

Florian Galler
Psychonomic Newsletter, Aug 22, 2010

We are currently in a critical situation: On the one hand rationality in politics is threatened by an anti-liberal witch-hunt against the administration and reasonable incumbents in the US Senate and in the US House of Representatives. The strength of this mass-psychological process seems to increase fast. It is so strong that it finally also captured the liberals and the left themselves so that virtually nobody is giving support to Obama, the central person in charge for the transition from irrationality to rationality in politics. On the other hand the president seems firm in his endeavour to maintain rationality and investors still stick to the new pattern of behavior adopted in January 2010, which means they continue to react positively to an increase of rationality in politics and vice versa.

The threatening irrationality in politics presumably may cause something like a double dip in the economic development. So I expect the current downward trend in stock prices to continue and maybe even to accelerate. But I remain confident that an economic down turn will only serve as an eye-opener and make it possible to return to a (more lasting) phase of rationality in politics soon. And then I expect growth to return to the economy.

English Proofreading by Rudy Weiler (www.rweiler.ch)