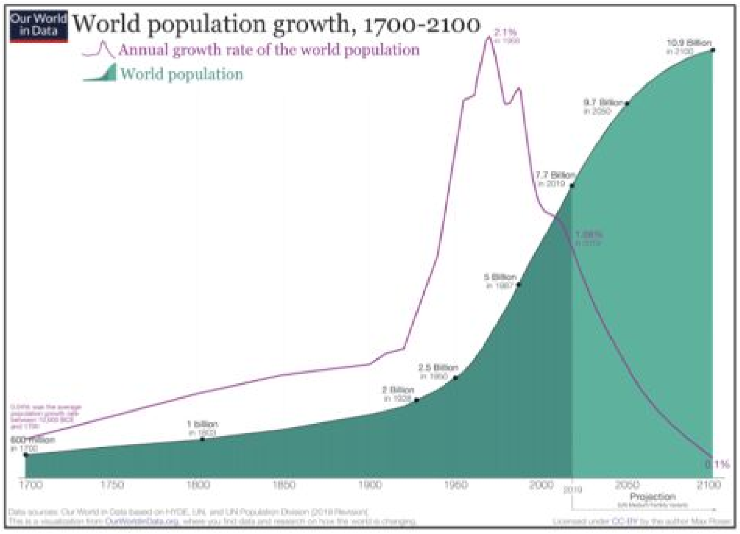
November 3, 2020

People Are the Greatest Bubble: Baby Boom at Center of Global Population Explosion

In the December 2018 issue of *The Leading Edge,* I put out a special double issue entitled, “The Unprecedented Economic Explosion: Why We’re Only Half Way Through It.” This is a classic “chicken-or-egg” argument. Did the population explosion cause the greatest economic surge in history, or did the economic boom cause the greatest population bubble in history?

Population bubble it clearly is, as this chart that goes back to 1700 clearly shows. It is the most fundamental bubble.

Baby Boom Birth Surge Just Before Global Population Growth Peak



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The Industrial Revolution was the “big bang” that paved the way for the population and economic explosion that began in the late 1800s. The Industrial Revolution also saw the dynamic convergence of two major, opposing principles: free market capitalism and democracy.

But the most dynamic trend is simple: it’s urbanization. That trend started in the early 1800s with the Industrial Revolution in Britain and expanded throughout the Western world into the mid-1900s. Urbanization accelerated globally starting in 1920, exploding in the larger emerging countries, and it will not peak until around 2085, once the world is 85% urban.

People in urban areas have much better access to jobs, and “the specialization of labor” is exalted. If I had to pin economic progress to a single principle, it would be that one. If I had to pin economic progress to one key technology, it would be electricity. Electricity spawned the revolution in smaller motors, first for business and home appliances and then later for handheld computers, i.e., the iPhone or smart phone of today.

Although the population bubble is not projected to peak until around 2100 or so, its fastest rate of growth came in the middle, just as happens with all progressive growth trends. That rate of global growth peaked in 1968, just 7 years after the peak of the Baby Boom in the U.S. in 1961 and in Europe in 1964. The rising tide in American births actually came from 1934 into 1961. It was the faster-growing emerging world that tipped the peak rate of global growth into 1968 at 2.1%.

Regardless of the chicken-and-egg argument, my most potent leading indicator for the economy has always been the Spending Wave, which peaked in 2007 for the U.S. and in 2011 in Europe. We have been living off of QE ever since, to make up for the slowdown that happened once the Baby Boomers began to age past 46, and, hence, spend less. This generation was the largest in modern history in the developed world and dominated the global economy until recent decades. People today spend the most money on average at age 47, and targeting that age is the best way to project booms and busts for decades to come. It was age 46 for the Baby Boomers and could be as old as age 50 for the Zillennials (Generation Z) in the decades ahead.

The other important trend is technologies. Every 45 years, clusters of key technologies emerge, go mainstream, and create an exaggerated level of prosperity. Productivity naturally rises as people move into their 40s with work experience, but technologies also elevate productivity, by changing how we live and work.

In fact, before the Industrial Revolution there was a long period lasting thousands of years called “The Malthusian Trap.” The Industrial Revolution elevated the technology cycle dramatically. Likewise, the middle-class “revolution” after World War II elevated the demographic or generational cycle. These two cycles, technology and demographics, together drive our economy.

The sweet spot in the technology cycle for stocks lasts around 20 years and occurs between the late spring and fall economic seasons before winter sets in. Here are the actual historical sweet spots: 1866–1882, 1908–1929, 1950–1972, and 1995–2020. I cover this in more depth in the November issue of *The HS Dent Forecast,* which is coming out a little later than usual, on November 4, due to the election.

The generational spending cycle peaked in 2007. Now, the technology cycle is peaking very close to 90 years after the infamous 1929 bubble peak—and that creates my most powerful 90-year cycle for stocks.

That peak provides a very strong indicator that we are about to see the greatest stock crash since 1929–1932. The leading Nasdaq 100 bubble either peaked on September 2 or will soon after the election if we finally get that strong stimulus package we were promised from the government before the election.

Harry

Got a question or comment? You can reach us at info@hsdent.com.