

Florian Galler
Psychonomic Newsletter 2, 08/01/2007

Yahoo, 31.7.07

Wall Street skids on subprime anxiety

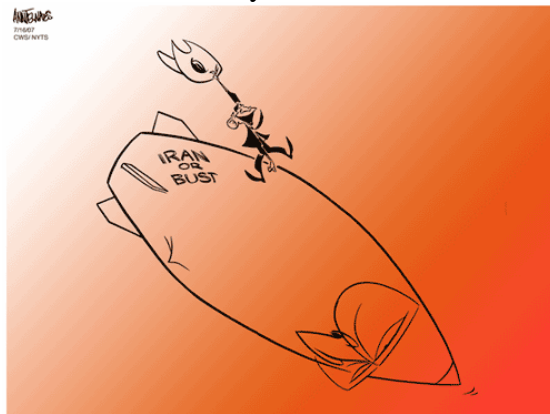
Wall Street resumed its downward skid Tuesday, falling sharply as renewed concerns about soured home loans blew away what had looked like a solid recovery rally. The Dow Jones industrials lost nearly 150 points, while investors seeking safety moved into bonds.

The fall in stocks since July 18, 2007 is explained economically by subprime anxieties or more generally by a reduced readiness to take a risk among the investors. This reduced risk preference leads to a decrease of capital in the economy. It is also accompanied by a decrease in the horizon of economic growth among the investors.

As a Psychohistorian I explain the falling risk preference as the result of a group process or a group fantasy. The group lost its feeling of strength and invulnerability because unconscious feelings of rage, anxiety, shame and guilt stemming from traumatic experiences in the early lifetimes of the individuals are no more warded off by politics to a sufficient extent.

As I showed in detail in previous papers¹ and will show in one of the upcoming issues of the Journal of Psychohistory and in the next Jahrbuch for Psychohistorische Forschung the ups and downs of stocks since the beginning of the upswing in October 2002 in stock markets can be derived from the capability and legitimation of the U.S. government to wage war. This originally meant only war in Iraq. Since July 2006 the feeling of group strength is also dependant on the expectation of an expansion of war against various enemies, mainly against Iran.

Gocomics.com, July 17, 2007



The capability of the Bush administration to expand war is reduced from two sides. Since last fall's mid-term elections the Democratic Party holds the majority in the U.S. House and Senate. This led to political pressure for peace processes for the Bush government and so caused an end to a 22-year diplomatic freeze between the U.S. and Iran when the two countries held talks twice on Iraq, the first time on May 29, 2007:

Yahoo May 29, 2007

U.S., Iran end 27-year diplomatic freeze

BAGHDAD - **The United States and Iran broke a 27-year diplomatic freeze Monday** with a four-hour meeting about Iraqi security. The American envoy said there was broad policy agreement, but that Iran must stop arming and financing militants who are attacking U.S. and Iraqi forces.

The last major upswing in stocks ended on July 17, 2007 (intraday high):



DJ INDU AVERAGE (DOW JONES & CO)
as of 31-Jul-2007



The decline began on July 17. This coincides with the day when the second round of talks between U.S. and Iran on July 17 was announced on July 17. The decline also coincided with the night-long debate on Iraq in the U.S. Senate (which was pushed by the Democrats and which was a proof for their determination to end war in Iraq):

Yahoo July 17, 2007

Democrats push all-night debate on Iraq



Senate Majority Leader Harry Reid of Nev., left, shares a laugh with Sen. Richard Durbin, D-Ill., right, and Sen. Charles Schumer, D-N.Y., center, on Capitol Hill in Washington, Monday, July 16, 2007, following a news conference to discuss pending legislation on the Iraq supplemental. (AP Photo/Susan Walsh)

Republicans dismissed as political theater a Democratic plan for an all-night session of the Senate to debate President Bush's military strategy in Iraq amid bipartisan proposals to redeploy U.S. troops.

The round-the-clock debate Tuesday night through Wednesday morning was intended as a way of pressuring Republican senators as well as Bush to act sooner rather than later on a change of course in Iraq.

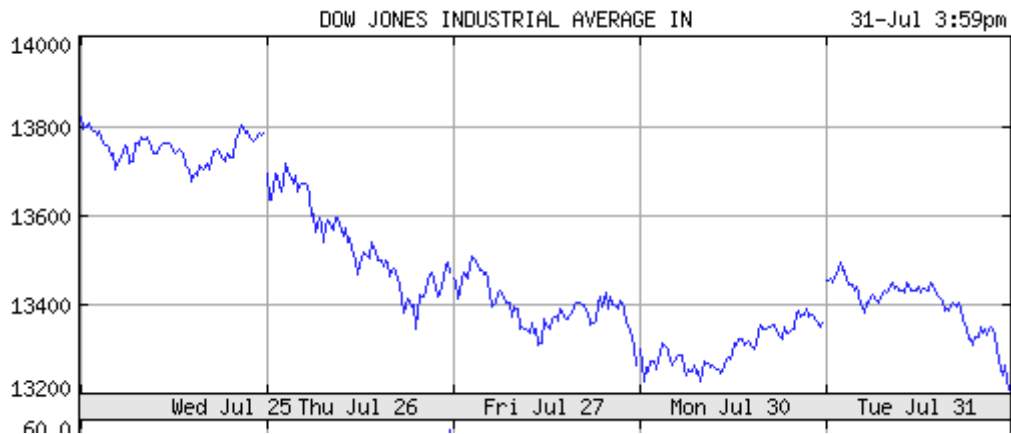
YAHOO July 17, 2007

US eyes direct talks with Iran



US diplomat Ryan Crocker (R) and his Iranian counterpart Hassan Kazemi (L) attend a meeting in the Iraqi capital in May 2007. The State Department says the United States is prepared to have a second round of direct talks with arch-rival Iran on the violence in Iraq. (AFP/Hadi Mizban)

The downward movement of stock was interrupted on Monday July 30 and Tuesday morning, July 31:



This upward correction was caused by the “confidence” of the Alter Ego of the individuals of the group that the Bush administration might be able to prolong war in Iraq into 2009 and to efforts of the administration to initiate a major war against Iran. It was also important that it seemed possible that the new British Prime Minister Brown might collaborate with the U.S. administration to a degree similar to former PM Blair who had been called Bush’s poodle:

YAHOO 30.7.07. 20.10

AP Associated Press

Brown, Bush reaffirm shared values



President Bush, right, and British Prime Minister Gordon Brown participate in a joint press availability at Camp David, Md., Monday, July 30, 2007. (AP Photo/Charles Dharapak)

British Prime Minister Gordon Brown told President Bush Monday he shares the U.S. view that there are "duties to discharge and responsibilities to keep" in Iraq.

(...)

Bush didn't directly answer whether he planned to **pass on the war to the next president, who will take office in January 2009**. But he suggested that this was likely. **"This is going to take a long time in Iraq, just like the ideological struggle is going to take a long time,"** he said.

YAHOO Tue Jul 31, 8:56 AM ET

Rice, Gates win no new Arab help in Iraq

The United States won no specific new promises of Arab help for struggling Iraq after a gathering Tuesday of several nations listed as recipients of an expanded aid and weapons package for friendly states in the region.

(...)

The Cabinet secretaries are also trying to solidify what the U.S. sees as a bulwark of generally moderate Arab states against an increasingly ambitious and unpredictable Iran.

The confidence of the investor's Alter Ego in the capability of the U.S. administration proved to be a temporary one, given the continuation of the falling trend in stocks yesterday. A lasting reversal of the current downtrend in stocks can be expected, if terror attacks in U.K. or in the U.S. would happen. A fake terror attack, organized by British secret services or the U.S. administration, cannot be excluded. There are various group fantasies which indicate unconscious group wishes in this direction:

Gocomics.com, July 24, 2007



YAHOO July 26, 2007

ABC News building evacuated in D.C.

12 minutes ago

A building housing the Washington bureau of ABC News was evacuated Thursday because of a suspicious envelope containing a white powdery substance, District of Columbia authorities said.

D.C. Fire and EMS spokesman Alan Etter said there was no note or address on the small envelope. No one has reported any medical symptoms, he said.

Firefighters and police were on the scene trying to determine whether the packet poses a threat, and the downtown building was evacuated as a precaution, Etter said.

YAHOO July 26, 2007

Long Beach, Calif., airport evacuated

20 minutes ago

A suspicious piece of luggage prompted the evacuation of a terminal at Long Beach Airport on Thursday, authorities said.

The luggage was discovered by federal Transportation Security Administration workers at about 9:30 a.m., city police spokeswoman Kathy Parsons said. She had no further information.

Several hundred people were ordered to evacuate, and firefighters, police and a bomb squad were called to the airport, about 25 miles south of downtown Los Angeles.

Airport spokeswoman Maricela de Rivera said inbound flights were landing but being held on the tarmac, while outbound flights had been delayed or canceled.

Explosion at Mojave airport kills 2

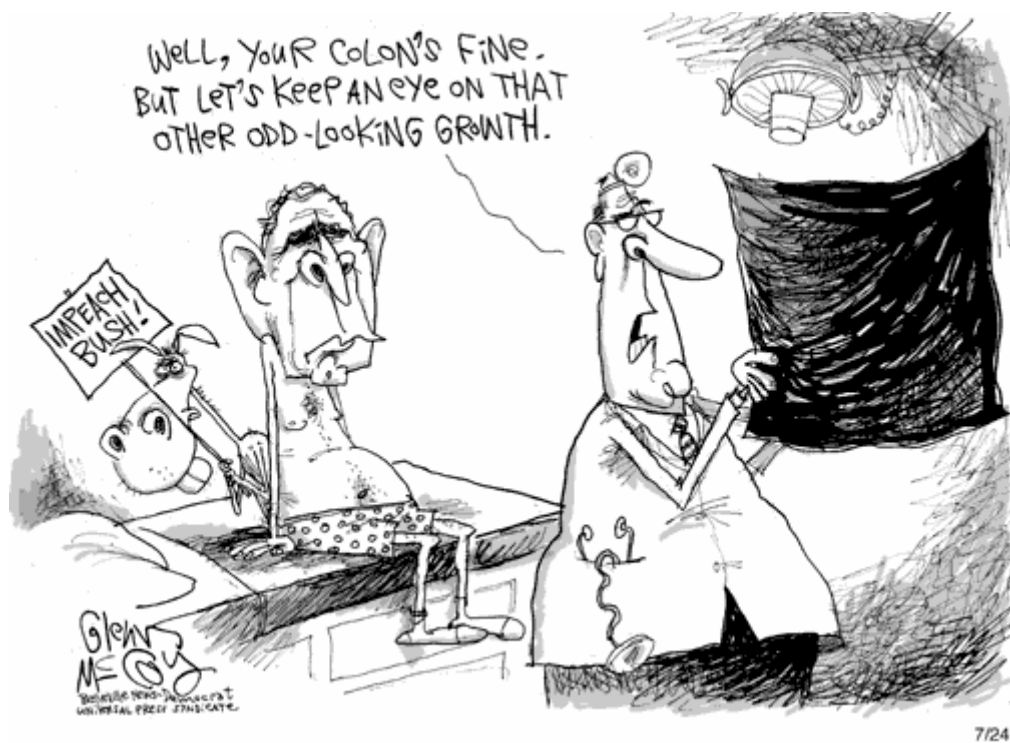
By ALICIA CHANG, AP Science Writer

Fri Jul 27, 1:44 AM ET

An explosion on Thursday killed two workers and critically injured four others at a Mojave Desert airport site used by the pioneering aerospace company that sent the first private manned rocket into space, authorities said.

The downward trend in stocks could strengthen if impeachment proceedings against Bush and Cheney were launched. In a study of July 3-5, 2007 by the private American Research Group 45 percent want the president impeached (see also following cartoon) and 54 percent Cheney.

Gocomics.com, July, 24., 2007:



A resignation of Gonzales would presumably relieve stock markets from downward pressures, at least temporarily.

Florian Galler, Zurich, August 1, 2007

¹ See Psychonomic Newsletter 1 (<http://www.psychohistory.ch/Psychonomic%20Newsletter%20111306.pdf>), Shifts of social mood... (<http://www.psychohistory.ch/Psychonomic%20Newsletter%20111306.pdf>) and Der Gruppenprozess und die Aktienbörse (<http://www.psychohistory.ch/Gruppenprozess.pdf>)