



# ***Harry's Take***

September 2, 2025

## **Reader Mailbag: Questions and Harry's Answers on Demographics, Real Estate and the Economy**

*We receive many questions on various topics, including direction of the markets, demographics, and interest rates. From time to time, we gather a series of questions and answers on a few topics and send them to subscribers as part of our reader Mailbag series.*

Q: I know it should come down, but what is the catalyst? What is going to cause the market to drop?

A: Two likely catalysts:

- 1) Global growth slows down as a result of tariffs, as in 1930,
- 2) More critical: debt defaults.

Any boom will see growing numbers of Zombie companies that start stiffing their creditors. It's not the strong companies that cause a recession, it's the weak. This happens in any boom, but more so when credit is easy, and never been easier.

And of course, recessions make the strong stronger, and that makes the economy stronger... That's my biggest gripe about economists and Central Banks is that they see recessions as the enemy. I see them like sleep vs. waking.

Q: Many of us believe that Trump is quietly positioning himself to end the Federal Reserve as we know it — allowing the hyperinflation of the dollar to play out, paying off U.S. debt with worthless fiat, and ushering in a return to constitutional money backed by gold and silver.

Some call that economic suicide, others call it a necessary reset. I lean toward the latter. But here's the twist: I also believe we're on the brink of something far bigger — a convergence of global catastrophes. Earthquakes, volcanoes, 500 mph inland hurricanes ("landacanes"), even meteors reshaping coastlines.

If we really are entering a Biblical-level period of upheaval — economically and geophysically — then U.S. sovereign-minted gold and silver coins could end up being the only trusted medium of exchange in a post-dollar world.

You've recommended long-term Treasuries (like TLT) as a safe haven in deflation. But in a "Mad Max meets Revelation" scenario, wouldn't those become worthless IOUs from a bankrupt government?

In that kind of reality, what asset class — if any — would you see as the ultimate shelter in the storm?

**A: I think it is entirely possible that we see a red/blue civil war set in as the likely economic downturn of our lifetimes emerges. We'll see what that actually looks like when it happens. But in my scenario of a 1.5X version of the 2008/09 financial crisis, I would expect much more civil unrest this time and a deflationary crash more like 1930-33 with the money-printing backing of the Fed to ease the pain a bit. I don't see hyperinflation nor gold and silver being the safe havens. Gold looks like it is peaking with stocks as in late 2007/early 2008. I see cash simply and long-term Treasury bonds the most profitable as ALL other financial assets, including gold DEFLATE back down to reality. The strategy: Be in a safe place and be in the one investment that can be paid off with yes, printed money temporarily, until the crisis is over in 3 years or so. And that is 30-year (best) and 10-year US Treasury bonds or TLT. Corporations can't print money to pay off their bonds, they have to float new ones at much higher expense when they get in trouble. Once the safe haven US Treasuries surge dramatically into the worst of the Mad Max crisis, then you sell them and start buying back stocks and real estate again... But don't expect a return of the same bubbly gains again, especially real estate that will "Never Be the Same" in a slower**

**growth near-zero inflation scenario longer term. Cash in and preserve your financial wealth NOW and benefit from lower costs of most everything and stabler prices in the future. Breakdowns like this are scary at first, but they return things to sanity again. Just don't lose your ass-ets in the messy process! Don't buy the gold and silver hype. They have bubbled like everything else, and 2008 proved they weren't the safe haven when the shit hit the fan. Treasuries were!**

**Q: Where will all these tariffs end relative to our economy? Seems like four years can't come fast enough.**

**A: Yes, tariffs aren't good for our or the global economy, and they were a sign of the infamous 1929 top and Great Depression to follow. Trump has now been in office long enough for him and his tariffs to be blamed... but this is his second term and he shouldn't be able to run anyway. But you can rule out Vance and the Republicans if the economy goes down in 2026 forward, as You would expect anyway given that this downturn should have occurred from 2020-22 to wash out the greatest bubble in history.**

**Q: When the rich country prefers to purchase finished goods from its neighbours and closes down its industrial base in preference to a financial business concentrated workforce, there becomes a wakeup moment that they are now not self-sufficient anymore... How to correct that state of affairs?**

**A: Would you rather be or own or invest in a smokestack industrial business or a clean, air-conditioned financial services firm? At Bain & Company after Harvard Business School I was consulting to Firestone Tire and National Steel... horrible plants with bored people working in them, and overpaid for it to boot because of over-bearing anti-productivity labor unions. I had never seen workers move so slowly!**

**We don't want or need to lose all our industrial companies, but I'll take the high-end service companies any day! Medical, legal, accounting, business consulting, and so on. Bain & Company didn't have any competition from Japan, and they only hired the top 3% of Harvard and Stanford MBAs. And only the top 1% even get into these schools.**

**Back in the early 1980s everyone was bemoaning the loss of our industrial base, and 40+ years later we are still the leading and highest GDP per capita**

large economy in the world, with now a 10% of GDP manufacturing sector... and still falling. Last time I had looked it was 12%!

I'm not mourning the loss of these industries. They are older and lower value added in general. But if it's specialty steels, etc., we are more likely to be competitive.

Trading up to higher-value-added industries and jobs is how we get richer. And this has occurred more and faster since the early 1900s than ever. And the U.S. is still number one because it keeps dominating higher-end services and manufacturing.

Manufacturing was THE leading edge from the early 1800s into the early 1900s. Now it's the third world that's moving into standardized manufacturing competing through lower skilled and wage workers.

We and Western Europe are moving into high-end services, and high-tech, customized manufacturing.

Good question Lesley! Our subscribers will appreciate it. Important distinction to understand. I have a chart in the September issue that shows a correlation between falling manufacturing as % of GDP with a rising GDP per capita.

The race for global leadership is all about high value-added sectors, not manufacturing vs. services. There's a lot of low value-added services as well. It's also about customization vs. standardization.

Q: A few years ago, you said something along the lines of banks around the world will collapse in the sharp economic downturn which is way overdue.

You said the countries with the strongest banks were the 3 S's.

- Switzerland
- Sweden
- Singapore

Given the massive amount of debt in Singapore, do you still stand by the three S's?

**A: The huge debt detox ahead will be global and affect everyone. Countries with less debt and leverage will weather it better.**

**The sounder countries mentioned will fare better, as will their currencies. The US is the large country whose currency will hold up best as a safe haven, as it did in 2008. But the US has led the global bubble and the collapse of wealth will most be felt here... \$630 trillion of financial assets losing up to half of its value, and being slow to come back with most financial assets not seeing these highs for the rest of most of our lives, even our kids. The US and these countries are the best houses in an over-leveraged world. But they also have the most wealth to lose. Due to very affluent vs. everyday people! But we will feel the major collapse of the financial asset and services industry that we most dominate.**

**Q: Long time follower and I appreciate your opinions, but I have to ask; I'm sure that you have considered the possibility that is truly different this time. What makes you so sure that we will see a crash when you have been calling for it for the past several years and it still has not happened. Why is it just different this time?**

**A: There is no surety after governments took over the economy from 2009 forward. But one surety is bubbles burst... it's just when and this one has been put off 5+ years now. So more likely sooner than later at this point. No bubble in history has not burst and they always burst the worst! And we lead this financial bubble globally, even more than we lead technology.**

**Q: The future of slowing birth rates and eventually falling populations is something I have been thinking about for some time. I have long wondered about the effect this will have on capitalism. Owning a stock is making a bet on the future growth and profitability of a business and the size of the economy in general. Until now, population growth has provided a baseline of economic growth. How do you think capitalism will function with a stable or even shrinking population? For the last 50 or so years, the markets have been propped up by index investing. I suspect that investing will become much more the art of picking the winners and losers again. I'm getting close to 79 years old, so I won't be around to see the fallout, but it's an interesting question.**

**A: Slowing population growth is clearly not good for the economy and stocks. Japan has led the world in aging and lower births. Its stock market**

just marginally topped its late 1989 high. So down to sideways in the last 26 years. Southern Europe has been lagging Northern Europe due to its faster-slowing demographics.

Countries that employ new technologies most effectively, can offset the slowing demographics up to a point. But the fastest aging regions of East Asia and Southern Europe will shrink, and more so ahead. Northern Europe and North America will follow.

The one big thing that could help most would be dramatically rising life expectancies which have been minor in recent decades, but could advance towards age 100-120 over the next 50 years. We can start projecting that when life expectancy does start to advance steadily again.

Q: How will AI affect the jobs available for future young people?

A: AI will automate the last bastion of jobs, the most important and productive: managerial and professional. This will force these highest paid workers into more entrepreneurial functions in companies wherein they identify new opportunities and create new profit paths. Everyone is going to have to become more entrepreneurial to add value, and that's the highest use of human skills and creativity. That they can't automate yet. I don't worry at all that this will be the first time that technology advances eliminate present jobs and don't create more new, better ones.

Q: Can you please give us more graphical insight on how the Baby Boom (currently falling from peak) and the Millennial (accumulating toward a flatter peak)) spending waves are likely to play out year by year over the next decade?

A: The Gen X Spending Wave downturn hit between 2008 and 2022, and was countered by \$29T in massive stimulus. The Millennial rise occurs 2023 to 2037 and then plateaus into 2054 before falling again longer term. The second, greater debt bubble has been prevented from detoxing. Now it will likely see a 2-3 year recession and crash worse than 2008-09.

Q: What is your opinion about the independence of the Fed especially with Trump firing Lisa Cook?

**A: I'm not the only one that thinks the independence of the Fed is essential. Trump is just bullying Powell which is NOT appropriate. This type of interference will not be tolerated by the Congress or public ultimately. However, I do expect the economy to weaken ahead from "The Exhaustion if Demand" from so much stimulus over 18 years now. That could make Powell look like he didn't cut rates fast enough at first. The strength of the downturn should make clear that a minor rate cut a little earlier would not have made much difference.**

Q: You always said Australia was the lucky country. I have considered your examples of profiting from the coming downturn, but always come up with the reasoning I am probably risking market risk that also battles the exchange rate swings with USD/AUD at any time I wish to take profits, rebalance etc. in the US market that you speculate on.

Is there any reputable trading platform that doesn't require me to convert my AU when depositing, or will I always be disadvantaged no matter what the market does.

Probably I'm dreaming even asking this question. But so frustrating.

Any way of converting your theories to the Australian market where I don't have the exchange rate problems?

**A: The only real estate markets more overvalued than the US are China and Australia. Australia's stock market is likely to go down a bit less than the US, but real estate there is likely to go down more. The dollar is likely to spike up for a short period of time making losses in Australia worse in USD, and bargains better for a US investor.**

**Best opportunity is to buy Australian real estate with USD at the worst of the crash about 3 years+ from now if we do see the crash of a lifetime. Even better, buy Australian stocks. The down Aussie dollar will make both an even greater bargain and the rebound in Australia will be stronger than in the US due to stronger demographics there.**

Q: I saw your August 22nd YouTube video and started acquiring some SQQQs. Can you recommend a decent short ETF for the Russell?

**A: TZA is triple short the Russell 2000. I favor SQQQ as Russell has already lagged, so SQQQ should fall more, but could be good to diversify with TZA.**

Q: The long term bond market is acting strange.....the price on ZROZ isn't trading just on interest rates, but on other factors. Short term rates go down and the 10 year treasury rate goes UP. How should we play ZROZ under these new conditions? I do believe that the markets are on the edge for large moves and would like to be positioned to recover some of my previous losses!!

**A: When we finally start slowing into a recession TLT and ZROZ will go up and rates down. In early stages, rate cuts can be seen as raising inflation pressures and that causes long-term rates to edge up at first as is happening now. Once the slowdown becomes obvious that will disappear fast, and long-term inflation will be seen falling a lot.**

**Harry**

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).

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