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Shifts of Social Mood and Growth-Anxiety from Economic Depressions to Wars and vice versa¹

1 Introduction

The Elliott Wave Theory sees changes in social reality (for example the way into an economic depression or the outbreak of a war) as caused by changes in social mood which is a mental process. Similarly Psychohistory sees the change of social reality as caused by group-fantasies and as an unconscious psychological group process, which obviously also is a mental process. The element of unconsciousness in the social processes fits also to the approach of Elliott Wave where the moving processes are not known by the people who undergo a mood-change.

Psychohistory sees social realities as the product of unconscious group fantasies by the population. Most prominent examples for psychohistorical group-fantasy cycles are the leadership cycles of Lloyd DeMause who is the founder of Psychohistory. A leadership cycle consists of 4 phases. Phase 1 is called the strong phase which can be understood as an upswing of social mood when people behave reasonably and are confident. Phases 2 and 3 are called cracking phase and collapse phase and can be understood as transition phases between positive and negative social moods, when first confidence gets eroded and then overwhelmed by unconscious growth anxieties which are stored in the Amygdala and stem from traumatic experiences during the early lifetime of the individuals of a group. Phase 4 is called upheaval phase and is part of a negative social mood.

If you look at these 4 phases afterwards, when a whole cycle is over, it is surely easier to identify these phases than if you are analysing a current group process. When studying an ongoing group process I have the impression that on a short cyclical level a development is not monodirectional but consists, as described in EW-analysis, of impulsive and corrective moves. A development is progressing and receding. So phases 2 + 3 may not be followed by upheaval, an upheaval may be interrupted and not finished and so on. It is especially difficult to make the distinction between the phases 2 (Cracking) and 3 (Collapse). Nevertheless this concept contains the important psychological elements of social cycles with an element of crisis in them and it is important in order to identify relevant group fantasies.

2 The “4 Phases of Leadership” of Lloyd DeMause

Below you find a description of the “4 Phases of Leadership”, which I took from the newest book of Lloyd DeMause: “The Emotional Life of Nations” (you can download the whole book for free under the following address: <http://www.psychohistory.com>). The original text of DeMause is written in blue colour and illustrated by me with cartoons and verbal fantasies from the current group process. The cartoons stem from the web-site gocomics.com. I do not comment for the moment on the terms growth anxieties, fetal phases and birth anxieties to which DeMause refers in the text. I would write on the psychological foundations of psychohistory in a later point of time.. The text is slightly shortened, emphasizes in the text are done by me.

¹ I wrote this paper for Elliott Wave International. This company provides analyses of international financial markets. I had a discussion with them on the influence of politics on stock markets.

THE FOUR PHASES OF LEADERSHIP by Lloyd DeMause

Fantasy analyses I have done of magazine covers and cartoons over the past two decades reveal that there are four phases of group-fantasies about leaders, as they become less and less able to provide grandiose manic solutions to the nation's growing growth panic. Since group anxieties are embedded in a fetal matrix, these four phases of group-fantasy parallel the **four phases of birth**. The four leadership phases are: (1) strong, (2) cracking, (3) collapse and (4) upheaval.

Strong Phase

In the first year or so of his term of office, the leader is portrayed as grandiose, phallic and invincible, able to hold all forces of evil at bay and able to contain the unconscious anxieties of the nation. Photos of the leader appearing on magazine covers and in newspapers are mainly taken from the level of a small child, making him seem like a strong parent. International political crises occurring in this strong phase are rarely seen as dangerous or as requiring an active response; wars are rarely started in the first year of leadership...

Cracking Phase

In the next year or more, the leader's deification begins to fail, and he is shown as weakening, often appearing in cartoons with actual cracks in him as he is seen as increasingly impotent and unable to handle the emotional burdens of the nation. The media spend an inordinate amount of time analyzing whether this or that minor event might make the leader weaker. While the nation responds to solid economic growth through more and more manic overinvestment and overproduction, fears of growth are increasingly expressed, as "things seem to be about to get out of control" -i.e., the nation's real progress begins to stir up abandonment fears. The nation engages in an increasing number of economic and political manic projects to ward off their abandonment depression. Evil monsters are depicted in cartoons as starting to pursue the leader, and the group's boundaries are felt to be cracking, with images of leaking water and crumbling walls predominating, as though the nation's womb-surround is cracking. Complaints of being crowded, hungry and breathless begin, enemies start to proliferate and become more threatening.

Collapse Phase

The **leader** and various delegate-groups are **expected** to voice and take some grandiose manic action to relieve those feelings, **restaging the imagined threat** rather than remaining hypervigilant and paranoid forever. Nations react to foreign policy crises more belligerantly in their collapse phases than in their strong phases. Even before an "enemy" is chosen, the government often takes some economic measures to "stop things from getting out of control," making more and more "mistakes" in economic policy that are unconsciously designed to slow progress, such as deflationary monetary policies. The nation also conducts "purity crusades" to put an end to the sexual and other liberties supposedly responsible for the nation's moral collapse. Troops are often scurried around the world to meet minor emergencies or to prepare for action. Free-floating paranoid fantasies multiply of poisonous enemies, who are often pictured as envious of the nation's progress and about to strike, so that "preemptive action" against them seems necessary.

The collapse phase ends with a hypervigilant paranoid "search for a humiliating other"-

an enemy who, in a moment of group-psychotic insight, can be identified as the concrete source of the nation's distress

Illustrations

Purity crusades
6.6.



7.6.



Upheaval Phase

The leader begins the upheaval phase pictured as a wimp, overwhelmed by poisonous forces, impotent to ward off disaster, which is often depicted as a dangerous water-beast (poisonous placenta) along with images of floods, whirlpools and devouring mouths-media imagery similar to medieval depictions of Hell as a **Devouring Demon**. Anti-children crusades multiply, attacking people's projected inner child for being spoiled, sinful, greedy and out of control. When the **growth panic is at a peak**, "poison alerts" are declared and fears of maternal abandonment and wishes for maternal engulfment and rebirth proliferate. Political cartoons and popular movies contain more and more **apocalyptic** upheaval birth **fantasies**, full of **vaginal tunnels** and **exploding pressures**. Rational national progress seems to be unimportant, group-delusions and group-trance projects are at a peak, and action becomes irresistible as the nation searches for some magical restoration of potency.²⁵⁵ This **restoration, rebirth or revitalization wish** turns into a group ritual that at times can take one or more of three forms:

- (1) **Regicidal Solution** If the leader fails to find an appropriate enemy, he himself can be designated as the enemy of the nation, and a ritual slaying is enacted, either by actual regicide or by throwing him out of office. Should he be reelected at the end of his first term, a symbolic death and rebirth ritual is enacted, and the leader has more time to find a solution to the growth panic.

Illustration devouring birth fantasy (vagina dentata)



MEALS ON WHEELS

Illustration weak leadership

5.5.06



Wall Street Journal, 2.5.06

ABREAST OF THE MARKET

Stocks fall over concerns of higher interest rates

- Stocks in the U.S. fell after CNBC reported that Federal Reserve Chairman Ben Bernanke said that **markets and the media misinterpreted his comments last Thursday**, and that he **wasn't giving a dovish signal on interest rates**.

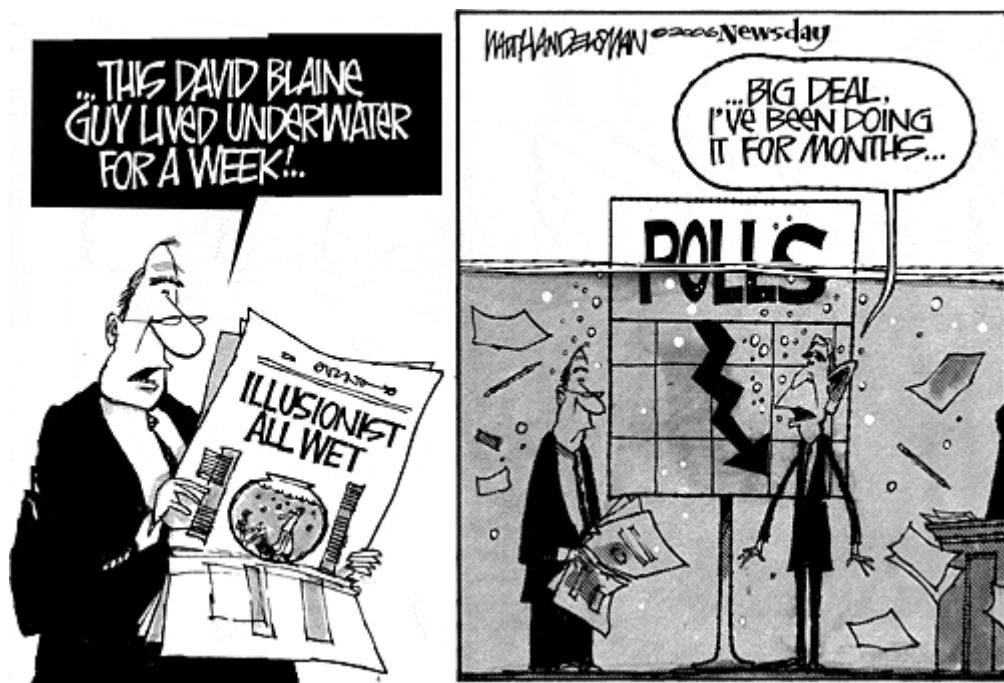
Wall Street Journal, 3.5.06

Breaking views

Where the dollar is concerned, **Bernanke may be powerless**

Illustration Bush powerless

10.5.06





CARLSON
MURDOCH WORLDWIDE UNIVERSAL PRESS synd.

5/10

A political cartoon by O'Hearn. At the top, a speech bubble from a person on the left says, "WELL? WHAT DO YOU HAVE TO SAY FOR YOURSELF?" Below is a large report card titled "REPORT CARD". The card lists various subjects and their corresponding grades, all of which are "F"s. The subjects listed are: George Bush, War in Iraq, Foreign Policy, Immigration, Gasoline Prices, Taxes, Prescription Drugs, Civil Liberties, Combating Terrorism, Education, and Leadership. To the right of the report card, a small figure of a person wearing a dunce cap holds a sign that says, "I DON'T BELIEVE IN POLLS." In the bottom right corner, another small figure holds a sign that says, "WE AGREED HE SHOULD BE DEPORTED". On the far left, a dog-like animal holds a sign that says, "HOW DID HE DO IN DEPORTATION?". The artist's signature "O'Hearn" is at the bottom left.

SUBJECT	GRADE
George Bush	F
WAR IN IRAQ	F
FOREIGN POLICY	F
IMMIGRATION	F
GASOLINE PRICES	F
TAXES	F
PRESCRIPTION DRUGS	F
CIVIL LIBERTIES	F
COMBATING TERRORISM	F
EDUCATION	F
LEADERSHIP	F

5/10

11.5.06

It's Magic: Mr. Bush Will Hold His Breath Until His Polls Go Up

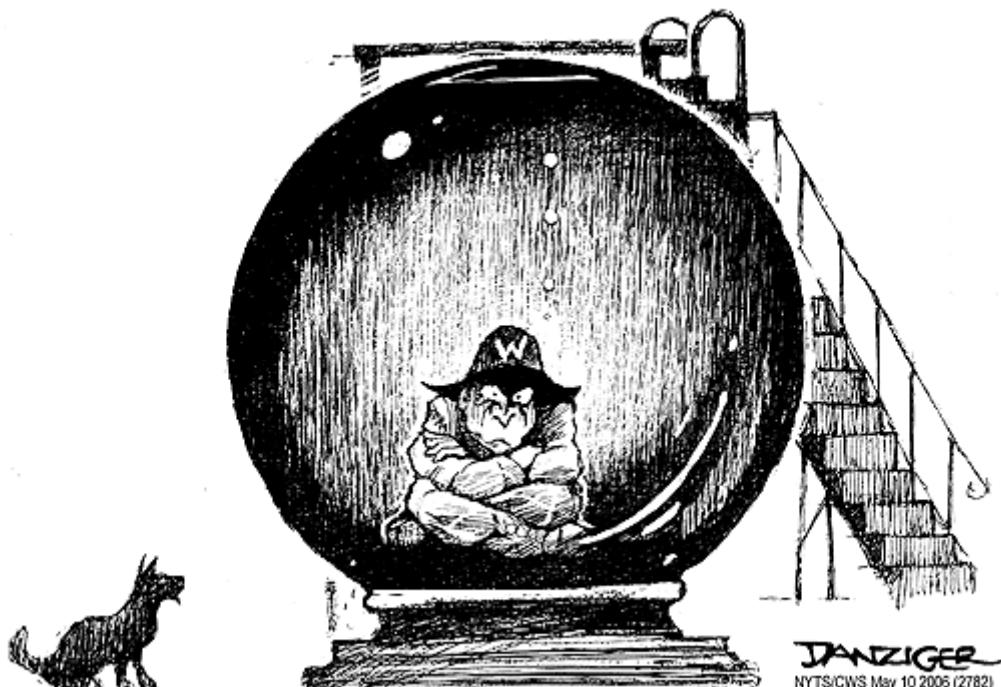


Illustration Regicide

13.6.2006 (Bush tries to ward off deadly regicidal wishes towards himself by deviating them to Iraq.)



(2) Martial Solution-If an external enemy can be found **who will co-operate by humiliating the nation** as they felt humiliated by their parents during childhood, this enemy can now be seen as the source of all their fears, and military action can be taken by the now-heroic leader in order to clear out the pollution and produce a rebirth of national strength and purpose. Wars are often preceded by apocalyptic growth panic movements, "Great Awakenings" and other end-of-the-world group-fantasies. The leader is split into two parts, and the "poison" part is projected into the "enemy" leader, who agrees to engage in a mutual humiliation ritual and then fight the cosmic battle between good and evil and "flush out" the nation's fears.

The nation feels often enormous relief by the designation of the enemy, rather than being fearful of war's destructiveness. The finding of an external enemy as a poison container produces a burst of dopamine-filled euphoria. As Churchill wrote his wife in 1914, as England prepared for war, "Everything tends toward catastrophe and collapse. I am interested, geared up and happy." Similarly, on the day President Truman decided to send U.S. troops to Korea one American wrote from Washington, D.C. that "Never before...have I felt such a sense of relief and unity pass through this city...When the President's statement was read in the House, the entire chamber rose to cheer." The sending off of the nation's youth to be killed in wars becomes a scapegoating of one's own vital self, the blood shed is felt to be a purging of the polluted blood infecting the nation's arteries and the identification with the nation's grandiose military leaders is felt to be a magical restoration of potency. Genocidal wars are the most extreme example of cleansing group-fantasies. They are most often engaged in by nations with especially poor childrearing compared to their neighbors, at times when they are attempting to make a leap into modernity, so that the unaccustomed freedom creates an intense growth panic which can only be cleansed by a sacrifice of millions of helpless scapegoats, representatives of the nation's "polluted" aggressive and sexual wishes.

(3) Internal Sacrifice Solution-If the leader cannot find an external enemy with whom to engage in a sacrificial war, he often turns to an internal sacrifice, either a violent revolution or an economic downturn. At the end of the 1920s, for instance, as economic and social progress seemed to have gotten "out of control," world bankers-chief sacrificial priests of modern nations-pursued deflationary economic policies, trade barriers were erected and many other "mistakes" were made that were motivated to produce the Great Depression that sacrificed so much of the wealth of the world. As Treasury Secretary Andrew Mellon said in 1929 as the Federal Reserve pushed the world into the Great Depression, "It will purge the rotteness out of the system." Business cycles, as William K. Joseph has shown, are driven by the manic and depressive cycles of group-fantasy, as manic defenses against growth panic are followed by depressive collapses into emotional despair and inaction. Indeed, most death rates car crashes, homicides, cancer, pneumonia, heart and liver diseases rise during prosperous, manic times and are lower during depressions and recessions. Only suicide internal sacrifice rises during economic declines, reacting to the prevailing group-fantasy need for internal sacrifice.

Depressions and recessions are thus not due to "the Invisible Hand" of economics but are motivated sacrifices that often kill more people than wars do, halting dangerous prosperity and social progress that seem to be getting "out of control." That growing wealth often produces anxieties rather than happiness can be shown empirically. From 1957 to 1995, Americans doubled their income in real dollars, but the proportion of those telling pollsters that they are "very happy" declined from 35 to 29 percent. Periodic economic downturns are the antidotes administered by sacrificial priests for the disease of "greed." Cartoons prior to economic downturns often portray greedy people being sacrificed on altars or children being pushed off cliffs, scapegoats for "greedy" childhood selves felt to be responsible for the trauma once experienced. Like Aztec human

sacrifices, recessions and depressions are accompanied by national sermons, "cautionary tales," about how sacrifices are necessary to purge the world of human sinfulness.

The choice between these different solutions to growth panic follows cyclical patterns, wars and depressions alternating in group-fantasy cycles of varying lengths. The empirical historical investigation of these "long cycles" of group-fantasy will be examined in detail in the next chapter, "War and Cycles of Violence."

3 Wars and Depressions

As you see from the text of DeMause, economic depressions and wars belong to the same phase of the group process and we traditionally think the sacrifice occurs either by war or economic depression or that they follow each other within a longer phase of negative mood.

So during the economic depression of the thirties of the last century the US were not in war, whereas during WW 2 the economy did not further deteriorate but stabilized instead. The same happened during the second Iraq war in 2003. Since the war politics of the Bush government had been overwhelmingly approved in fall 2002 by congress, the downtrend in stock markets, which had lasted since 2000, came to a halt and reversed in 2003, when it became clear that the war had become unavoidable.

When doing group-process analysis I have found it useful to watch the stock markets at the same time as the political process. I have come to the conclusion that growth anxieties or negative mood shift from economy to politics and vice versa. When the leader appears weak this is a sign that growth anxieties are increasing and that the political system seems not to be able to restage them in reality. Therefore a shift of anxieties from the political to the economic field happens. If however the government appears strong again and capable to reenact early traumatic feelings, the economic field will be relieved from these anxieties and a negative phase within the stock market will be interrupted as long as the leader/government remains strong. Not every war has this effect. It depends on whether the own government actively participates in war actions, be it with direct military actions or when it is engaged indirectly, by diplomatically giving support to tendencies which prolong a war.

4 Applications

I suppose that my perspective might be useful in forecasting economic developments. I hope to show this to you by a description of the group process since the May 10 top in stocks in 2006.

The start of the downward movement from May 10 was paralleled by the projection of powerlessness on Bernanke and Bush (see illustrations "weak leadership", "Bernanke ... powerless" and "Bush under water" above). The leaders appeared impotent and weak. Since the political system was not able or ready to reenact the group rage the anxieties turned to economy. This had the effect that inflation anxieties became unbearable and so a downward move in stock market was created by an unconscious group process.

The downward movement which started on May 11 had its lowpoint on June 13. On June 15 a decisive upward movement started which lasted until the end of June. The first upward bounce occurred already on June 8, when the killing of Al Zarqawi was announced by the

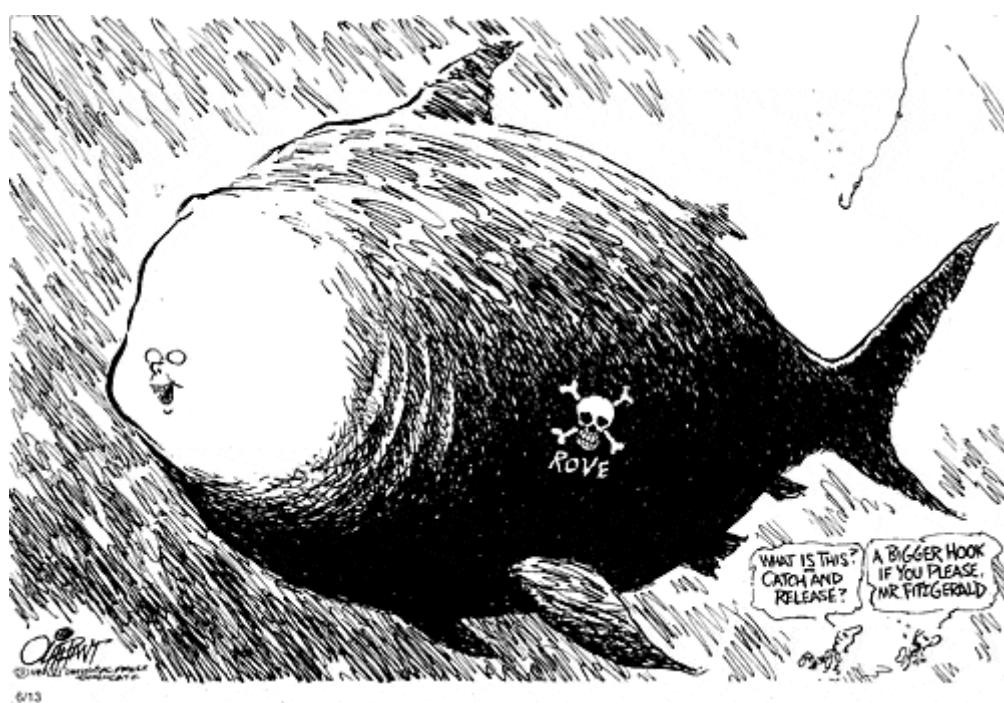
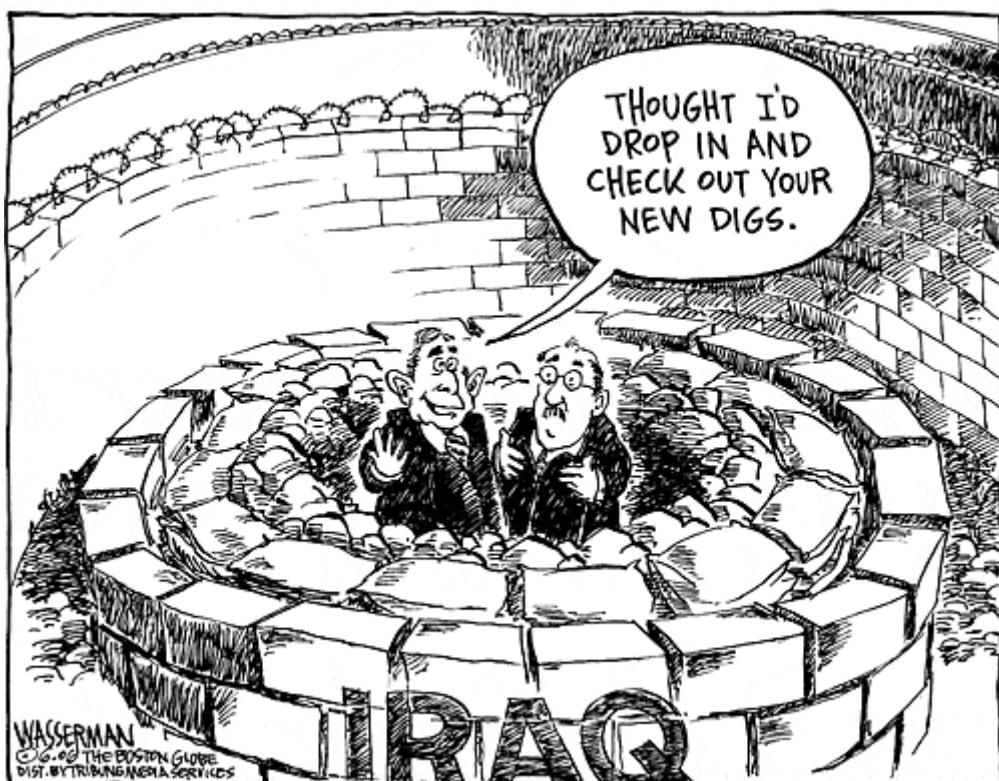
government. This led to an emotional cleansing, as the following cartoons show (interruption of despair, air cleaner):

8.6.



Followed a short trip of Bush to Bagdad and the discharge of Rove from a criminal investigation which restored the military potency of the Bush Administration:

13.6.



14.6.

SUMMER
02006



As long as the strong phase of the Administration could be upheld stock markets found relief from growth anxieties and could recover. The upward trend in stocks came to a halt on June 30 and reversed on July 6 after the strong political phase had ended, which happened on June 29:

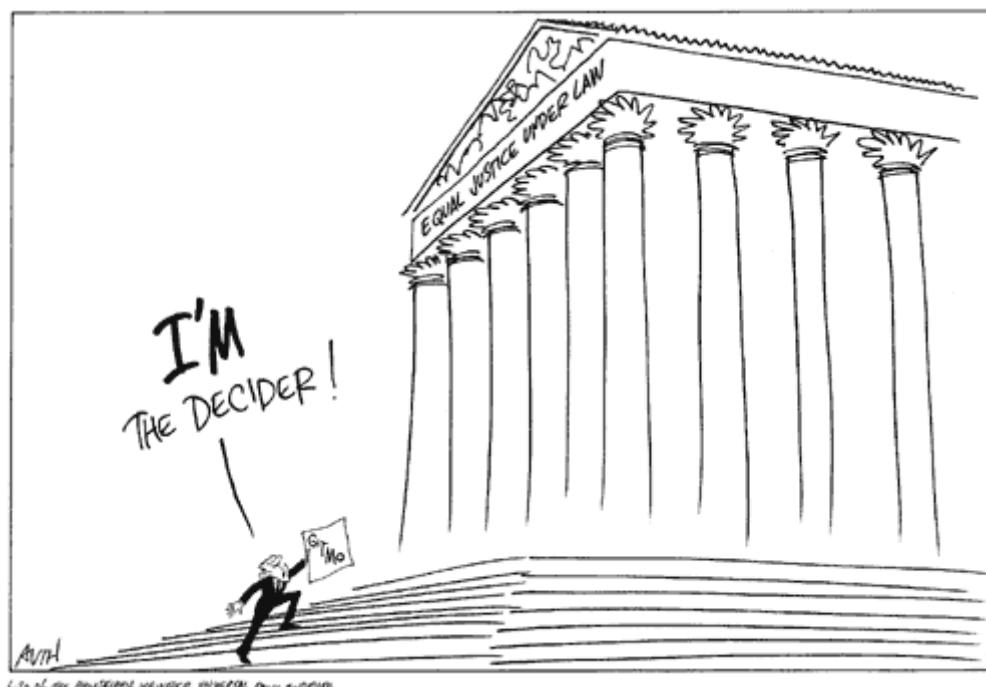
**29.6. Yahoo News
Supreme Court rejects 'war on terror' military tribunals**

After the court decision followed a phase of weak leadership:

29.6.06



30.6.06



During the weak political phase growth anxieties could be not be warded off by the political system anymore and thus shifted to the economy. This caused a downtrend in stock markets which came to a halt on July 14 after the military conflict between Israel and Lebanon had started on July 18 and reversed on July 19 when it became clear that the U.S. Administration supported the Israeli politics of a mainly military solution.

13.7.



The recovery of stock markets came to a halt when “international criticism reaches its highest point so far in the three-week offensive against Hezbollah” and Israel suspended air attacks on south Lebanon for 48 hours after an airstrike that killed 56 Lebanese:

Yahoo News 31.7.06

Israel halts air attacks in south Lebanon



JERUSALEM - Israel suspended air attacks on south Lebanon for 48 hours starting early Monday in the face of widespread outrage over an airstrike on a house that killed 56 Lebanese, almost all of them women and children.

Wall Street Journal Europe 2.8.06

REVIEW & OUTLOOK

Olmert and Bush

The deaths of dozens of Lebanese civilians in an Israeli airstrike at Qana on Sunday is a tragedy. But tragedies happen in all wars, which is why they shouldn't be fought without good reason and the determination to win. We hope that's the lesson Israeli Prime Minister Ehud Olmert and the Bush Administration are drawing as **international criticism reaches its highest point so far in the three-week offensive against Hezbollah**.

After the end of the halt of air attacks stocks continued to rise. This upward movement may have found support by a shift in U.S. policy concerning the military engagement in Iraq. Until then the Administration had upheld the vision of a reduction of the number of U.S. soldiers in Iraq by the end of 2006. Now they raised the possibility of a civil war in Iraq which would require an expansion of the U.S. military engagement in Iraq:

Yahoo News 3.8.06

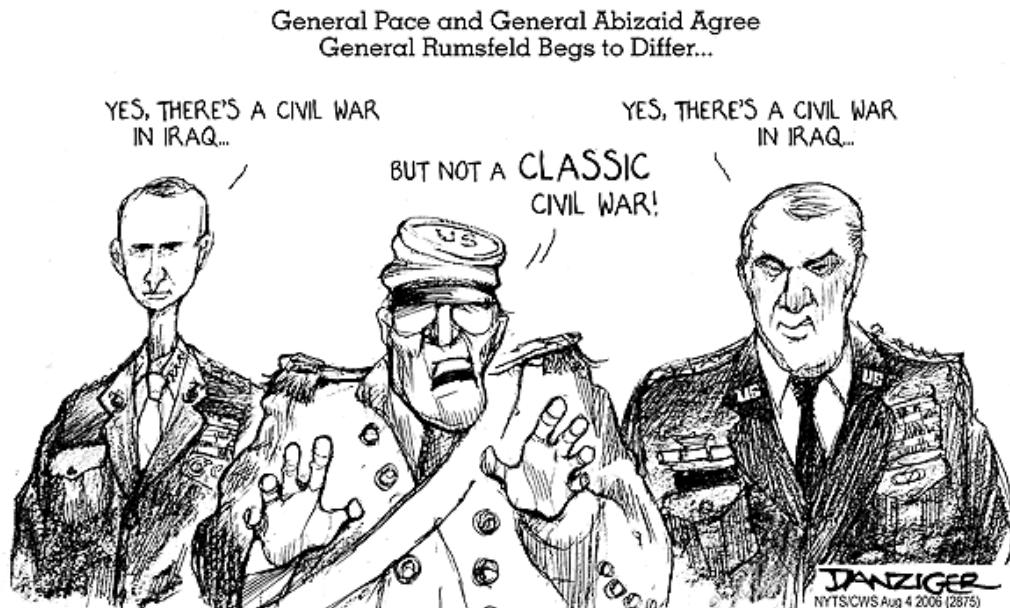
Generals raise fears of Iraq civil war



Two of the Pentagon's most senior generals told Congress on Thursday that the surge in sectarian violence in Baghdad in recent weeks raises the possibility of Iraq descending into civil war.

Bush and Defense Secretary Donald H. Rumsfeld have steadfastly refused to call the situation in Iraq a civil war, although Rumsfeld at a news conference on Wednesday acknowledged that the violence is increasing.

5.8.



The next important threat for the war politics of the U.S. government was the defeat of Sen. Joe Lieberman in Connecticut's Democratic primary elections. This defeat threatened to change the structural voting behavior of the members of the U.S. parliament and diminish the legislative support for the war politics of the U.S. government.

YAHOO 9.8.06

Lieberman loses, vows independent run



Three-term Sen. Joe Lieberman fell to anti-war challenger Ned Lamont in Connecticut's Democratic primary Tuesday, the first major election-year test of

sentiment over the conflict that has claimed the lives of more than 2,500 U.S. troops in Iraq.

The defeat of Lieberman should have negatively influenced the strength of the U.S. Administration as well as the ongoing rise in stock markets, if it had not been followed by the London plane-plot which the British government claimed to disclose on August 11:

YAHOO 11.5.06

British foil plan to blow up jetliners



LONDON - British police said Thursday they thwarted a terrorist plot, possibly just days away, to blow up U.S.-bound jetliners over the Atlantic and kill thousands. Chilling accounts leaked by investigators described a **plan on the scale of 9/11** that would use common electronic devices to detonate liquid explosives concealed in sports drink bottles to bring down as many as 10 planes in a nearly simultaneous strike.

The plane-plot gave the Bush-Administration the opportunity to blame political opponents of the war-politics as defeatists and diminish in this way the negative effect of the Lieberman-defeat.

Outlook: The strength of the U.S. administration and of the stock markets should depend of the following developments: If the plan-plot turns out to be much exaggerated, this would be negative for the strength of the U.S. government. If the U.S. government will be successful in building up a mood of war in the U.S. and make progress towards war against Iran, the ongoing uptrend in stock markets should not be interrupted. Whether the U.S. administration will be successful in changing the war-attitudes of the U.S. public opinion is not granted however. To me this project still looks like a rather risky strategy:

4.8.



GEORGE W. BUSH
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(Re-release)