



# The SOCIONOMIST

A publication of **The Socionomics Institute**

[www.socionomics.net](http://www.socionomics.net)

A monthly publication designed to help readers understand and prepare for major changes in social mood.

© Excerpted from the February 2010 Issue

## A SURVEY OF U.S. SECESSIONISM Negative Social Mood Will Vent – but Where?

by Alan Hall

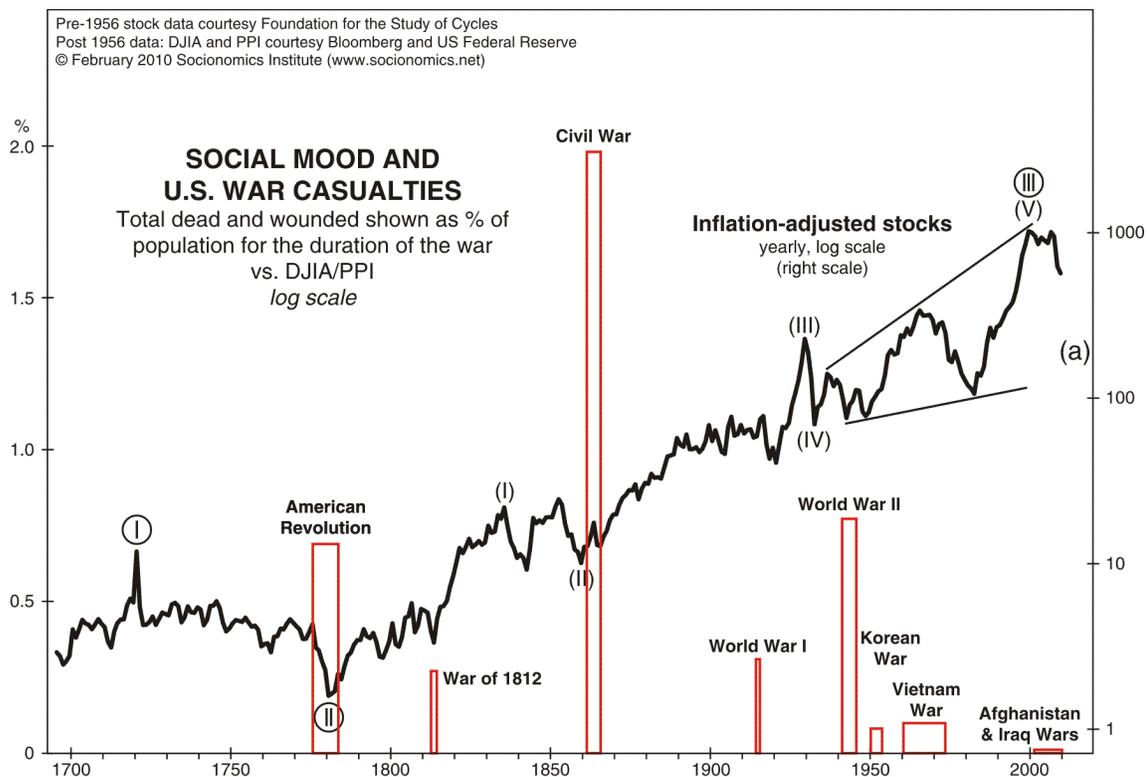
Major social-mood declines trigger anger that is expressed in social division, disillusionment with government, civil unrest, and, at large enough degrees, war. Social-mood induced anger has to emerge somewhere, and it can come out in external war, internal secessionism, civil war or both. The size of a war almost always relates to the size of the bear market that produced it, but whether belligerents express their anger internally or externally is less predictable. Much appears due to specific chains of events within the chaos of social interaction. One factor—the availability of a common enemy—seems to be the main determinant. The existence of a common enemy can undercut secessionist impulses. With no external foe, a drawn-out bear market in mood directs anger and division

inward, leading to increasingly secessionist expressions and eventually, if conditions are right, civil conflict.

Secessionism springs from the bear-market impulse to polarize and separate. To examine this behavior in light of social mood, we studied the United States, which has stock price data for its entire history *and* endured one of history's deadliest civil wars. This report includes a first-ever index of U.S. secessionism and places it in a socioeconomic context.

### Bear Markets Bring Casualties

Figure 1 shows U.S. stock prices adjusted for inflation per the Producer Price Index. The heights of the red rectangles show the percentage of the U.S.



population killed and wounded in major U.S. wars. The width of each rectangle indicates the duration of the war.

Negative mood trends build social anger in proportion to their degree. The three largest-degree mood declines—Grand Supercycle wave (III), and Supercycle waves (II) and (IV) within wave (III)—generated the three deadliest wars.

In compatibility with the explanation in Chapter 16 of *The Wave Principle of Human Social Behavior*, the five wars with the largest death tolls occurred within or just after the *second* decline of each associated bear market. The Vietnam War had the sixth-largest casualty rate and was the result of a smaller mood retrenchment, a Cycle-degree wave IV decline (not labeled). The most lethal conflict by far was the Civil War. The preceding Supercycle bear market lasted 24 years—from 1835 to 1859—and included a period of intense deflation. The process allowed ample time for massive anger to develop. After the second decline, this anger had to vent, and because no external common enemy provided a suitable target, society expressed the rage internally, with devastating results.

### Secessionism and Civil War vs. External War

Secessionist sentiment increases in most bear markets but reaches the fever pitch necessary for civil war only under certain conditions. Figure 2 evaluates 234 years of

U.S. secessionist activity as it relates to social mood, as reflected by stock market trends. The heavy blue line is our U.S. Secessionism Index, a weighted gauge of 85 secession movements and events that expressed a genuine desire to secede from the U.S. or from a U.S. state. Most of the events in these tallies come from the list developed by James L. Erwin in *Declarations of Independence: Encyclopedia of American Autonomous and Secessionist Movements* (1974). The thin blue line shows the individual yearly summation of scored secessionist events. The red line shows the total number of deaths per year attributable to secession-related conflict.

As the chart shows, declining social mood is necessary but not sufficient for intense secessionism. Secessionism spiked during the Civil War but was nearly absent during World War II; in fact, the external war, if anything, increased rather than decreased patriotic feeling.

Examples from the past and present show that common enemies often forestall civil wars. War with Carthage redirected ancient Rome’s internal conflict for many years. Once Rome defeated its enemy, civil war intensified and the empire began its famous decline. The Spanish-American War in the decades following the U.S. Civil War provided a common enemy that helped to heal the residual bitterness between North and South. The 1919 Anglo-Afghan War

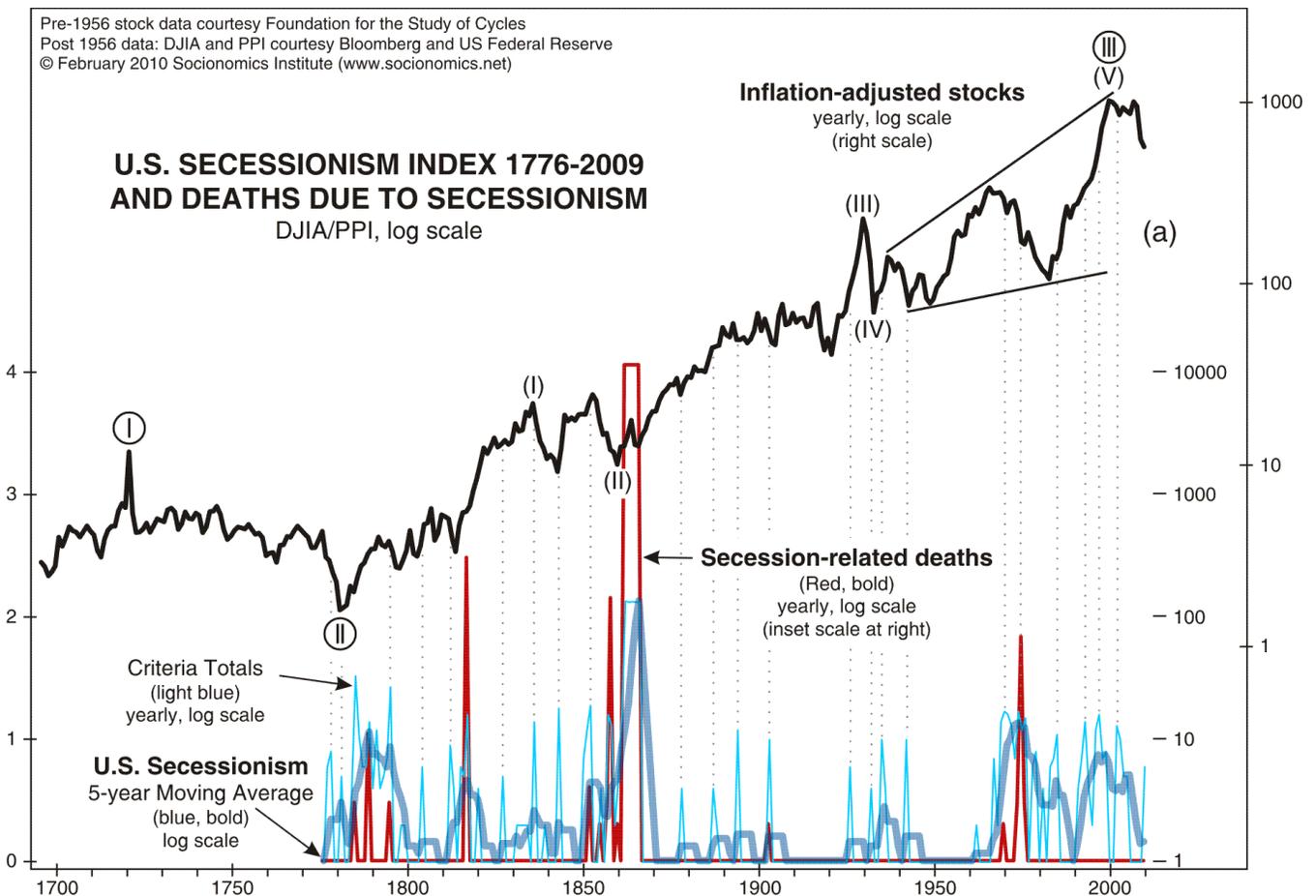


Figure 2

united long-adversarial Pashtun tribes against the British. As Euan Wilson described in the January 2010 *Socionomist*, the intensity of the Chinese Civil War waned when Japan expanded its incursion from northern China into Manchuria. After Finland lost its common enemy and oppressor, Russia, during the Russo-Japanese war, it promptly erupted in civil war. A prolonged political enmity followed, but it eased when Finns again faced a common enemy in World War II. In 2009, previously hostile Pakistan and Afghan Taliban factions united to oppose the buildup of 17,000 U.S. troops. Recent reports show Taliban groups again bonding as they face the current 30,000 troop American surge.

Thomas Hobbes recognized such changes in aggressive orientation in *Leviathan*:

When there is no common enemy, [men] make war upon each other for their particular interests.... For though they obtain a victory by their unanimous endeavor against a foreign enemy, yet afterwards, when...they have no common enemy...[they] fall again into a war amongst themselves.

Psychologists have studied similar behavior, most famously in the 1954 Robbers Cave Experiment. The study team sent two groups of 11 twelve-year-old boys of similar backgrounds to an outdoor camp. Each group was initially unaware of the other, but when they made contact, hostilities quickly followed. Then the study team introduced “super-ordinate” goals: problems that can be solved only through cooperation. This reduced hostilities significantly more than other strategies, including increased contact and communication.

Politicians and government propagandists are well aware that the portrayal of a common enemy can rouse emotional solidarity and group identity, which in turn redirects internal dissent and discord. Alexander De Conde’s *History of American Foreign Policy* says William Seward, Lincoln’s Secretary of State, advocated “a policy of hostility or war” against several European nations to “win back the loyalty of the seceded states and avoid civil war.” But Lincoln famously urged “one war at a time” and refused to initiate or respond to foreign provocations during the war.

For the U.S., the Japanese attack on Pearl Harbor and declarations of war by Germany and Italy were acts forming conspicuous external enemies. As the ancient Arabs and Chinese counseled regarding outside threats, “The enemy of my enemy is my friend.” Following this dictum, Franklin Roosevelt joined Winston Churchill, a vehement anti-communist, in aiding Stalin when Germany invaded the Soviet Union in 1941. In response to critics, Churchill said, “If Hitler invaded Hell, I would make at least a favourable reference to the Devil in the House of Commons.”

## **An Overview of U.S. Secessionist Sentiment during American Wars**

The specific outcomes of secession movements do not depend upon socio-economic trends but on less predictable social conditions. The successful revolt of the American colonies against Britain is an underdog story, wherein the colonists organized around a set of political principles and broke from a great power. This victory temporarily framed secession as a noble undertaking and a gateway to freedom. As North-South enmity festered in the 1850s, the children and grandchildren of Revolutionary War veterans recalled favorable memories of secession: “We can secede again!” The Civil War crushed that idea even as it successfully vented the anger.

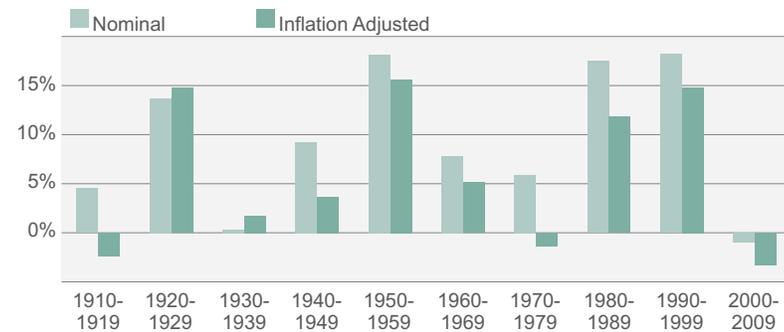
The bear markets of the ‘teens and the 1930s led to external wars and very little secessionist sentiment. The mood of the 1930s drove massive internal conflicts in some other countries, such as Russia during Stalin’s collectivization of agriculture; he also starved half of Ukraine to death. World War II eventually focused most global anger on external enemies. The Korean War, a comparatively minor conflict, followed wave ② of III in the DJIA. This was just before the central point in the rising Supercycle wave, marking a major collective shift toward optimism (see Figure 2 in the August 2009 *Socionomist*) and a major low in both secessionism and domestic civil unrest. Inflation-adjusted U.S. stock prices peaked in 1966 and commenced their third-largest decline in history. At this time, the U.S. experienced a war with an external enemy and secessionist sentiment. The Vietnam War was an unpopular conflict with a country that possessed little credibility as a common enemy, allowing secessionist expression into the mix.

After the September 11, 2001 attacks, which occurred in the midst of a major bear market, the U.S. and the world briefly united in opposition to Al-Qaeda. Convinced that Iraq was a looming threat, Congress authorized the country’s invasion even as global unity on the issue faltered. As perceptions of Iraq’s threat lessened, the United States experienced rising polarization and increasing talk of secession and expatriation.

## **Looking Ahead**

The ongoing Grand Supercycle decline in social mood should last for decades, as did its wave ① predecessor in the 1700s. Anger will need expression. If terrorists attack the U.S. again, they could provide an external enemy that would bring cohesion and dampen secessionist feeling. But without it, today’s social context could easily support a surge in secessionism. “Sovereignty movements” in some states appear to be an early expression of secessionist sentiment. The depth of coming anger could even support both types of struggle.

## Returns for the S&P 500 by Decade



Source: Charles Jones, North Carolina State University

Image courtesy Wall Street Journal, December 20, 2009

Figure 3

### Fuel for Secessionism: The Mood Decline Since 2000

The negative mood trend that began in 2000 produced the largest one-decade loss in U.S. stock-market history (Figure 3). Inflation-adjusted returns were far worse than in the decade of the 1930s. These conditions fit the Wave Principle forecast for a Grand Supercycle decline.

With social mood declining, anti-government sentiment is on the rise. Political commentators increasingly state that the federal government encouraged and participated in recent financial manias. Other commentators opine that Wall Street appears to be the prime beneficiary of the financial crisis so far and point out that despite the current financial mess, the Federal Reserve had its most profitable year in history in 2009. Absent a clear external enemy, the government and its perceived big-business partners are prime candidates for growing bear-market anger.



Photo by Alan Hall, 01/23/10

### Nullification, Tenters and Rising Secessionism

The media have reported on such secessionist activities as Texas Governor Perry's veiled threats to leave the Union and Vermont's first slate of secessionist candidates since the Civil War. Fox News reported on May 26, 2009:

At least 35 states have introduced legislation this year asserting their power under the Tenth Amendment to

regulate all matters not specifically delegated to the federal government by the Constitution.

Seven states of the 35 have passed sovereignty resolutions, and the so-called "Tenter" movement is growing:

Tenterism... in a nutshell, proclaims that New Deal-era reformers led an unlawful coup against the "True Constitution," exploiting Depression-born desperation to expand the federal government's powers beyond recognition.

—*The New York Times*, September 29, 2009

Montana has exempted itself from federal gun control laws via the Firearms Freedom Act, a Tenth Amendment challenge to the powers of Congress under the "commerce clause." The federal government filed suit in Montana to stop the move. Meanwhile, Tennessee also passed virtually identical legislation and more than a dozen other states have introduced it.

Gun laws are not the only battleground. Maine resisted the Bush Administration's Real ID act, a law that would require states to issue federally regulated biometric identification cards. Some 20 other states did likewise, forcing the federal government to push its deadline to 2011. Thirteen states now have medical marijuana laws that directly oppose federal laws (see *The Socionomist*, July 2009).

Nullification is a legal theory nearly as old as the Constitution. It asserts that any U.S. state has the right to nullify or declare void any federal law it finds unconstitutional. Over a dozen states want to ban, or nullify, any proposed national health care plan. The "Bring the Guard Home" campaign is pushing legislation in 25 states that would empower governors to recall state National Guard units from foreign wars.

More academics now participate in the rising secessionist trend. An Emory University professor whose secessionist ideas attracted little interest in the 1990s founded The Abbeville Institute in 2003. The institute now has 64 associated scholars from various colleges and disciplines. It is, for the first time, advertising its annual conference in Charleston, SC. The topics: secession and nullification.

Participants in the Tea Party protests of 2009 criticized both major political parties. Recent protests have shifted to focus on the Tenth Amendment, state sovereignty and nullification.

### A Reader's Contribution

The anger that drives the Tea Party movement is authentic. Yet the movement so far amounts to mere expressions of annoyance when compared to the militia

activity, martial law and government suppression that makes up our Secessionism Index. As the center of Primary wave ③ approaches, anger will intensify and generate increasingly serious expressions of secessionism. But these are blunt expressions of anger. To get at the finer nuances, reader Conor Sen suggests a more sensitive, shorter-term indicator: a frequency analysis of Google searches for the words “we” and “they.” Sen writes:

I came across the following quote from an old *Elliott Wave Theorist*: (September 1992) “At a peak [in stocks], it’s all about ‘we’; everyone is a potential friend. At a bottom it’s all ‘they’; everyone is a potential enemy.” The comment intrigued me, so I ran a Google Trends search [which shows how often a particular search term is entered relative to the total search volume].

Figure 4 graphs the frequency of “we” divided by the frequency of “they” in Google searches for the United States going back to 2004, when the data begin. The plot accurately reflects two minor mood peaks. The first is just before the real estate top in 2005; the second precedes the joint Dow Jones Industrials + Dow Jones Transports top of July 2007. Note that Sen’s We/They Index has declined by 50 percent since January 2007. This index, then, seems to be a useful sociometer.

Sen also compared President Obama’s uses of “we” vs. “they” in his 2009 and 2010 State of the Union addresses. A similar pattern emerged:

2009: 116 “we”, 19 “they” (6.1 ratio)  
 2010: 154 “we”, 54 “they” (2.9 ratio)

Indeed, Obama’s 2010 rhetoric possesses a strong an “us-versus-them” slant, for example in this excerpt:

Meanwhile, China’s not waiting to revamp its economy. Germany’s not waiting. India’s not waiting. These nations aren’t standing still. These nations aren’t playing for second place. **They**’re putting more emphasis on math and science. **They**’re rebuilding their infrastructure. **They** are making serious investments in clean energy because **they** want those jobs.

### Tactics for Navigating Secessionism

President Obama is trying to tap populist bear-market mood and portray Wall Street and the Supreme Court as common enemies. But so far, the public is reacting without enthusiasm, rating him lower and lower in popularity. At some point, more extreme politicians will reach for the blunter instrument of secessionist rhetoric and action. It may be too early, however, for this strategy to be effective.

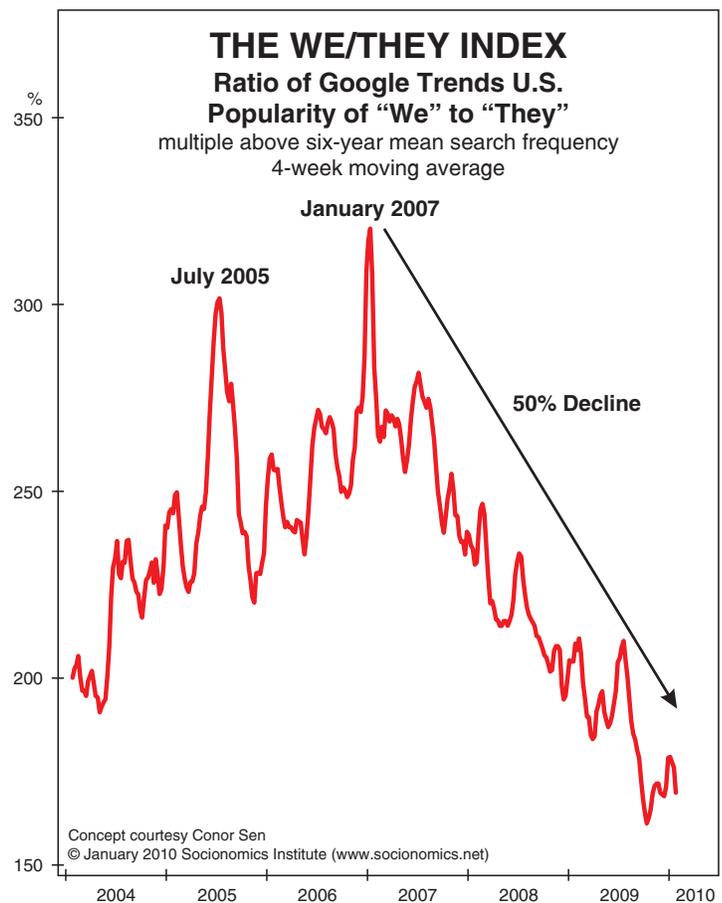


Figure 4

As last month’s *Socionomist* noted, it is the *second* major decline in a bear market that makes people angry enough to fight. The initial declines of 1835 and 1929 saw moderate secessionism and no wars. This was also true of the 1720-1781 bear market. If the current pattern unfolds similarly, secessionism should indeed rise as supercycle wave (a) downward unfolds, but not to a level that could bring civil war.

In later years during supercycle wave (c), expressions of secessionism are more likely to succeed. As the overall bear mood progresses, states will increasingly strive to divorce themselves from federal liabilities. Those that prepare for an extended economic decline—by retiring debt, curtailing spending and privatizing services and infrastructure—could gain relative advantage during the bear market. Advocates of incremental secessionism and more state instead of federal control might counsel states to refuse federal highway and education funds, major sources of burdensome mandates.

### Overt Secessionism Will Provoke Federal Opposition

Governments always fight to hold their strategic assets, such as, for example, the state of Texas. With a GDP of nearly \$2 billion, Texas produces 13 percent of U.S. GDP and ranks second among U.S. states and twelfth among *nations*. It leads most other states in mineral development,

agriculture, technology and other sectors. Daniel Miller, the head of the Texas Nationalist Movement, says Texas would be better off as a separate country:

We currently have one of the strongest economies in the world. We've got everything we need to be not just a viable nation, but a thriving, prosperous nation, except for one thing—independence from the United States.

—*Star-Telegram*, September 19, 2009

Other states are also making challenges. A battle is shaping up in Utah, where the federal government owns more than 60 percent of the land. Legislators introduced a bill in the Utah House on February 11 aimed at empowering the state to use eminent domain to *take federal lands*. One Utah legislator said he thinks their timing is right:

“Ten years ago we were not quite as fed up as we are now. To me it is much more likely that we can accomplish this in the current environment.”

—*Deseret News*, February 10, 2010

Some states appear to be gearing up for battles in the courts to nullify health care, gun and marijuana laws.

There seems no question that the federal government would suppress an overt secession attempt by any state. Later battles should move from the courts to the streets and maybe even to battlefields.

### **Hints at Growing Secessionist Feeling: Seceding from the Credit System**

Secessionism fits into a larger category of bear-market behaviors that reflect the desire to reject the values of the previous uptrend. Social progress produces a fractal design—self-similar patterns at varying degrees of scale. As a result, we might expect to see privatizations, separations, divisions and secessions of various kinds and degrees.

The credit contraction is forcing some people to secede from the culture of credit. But strategic mortgage defaulters—those who are financially able to pay their mortgage but default because their homes are now worth less than they owe—are *purposely* seceding from the credit system. In his December 2009 paper, “Underwater and Not Walking Away: Shame, Fear and the Social Management of the Housing Crisis,” law professor Brent White explains the tenuous reasons why most underwater home-borrowers still continue to make payments on their depreciating assets:

Most homeowners choose not to strategically default as a result of two emotional forces: 1) the desire to avoid the shame and guilt of foreclosure; and 2) exaggerated anxiety over foreclosure's perceived consequences.

Moreover, these emotional constraints are actively cultivated by the government and other social control agents in order to encourage homeowners to follow social and moral norms related to the honoring of financial obligations - and to ignore market and legal norms under which strategic default might be both viable and the wisest financial decision. Norms governing homeowner behavior stand in sharp contrast to norms governing lenders, who seek to maximize profits or minimize losses irrespective of concerns of morality or social responsibility. This norm asymmetry leads to distributional inequalities in which individual homeowners shoulder a disproportionate burden from the housing collapse.

*The New York Times* says, “It's as if borrowers are playing in a poker game in which they are the only ones who think bluffing is unethical.” Primary wave ③ down will induce mortgage holders to evaluate default pragmatically instead of morally. They may then shrug off the perceived stigma and their “disproportionate burden,” precipitating a wave of strategic defaults.

South Carolina advocated secession for years before it became the first state to secede from the Union in 1861. It could lead a modern-day wave of this new breed of secessionism. On February 2, South Carolina legislators introduced a bill that would make silver and gold coins legal tender in the state. H. 4501 reads:

The South Carolina General Assembly finds and declares that the State is experiencing an economic crisis of severe magnitude caused in large part by the unconstitutional substitution of Federal Reserve Notes for silver and gold coin as legal tender in this State. The General Assembly also finds and declares that immediate exercise of the power of the State of South Carolina reserved under Article I, Section 10, Paragraph 1 of the United States Constitution and by the Tenth Amendment, is necessary to protect the safety, health and welfare of the people of this State, by guaranteeing to them a constitutional and economically sound monetary system.

The bill lists specific methods for the State to calculate the value of gold and silver coins and stipulates, “The State shall denominate all public accounts, and record the value of all public assets and liabilities, in standard silver dollars.” This bill aims a warning shot across the bow of the fractional-reserve banking system.

The same secessionist mood in financial matters is evident in Europe, where signs of division are increasingly visible. A strategist at Société Générale, a leading French bank, claimed on February 12 that the

Euro single currency faces an “inevitable break-up” followed by “the ultimate denouement: the break-up of the eurozone.”

“Unlike Japan or the U.S., Europe has an unfortunate tendency towards civil unrest when subjected to extreme economic pain.... A prolonged period of deflation is most likely to impose too severe a test on these nations.”

—*Business Week*, February 12, 2010

Today’s separatist psychology has drifted far from the European unity of a decade ago at the peak of wave (III). The Wave Principle implies this new trend toward division will continue until it eventually reaches the polar opposite of the peak-mood inclusionism that united the Eurozone.

## Looking Ahead

Secessionist sentiment should grow steadily in the near term, becoming massive in the long term. Once deflation has run its course in Supercycle wave (a) and Grand Supercycle wave (IV) enters its second major decline—wave (c)—anger will rise to a fever pitch. The degree of secessionism that results will depend largely on whether a common enemy appears. Given the very large degree of this bear market, civil war is a distinct possibility.

Bear markets can be traumatic, but regress is a necessary step in the larger wave pattern of human social progress. Those who prepare for change can help themselves and others. As the pattern develops, we will adjust and apply our observations about secessionism to gauge whether coming wars will be internal or external and offer our socionomic perspective regarding its destructive potential.

*The Socionomist* (so-she-on-oh-mist) is published by the [Socionomics Institute](#), Robert R. Prechter, Jr., president. Alan Hall, Ben Hall, Matt Lampert and Euan Wilson contribute to *The Socionomist*.

We are always interested in guest submissions. Please email manuscripts and proposals to Ben Hall via [institute@socionomics.net](mailto:institute@socionomics.net). Mailing address: 200 Main St., Suite 350, Gainesville, Georgia, 30501, U.S.A. Phone: 770-536-0309.

All contents copyright © 2010 Socionomics Institute. All rights reserved. Reproduction, retransmission or redistribution in any form is illegal and strictly forbidden. Otherwise, feel free to quote, cite or review if full credit is given. Typos and other such errors may be corrected after initial posting.

**For subscription matters, contact Customer Service:** Call 770-536-0309 (internationally) or 800-336-1618 (within the U.S.). Or email [customerservice@socionomics.net](mailto:customerservice@socionomics.net).

**For our latest offerings:** Visit our website, [www.socionomics.net](http://www.socionomics.net), listing BOOKS, DVDs and more.

Correspondence is welcome, but volume of mail often precludes a reply. For best results, send concise e-mail to [institute@socionomics.net](mailto:institute@socionomics.net).

Most economists, historians and sociologists presume that events determine society’s mood. But socionomics hypothesizes the opposite: that social mood determines the character of social events. The events of history—such as investment booms and busts, politics, population, and even peace and war—are the products of a naturally occurring pattern of social-mood fluctuation. Such events, therefore, are not randomly distributed, as is commonly believed, but are in fact probabilistically predictable. Socionomics also posits that the stock market is the best meter of a society’s aggregate mood, that news is irrelevant to social mood, and that financial and economic decision-making are fundamentally different in that financial decisions are motivated by the herding impulse while economic choices are guided by supply and demand. At no time will the Socionomics Institute make specific recommendations about a course of action for any specific person, and at no time may a reader, caller or viewer be justified in inferring that any such advice is intended.