

Group Process and Stock Markets: 2002 to 2009

By Florian Galler

THEORETICAL APPROACH

The purpose of this article is to explain the course of stock markets since October 2002 as part of a group process. First the theoretical approach will be presented. Then follows the application of this approach to stock markets..

My approach of explaining stock markets has two particularities. First I do not care much about economic facts but instead the focus lies more on a higher meta level, namely on social mood. Cyclical changes in the course of stock market prices are explained as the result of a cycle of social mood. Social mood is considered to alternate between a manic and a depressive mood. The word "social" means that this alternation is a masspsychological one. Virtually nobody can escape it. During a manic mood investors and managers feel strong and invincible. They are ready to take high risks and overlook negative economic news and feel enthusiastic on positive ones. Consequently a steady flow of capital pours into stock markets and the economy. The contrary happens when the mood turns negative. Now confidence and strength disappear, investors and managers become anxious and want their money back. Social mood determines the overall trend in stock markets and in the economy.

Now let's look at the second part of this approach. In accordance with a general psychohistorical approach¹ and in agreement with findings from brain neurology² and pre- and perinatal psychology,³ people are thought to consist of different aspects of their personalities which can be unconscious and even dissociated. One of these aspects is the conscious reasonable main personality which is connected with the speech center in the brain and which can express itself explicitly verbally. The other is an immature personality which is unconscious and which I call alter ego. Since it is not connected with the speech center in the brain, it cannot express itself explicitly, verbally, but only implicitly. Its influence can be seen in sudden mood changes in stock markets.

Traumatic memories of feelings of anxiety, rage, shame and guilt stemming from traumatic experiences mainly from the early lifetime of an individual "are likely closely related to a lower brain center called the amygdala which is present in both hemispheres. The amygdala is inhibited by a high-level cortical center, the orbital frontal lobe."⁴ LeDoux has shown that fear responses involve largely three brain structures: the orbital frontal cortex, the hippocampus, and the amygdala. When trauma occurs, essentially two types of memories are laid down – one in the amygdala and one in the hippocampus. The memories in the amygdala are called 'implicit memories' because they are beyond our consciousness. Interestingly, the amygdala not only retains a covert memory of the trauma but is connected to the autonomic nervous system and is capable of evoking the adrenaline-mediated 'flight or fight' response. A part of this response is the release of adrenalin, which comes back to the amygdala and acts to reinforce the traumatic memory. The amygdala also stimulates the release of the stress hormone cortisol. The hippocampus, a structure physically near to the amygdala, helps to form long-term memories and is associated with conscious or explicit memories. Both the orbital frontal cortex and the hippocampus tend to try to calm the amygdala. The hippocampus tries to reduce the release of cortisol. When the amygdala cannot be calmed but rather overpowers the other centers, the person is likely to enter a state of panic. In this state,

¹Lloyd DeMause, *The Emotional Life of Nations*, New York/London, 2002.

²Frederic Schiffer, *Of Two Minds. The Revolutionary Science Of Dual-Brain Psychology*, New York, 1998.

³Thomas R. Verny, *Tomorrow's Baby: The Art and Science of Parenting from Conception through Infancy*, New York, 2002.

⁴Schiffer, 1998, p. 68.

cortisol release continues; over time, this can cause damage and even physical shrinkage to the hippocampus.⁵

From this we can conclude the more traumatic the early lifetime of a person the weaker the brain structures are which inhibit the amygdala and the more the amygdala is able to overpower other brain centers and induce panic and other traumatic feelings. If we transfer this to the psychoanalytic concept of conscious and dissociated personality aspects, we can expect that the strength of the alter ego correlates with the physiological state of the amygdala in relation to the other brain centers and with the amount of traumatization a person has experienced during his lifetime.

Now what drives social mood? It's politics that is doing this. Politics and politicians can be rational or irrational. Rational politics in a democracy aim to improve the existential living conditions of the broad population in accordance to the explicit value system of a society. Irrational politics are to be found in the individual interest of powerful individuals who are abusing their power. They often consist of war politics. The alter egos of the individuals of the population thus have the opportunity to identify themselves with the abusing aggressor and see their traumatic feeling being acted out in wars and persecutions of scapegoats. Both cleanse them from traumatic feelings and make them feel strong and invincible. Because of this effect people often regard irrational politicians as "strong."

A tendency towards more rationality in politics often has the consequence that the alter egos of the people get nervous and anxious and that the risk preference of people gets diminished. Vice versa irrational tendencies in politics soothe the alter egos of investors and managers. Consequently the risk preference is rising and stock prices are too.

This approach in my eyes has proved to be valuable in explaining the course of stock markets for the time period since Oct 2002. It has not been tested for the time before 2002. I am not saying that the relations between causes and consequences on stock markets could not alter in future historical phases.

OVERVIEW OF THE STOCK MARKET PERIOD



Graph 1: Dow Jones Industrial Average (DJIA), Jun 1, 1999 – June 15, 2009⁶

After a long descent since the burst of the internet bubble in 2000, stock prices bottomed on Oct. 10, 2002. On the same day an upward trend began which ended only in Oct. 2007, after the credit crisis had broken out already in July 2007. The following downtrend of stock prices found a tentative end in March 2009. Whether the upward movement since then is a lasting or only a temporary one remains to be seen.

⁵ Schiffer, 1998, pp. 93 - 94

⁶ The graph was downloaded from YAHOO NEWS. The DJIA is widely regarded as the most important stock market index in the world.

The major upward trend from October 2002 to October 2007 consists of two minor upswings (Oct. 2002/March 2003 until the end of 2003 and July 2006 to July 2007/Oct 2007) and one long sideward move which is situated between the two upward periods. The first upswing which lasted until the end of 2003 has two starting points. One was already in October 2002. After this the rise of stock prices was partially erased again by a temporary setback of prices. The second starting point in March 2003 initiated the phase of steepest rise of stock markets during the whole major upward trend. This first minor upward phase was followed by a sideward movement until July 2007. After this prices kept rising until they reached their high point in October 2007. A significant decline however had already begun in July 2007 when the credit crisis had broken out.

The major downtrend from October 2007 until March 2009 was interrupted by several upward moves which all proved to be short-lived. Only after March 2009 you could see prolonged upward move. While the descent from October 2007 looks rather steep during the whole time until March 2009 we can nevertheless divide it into two minor down phases. The first of these down phases lasted until the end of August 2008 and was less steep than the second which followed.

OCTOBER 2002 UNTIL JULY 2006

The period under review begins on Oct 10, 2002. This day marked the low point in the descent of stock prices since the burst of the Internet bubble in the year 2000 and the vigorous begin of a long upsurge of stock prices which lasted until Oct 2007. On the next day the report on the York Stock Exchange was titled as follows in a Swiss newspaper:

Tages-Anzeiger, Zurich, Oct 11, 2002

"Finally a day full of confidence on Wall Street"⁷

What had happened on Thursday, Oct. 10? In a major victory for the White House the House of Representatives at 3.05 PM ET voted 296 to 133 to authorize President Bush to attack Iraq if Saddam Hussein refuses to give up weapons of mass destruction as required by U.N. resolutions. After midnight early Friday morning at 12.50 AM ET on Oct 11 the Senate approved an identical resolution by a vote of 77 to 23. This early victory for irrational war politics and the enhanced confidence in war had cleansed the population from traumatic anxieties. Therefore the risk preference of investors rose and stock markets were able to take off.

The upward movement of stock prices which began on Oct. 10, 2002 however got interrupted temporarily after some weeks. Only on March 13, 2003, one week before the war against Iraq began on March 20, a strong upsurge, which lasted until the end of the year, the steepest phase of the long upward trend until 2007, began. During this week it had become clear that the war against Iraq had become unavoidable and at the end of the week you could read an article in a Swiss Sunday paper with the following title:

Sonntags-Zeitung, Zurich, Mar 16, 2003

"Politics resign. There will be war."⁸

In 2004 the war mood began to recede and people first learned that Saddam Hussein did not possess any weapons of mass destruction and then about what had happened in Abu Ghraib. After this the capability of the Bush Administration to act out traumatic wishes with unjust

⁷ Text in German language: „Endlich wieder einmal ein Tag voller Zuversicht an der Börse“

⁸ Text in German language: „Politik resigniert: Es gibt Krieg“

and destructive wars seemed reduced. Therefore a stagnating phase of stock prices began which lasted until July 2006.

Our alter egos might have liked the election of Mahmoud Ahmadinejad for president of Iran on June 24, 2005. Soon after his election he had declared that he would resume Iran's nuclear enrichment program which had been suspended by his predecessor and he also started to call for the elimination of Israel. So a new enemy for the US administration had appeared. This new constellation had the effect that tensions between Israel and the Iranian clients Hezbollah in Lebanon and Hamas in the Gaza Strip intensified.

JULY 2006 UNTIL JULY 2007

After the militant group Hezbollah had captured two Israeli soldiers during clashes across the border on Jul 12, 2006 Israel sent ground forces into its Lebanon to look for them. On June 13 "Israel struck Beirut airport and Hizbollah's television station on Thursday and killed 22 civilians in raids on south Lebanon, intensifying its reprisals after Hizbollah captured two Israeli soldiers and killed eight."⁹ The Israeli strategy expert Yossi Alpher guessed in an interview whether "we experience the first round of a war between Iran on one side and the West and moderate Arabic states on the other."¹⁰ That was the beginning of the second minor upswing which lasted until July/October 2007.

In November 2006 the United States midterm elections resulted in a sweeping victory for the Democratic Party which captured the House of Representatives, the Senate, and a majority of governorships and state legislatures from the Republican Party. The German Neoconservative Josef Joffe described the resulting problem for the Bush Administration:

Sonntags-Zeitung, Zurich, Dec. 10, 2006

Josef Joffe

A Murderous Problem

Bush is involved in three wars, in Iraq, in Afghanistan and at home with the democrats in congress. He lacks the whip – the doubling of the US troops or a military action against the Iranian atomic facilities."¹¹

That is how once again Bush managed to keep control on the group process. In January 2007 the Administration announced its so-called surge strategy:

YAHOO NEWS Jan. 10, 2007



"Bush set to announce troop buildup plans"

⁹ YAHOO NEWS Jul 13, 2006

Israel widens Lebanon reprisals, 22 civilians die

¹⁰ The interview appeared in Tages-Anzeiger, Zurich, Jul 20, 2006.

¹¹ Text in German language:

Mörderisches Problem.

Bush ist in drei Kriege verstrickt; im Irak, in Afghanistan und zu Hause, wo ihn die Demokraten im Kongress zum Rückzug zwingen könnten. Es fehlt ihm die Peitsche - die Verdoppelung der US-Truppen im Irak oder ein Militärschlag gegen die iranischen Atomanlagen.

WASHINGTON - President Bush will tell the nation Wednesday night he will send more than 20,000 additional American forces to Iraq, acknowledging that it was a mistake earlier not to have more American and Iraqi troops fighting the war.

In addition the U.S. shortly afterwards sent an aircraft carrier toward the Middle East against Iran:

YAHOO NEWS, Jan 23,2007, 4:37 PM

U.S. warns Iran to back down

A second U.S. aircraft carrier strike group now steaming toward the Middle East is Washington's way of warning Iran to back down in its attempts to dominate the region, a top U.S. diplomat said here Tuesday.

That things might change became clear from the market reaction on the announcement of Tony Blair to withdraw British troops from Iraq:

Washington Post Foreign Service - Thursday, February 22, 2007;

**Blair Plans To Withdraw 1,600 Troops From Iraq.
500 Others May Follow by Fall; British Leader Under Pressure.**

...But military and political analysts disputed Blair's upbeat description of the situation in the Basra area. They also said they believed the timing of the British drawdown may have more to do with plunging polls for Blair's Labor Party, pressure from British military officials and Blair's desire to begin an endgame for Iraq before he leaves office.

This showed how a change of voter behavior could affect the acting out of traumatic feelings in politics by irrational governments. Our alter egos which until then had neglected the outcome of the U.S. midterm elections now got reminded that the end of acting out politics by the U.S. government might be near. The horror that acting out politics might be seriously endangered made stock markets latently vulnerable after February 22. All it took to cause a plunge of stock prices was any diffuse motive, like the following one a few days later:

YAHOO NEW Feb 27, 2007

Stocks plunge after big drop in China

Wall Street fell sharply Tuesday, joining a global stock decline sparked by growing concerns that the U.S. and Chinese economies are cooling and that US stocks are about to embark on a major correction. The Dow Jones industrials dropped more than 140 points.

JULY 2007 UNTIL AUGUST 2008

After falling more than 800 point until March 14 stock prices resumed their ascent until July 17, 2007 “as losses from subprime mortgages began to threaten credit markets around the world”¹² and then the credit crisis broke out. What had happened?

¹² Reuters.com: CHRONOLOGY-A Dozen Key Dates in the Demise of Bear Stearns,
Tue Mar 18, 2008 3:04am EDT

YAHOO Jul 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)

By ANNE FLAHERTY, Associated Press Writer

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.

In a situation where people had lost confidence in its hawkish politics the US Administration started to tackle the causes which were at the root of war and tension in the world, namely the conflict between Israel and the Palestinian people.

YAHOO, Jul 16, 2007, 03:56 PM ET

Bush announces Mideast peace conference

YAHOO, Jul 17, 2007, 06:11 AM ET

Bush calls for Mideast peace talks

The Middle East peace conference was held on November 27, 2007 in Annapolis, Maryland, United States. The influence on politics and stock prices which were exerted by this policy change of the Bush Administration went beyond the conference day. The policy change of the Bush Administration led to a process of peace talks between Israel and Palestine under U.S. supervision which is called the Annapolis process. Its effects on stock markets started already on July 17, 2007 when a downtrend began which led to a second significant interruption of the minor uptrend since July 2006 after the one in February 2007. Progress and the setbacks of the Annapolis process were the main factors which influenced stock markets until the Democratic nomination of Barack Obama for President at the end of August 2008. Support

for the Annapolis process by President Bush and Vice President Cheney was ambivalent. Such ambivalences were responsible for setbacks which first led to a last alltime high of stock prices in October 2007. Afterwards the main trend of stock prices was down and setbacks of the Annapolis process or other martial phases of U.S. politics were only able to induce short-lived upward corrections of this main downtrend.

Why was the Annapolis process so important? I think the lack of respect towards justified Arab interests is a fundamental cause for the legitimation of the Islamic terrorism against the West among the Arab population. This holds also true for the popularity among the people of all Arab countries of the government of Iran under Ahmedinejad, at least until the presidential election in June 2009. In this connection we have to note the lack of respect towards the Palestinian borders by the Israeli settlers which had been backed by the Israeli government and mostly by the US administration (which is the leading power of the Western industrialized nations). Also important is the tacit consent of the rest of the West with the settlements by constantly overlooking them. During the Annapolis process the Palestinians got a temporary and ambivalent support by the Bush government in their defense against Israeli settlements and only since the Cairo speech of Obama on June 4, 2009 this support is clear and without ambivalence.

During setbacks of the Annapolis process the US Administration often began to focus on Iran as the main danger for peace. Of course I agree that the Ahmedinejad government is an irrational and dangerous one. But it is not the original danger but more a secondary problem. The conditions of its existence are located in the possibilities to demonize the West. But as soon as the Western leading power pursues credible peace politics towards the Muslim world and respects its justified interests, the foundations for the popularity of the Mullah regime in Iran and among the Arab world become weaker.

AUGUST 2008 UNTIL MARCH 2009

Now we come to the steepest phase of decline of stock prices. After the Democratic nomination of Barack Obama for President it became increasingly clear that he would win the presidential election against McCain. The election of a president who in a credible way pursues rational political goals, as e.g. peace, and who shows no inclination to wage war in a frivolous or impulsive way fundamentally endangered the defense of traumatic feelings by acting out politics to a fundamental extent. Therefore traumatic anxieties could no more be defended and the credit crisis intensified.

Now let's have a closer look at this process:

Bloomberg - Sun Aug 31, 2008, 12:35 AM ET

Obama Has Post-Convention Lead in Gallup Poll; Palin an Unknown

Aug. 31 (Bloomberg) -- Barack Obama jumped to his biggest lead since late July in public opinion polls, after his Aug. 28 speech to more than 75,000 people in a Denver football stadium when he accepted the Democratic Party's presidential nomination.

After the Democratic nomination President Obama was leading in the polls. Because McCain looked less irrational and less ambivalent as President Bush, he had problems to make our alter egos enthusiastic about him and mobilize enough voters. So he picked Alaska Gov. Sarah Palin, a die-hard ultra-conservative like Gingrich or Cheney as his vice presidential running mate. At the beginning it looked as if she had the potential to appeal to our alter egos to such a degree that the tide could be turned:

Politico - Sep 5, 2008

Race tightens after Palin speech

New polling shows that the presidential race has tightened since Sarah Palin delivered her vice presidential acceptance speech on Wednesday.

Both the Gallup and Rasmussen daily tracking polls reported today that John McCain now narrowly trails Barack Obama...

Yesterday's Gallup poll results of surveys conducted before the speech showed Obama with a 49 percent to 42 percent advantage over McCain. Today's daily tracking poll showed that lead reduced to 48 to 44 percent.

On Tuesday, the poll reported Obama ahead 50 percent to 42 percent, the first time either candidate has reached the 50 percent marker.

Politico – Sep 7, 2008

GOP bounce: McCain overtakes Obama

John McCain has overtaken Barack Obama in the Gallup daily tracking poll and has his highest level of support in that poll since early May.

In her speech accepting the job as John McCain's running mate, Alaska Gov. Sarah Palin had said she "championed reform to end the abuses of earmark spending by Congress" and opposed federal funding for a controversial bridge to a sparsely populated island. Our alter egos felt less at ease when afterwards the hopes in Palin proved to be delusional:

YAHOO NEWS, Sep 8, 2008

Fact Check: Palin and the Bridge to Nowhere

WASHINGTON - A new ad from John McCain's presidential campaign contends his running mate, Alaska Gov. Sarah Palin, "stopped the Bridge to Nowhere." In fact, Palin was for the infamous bridge before she was against it.

Therefore anxieties which until then were defended by politics flowed into the economy and caused a reassessment of risks. Therefore the banking crises intensified:

YAHOO NEWS Sep 09, 2008, 0354 PM ET

Lehman plunges on concerns about capital levels

NEW YORK - Lehman Brothers Holdings Inc. shares plunged to their lowest level in more than a decade Tuesday amid investor concerns that the battered investment bank is running out of options to raise capital.

After Obama was able to prove that support for him among the people was unbroken ("Barack Obama raised...") the banking crises reached a high point:

YAHOO NEWS Sep 14, 2008

Obama camp says it raised \$66 million in August

WASHINGTON - Democratic presidential nominee Barack Obama raised \$66 million in August, a record for a presidential candidate that illustrated his continuing appeal to donors and his robust outreach to new contributors

YAHOO NEWS Sep 15, 04:01 AM ET
Wall Street awakes to 2 storied firms gone



NEW YORK - When Wall Street woke up Monday morning, two more of its biggest firms had vanished.

Lehman Brothers, burdened by \$60 billion in soured real-estate holdings, said it is filing for Chapter 11 bankruptcy after attempts to rescue the 158-year-old firm failed.

Bank of America Corp. said it is snapping up Merrill Lynch & Co. Inc. in a \$50 billion all-stock transaction.

Afterwards Wall Street spiraled down in a process which ended in a psychotic anxiety attack where political and economic impulses reinforced each other. Below some steps of this process are shown:

Reuters - Wed Sep 17, 8:02 AM ET
Obama leads McCain by 2 points: Reuters poll

YAHOO NEWS Sep 17, 2008, 06:14 PM ET
Another nightmare on Wall Street: Dow down 450

NEW YORK - The stock market took another nosedive Wednesday as the American banking system appeared even shakier and investors worried that the financial crisis is spinning so far out of control that even government rescues can't stop it.

YAHOO NEWS Sep 27, 2008
2 quick polls give Obama edge in debate

A pair of one-night polls gave Barack Obama a clear edge over John McCain in their first presidential debate.

YAHOO NEWS Sep 29, 2008
House defeats \$700B financial markets bailout

WASHINGTON - The House on Monday defeated a \$700 billion emergency rescue package, ignoring urgent pleas from President Bush and bipartisan congressional leaders to quickly bail out the staggering financial industry.

YAHOO NEWS Sep 29, 2008
Dow plummets record 777 as financial rescue fails

YAHOO NEWS Oct 1, 2008
Polls: Obama leads in critical trio of states

YAHOO NEWS Oct 3, 2008
Congress OKs historic bailout bill; Bush signs it

YAHOO NEWS Oct 3, 2008
World stocks hit fresh lows on bailout

Politico, Oct 4, 2008

GOP dread: Dems could hit 60 Senate seats

Politico, Oct 5, 2008

NBC: Obama one state from clinching

Reuters, Oct 7, 2008

Obama has 3-point national lead on McCain

YAHOO NEWS Oct 7, 2008

Fed to buy massive amounts of short-term debt

YAHOO NEWS Oct 8, 2008

Fed orders emergency rate cut, other banks follow

Reuters, Oct 8, 2008

Stocks fall 2 percent on recession fears

NEW YORK (Reuters) - Stocks fell further, with all three major indexes down 2 percent on Wednesday as investors feared that coordinated rate cuts by global central banks, including the Federal Reserve, would fail to unfreeze the credit markets and avert a global recession.

YAHOO NEWS Oct 8, 2008

Iceland struggles, abandons fixed exchange rate

YAHOO NEWS Oct 8, 2008

Stocks zigzag, end lower after emergency rate cut

NEW YORK - An angst-ridden Wall Street tried but failed to find stability Wednesday, with investors attempting to determine whether an emergency interest rate cut would end the paralysis in credit markets. The major indexes moved in and out of positive territory before turning sharply lower in late trading and leaving the Dow Jones industrials down nearly 190 points.

Politico, Thu Oct 9, 2008

Dem strategists see landslide in the making

YAHOO NEWS Oct , 2008

Dow plunges 7.3 percent in seventh straight loss

NEW YORK (AFP) - US shares plunged to fresh five-year lows Thursday in a vicious late-date selloff as jitters intensified over the global financial crunch.

YAHOO NEWS Oct 10, 2008, 12:54 AM ET

Snowballing sell-off drives Dow down 679 points

If you look at the possible events which might have caused the fall in stock prices you always also find economic reasons which are offered to explain a stock price move as for example bailouts or Fed rate cuts. In my opinion the relation between such economic causes and movements of stock prices are however not stable. This is so because the effect of an economic cause on stock prices is dependent on the current social mood. During a pessimistic mood bailout programs and rate cuts by the national banks usually will be interpreted

negatively and have a negative effect on stock prices. In contrast the relation between peace and war on the one hand and stocks on the other looks much more stable to me, at least for the period since October 2002.

After this low point of stock prices in Oct. 10, 2008 followed a short-lived upward move in stock prices. This was supported by hawkish actions by the US Administration, like the following example:

Reuters, Oct 28, 2008

Syria asks UN council to prevent new US attacks

... A US official, speaking on condition of anonymity, said the raid by US forces inside Syria on Sunday was believed to have killed a major al Qaeda operative who ...

Came the election day on November 4, 2008 and on the next day McCain conceded:

YAHOO NEWS, Nov 5, 2008

McCain concedes, acknowledges historic achievement

With a gracious nod to Barack Obama, John McCain acknowledged defeat and urged his supporters to move beyond partisan differences to put country first — an echo of his campaign theme.

After eight years of destruction under the irrational Bush administration the rational candidate Obama won the election and on the same day a downward movement in stock markets began the end phase of which on Nov. 21, 2008 marked a new high point of the crisis of stock markets and a new low of stock prices on that date.

Yahoo 081105, 06:16 AM ET	
ELECTIONS	
	
<h2>Obama makes history; turns to sobering challenges</h2>	<h3>Global stocks ebb as economic reality clouds Obama win</h3> <p>Reuters - 17 minutes ago</p> <p>LONDON (Reuters) - European stocks retreated on Wednesday, arresting six straight days of global equity gains and offsetting Asia's early rally, as investors refocused on the economic problems facing new U.S. president-elect Barack Obama.</p>
<p>AP - 17 minutes ago</p> <p>WASHINGTON - His name etched in history as America's first black president, Barack Obama turned from the jubilation of victory to the sobering challenge of leading a nation worried about economic crisis, two unfinished wars and global uncertainty.</p>	

I think our dissociated personality parts were not amused about the victory of the rational Obama. On the contrary this must have been a horror for our unconscious alter egos as can be seen from the following cartoon:

Gocomics.com, Nov 7, 2008



Therefore we can understand that recession worries resurfaced:

YAHOO NEWS Nov 5, 2008

STOCK MARKETS NEWS



Stocks plunge anew as recession worries resurface

AP - 53 minutes ago

NEW YORK - A case of postelection nerves sent Wall Street plunging Wednesday as investors looked past Barack Obama's presidential election and returned to fears of a deep and protracted recession.

It is also understandable that in the wake of the recession worries problems of banks and carmakers intensified:



[1 News Photos](#)

1.

[Citigroup shares drop, pressure on Pandit](#) 

Reuters via Yahoo! News - Nov 13 4:59 PM

Citigroup Inc shares fell to their lowest level in 13 years on Thursday, raising pressure on Chief Executive Vikram Pandit and the bank's board to improve performance even as the global economy deteriorates.

YAHOO NEWS Nov 19, 2008

Business News

Big 3 carmakers beg for \$25B, warn of catastrophe



[Enlarge Photo](#)

AP

AP - 2 hours, 25 minutes ago

WASHINGTON - Detroit's Big Three automakers pleaded with a reluctant Congress Tuesday for a \$25 billion lifeline to save the once-proud titans of U.S. industry, pointedly warning of a national economic catastrophe should they collapse

The downtrend which had begun on November 5, 2008 lasted until November 21, 2008. Afterwards it came to another temporary increase of stock prices. This upward move was partially caused by some conservative nominations of Obama, for example Clinton, Geithner and Summers.

New York Times, Nov 21, 2008

Clinton accepts Obama secretary of state offer:

Reuters, Nov 22, 2008

Obama taps Geithner, Summers for top economic jobs

Geithner and Summers belong to the establishment of Wall Street, whereas Hillary Clinton's image has got a conservative touch since she doubted during her primary campaign against

Obama her opponent would not know what to do when the phone rings at 3 AM; probably in an unexpected crisis.

Another reason for the upswing of stock prices were fresh tensions in Mideast which led to an invasion of Gaza by Israel at the end of December 2008. The upswing ended on Jan 6, 2009. What happened on that day?

Since Obama was elected President the consious personalities of the people in the West and everywhere wanted economic prosperity and peace. Peace was mainly endangered by hostilities between Western and Arabic countries. The interest of the split off personality parts was the "hope" of more wars against islamic countries or terror groups, the deepest unconscious wish being Armageddon, which is expected to happen in our days in Israel by evangelical endtime prophets.

Having this in mind we can understand that our alter egos were not amused when on 6 Jan 09 President-elect Barack Obama broke his silence on the Israeli Offensive on Gaza since the end of December 2008 saying, "the loss of civilian life in Gaza and in Israel is a source of deep concern for me":

YAHOO NEWS, Jan 06, 2009, 4:17 PM

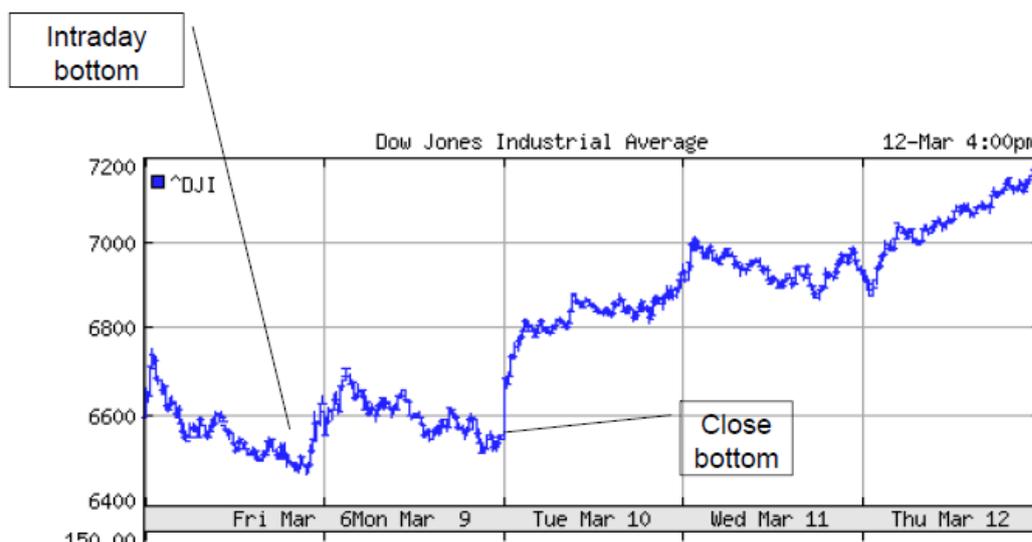


Israel shells near UN school, killing at least 30

Israeli mortar shells exploded Tuesday near a U.N. school in **Gaza** that was sheltering hundreds of people displaced by Israel's onslaught against Hamas militants, killing at least 30 Palestinians, tearing bodies apart and staining streets with blood...

President-elect Barack Obama broke his silence on the crisis Tuesday saying, "the loss of civilian life in Gaza and in Israel is a source of deep concern for me." He declined to go further reiterating his stance that the U.S. has only one president at a time...

For this reason the day of Jan 6, 2009 marks the endpoint of the upswing in stock markets since Nov 21 and the begin of a subsequent downswing which lasted until Mar 6 (intraday bottom) or Mar 9 (close bottom) and which may have been reinforced by the inauguration of Obama on Jan 20, 2009.



The end of the downswing happened when the trust in the peace politics of the Obama Administration became questionable. This gave relief to our alter egos and thus a boost to stock markets. What had happened. On Mar 6 Hillary Clinton and the administration were reported to believe that Iran was key in Middle East tensions.

Politico, Mar 6, 2009, 4.15 AM ET

For Clinton, Iran is Middle East key

BRUSSELS, Belgium — On Wednesday, Secretary of State Hillary Clinton made some of her toughest comments to date about Iran.

By Thursday, she was proposing an international conference on Afghanistan, which Clinton said Iran was likely to be invited to attend.

The contrast — between condemnation and engagement with Iran — illustrates the delicate balance that Clinton and President Barack Obama are trying to strike as they fashion a strategy to stop Tehran's nuclear program and bring peace to the Middle East.

Obama's approach to Iran — the very heart of that broader Middle East strategy — is turning out differently than he described during the campaign, when he called for direct talks with Tehran.

Clinton did not rule out direct talks, but she signaled on her first visit to the Middle East this week that the administration is pursuing a policy of isolating Iran — not unlike the approach employed with little success by the Bush administration.

In large measure, it is a bow to reality. U.S. officials now see little indication that Iran is willing to make even token steps, to ease back on either its nuclear program or its support for terror groups, that would justify moving ahead with such talks.

Increasingly they believe getting Iran to change will most likely require the use of tougher sanctions and other forms of intensifying pressure.

But Obama's strategy on Iran differs from Bush's in its greater willingness to engage with Iran on regional issues and at multilateral forums, as Iran's possible participation in the U.S.-backed conference on Afghanistan suggests. All the nuances of the emerging strategy have been on display during Clinton's weeklong trip to the Middle East and Europe.

Clinton hopes to have better success than Bush did at building support among allies for imposing tighter economic restrictions on Tehran's oil sector. European governments and Russia have been reluctant to adopt such measures while Bush was in office — arguing for engagement, rather than isolation, to persuade Tehran to freeze its nuclear program.

So by keeping the possibility of direct talks on the table and collaborating at forums like the upcoming Afghanistan conference, the administration thinks it can undercut the reluctance of its allies and Moscow to move forward with tougher measures, officials and outside experts said. Clinton will meet with Russian Foreign Minister Sergei Lavrov later in the week in Geneva.

For Clinton and the rest of the administration, Iran lies at the heart of an interlocking set of Middle East issues that American officials argue can be solved only by pressuring Tehran to abandon its nuclear program and halt support for terror groups — such as Hamas and Hezbollah — that stand in the way of U.S. goals for the region. ...

In Israel this week, with Clinton standing beside her, Israeli Foreign Minister Tzipi Livni reminded her that “time is of the essence” and “all necessary steps” should be

taken to deny Iran a nuclear weapon, a standard Israeli warning that airstrikes against Iran's nuclear facilities may be necessary.

U.S. officials have not ruled out military action, but they are hoping that their Iran strategy produces results before a decision on military action becomes necessary. That will depend on the ability of Clinton to make the multifaceted strategy on Iran work....

Clinton announced this week that the administration was sending two officials to explore better ties with Syria, an Iranian ally that the Bush administration sought to isolate. The overture to Syria is in its early stages, and it is unclear what will come of it, Clinton emphasized to reporters.

As I already mentioned I agree that the Ahmedinejad government is an irrational and dangerous one but I think that the irrational Iranian government is a secondary and not the primary problem. As long as the geographic Palestinian borders are not respected the credibility of peaceful proclamations remains questionable. And that is the message our alter egos understand. The prime cause for tensions between the Arabic world and the West, the settlements in Palestine, remains unseen. The focus of politics goes to a secondary problem, Ahmedinejad. This is not a peace perspective our alter egos should be frightened of. Therefore this is one of two starting points of a multi week upswing on stock markets.

On Mar 09 and 10 we learned that the candidate for a top U.S. intelligence post withdrew from the running on Tuesday after coming under attack from the right fundamentalist US Zionist lobby because of remarks on Israeli "oppression" of Palestinians. So the lack of respect and the overlooking of this would remain and so would the tensions with the Arabic world.

Yahoo News, Mar 2009, 4:34 PM ET

Blair Defends Intelligence Pick From Questions on Foreign Connections

The nation's spy chief is defending his pick to head the National Intelligence Council even as every Republican on the Senate Intelligence Committee signaled their qualms about the choice.

Reuters, Mar 10, 2009, 1:56 PM ET

U.S. choice for top intelligence analyst withdraws

The candidate for a top U.S. intelligence post withdrew from the running on Tuesday after angering some in Congress with remarks on Israeli "oppression" of Palestinians, and about China.

The Nation, Mar 10, 2009, 6.31 PM ET

Israel Lobby Defeats Freeman Appointment

The withdrawal of Chas Freeman as chairman of the National Intelligence Council, following two weeks of vituperative attacks on him by the amen chorus of the U.S. Zionist lobby is a black mark on the Obama administration.

As I wrote two weeks ago, when the campaign against Freeman began, if Barack Obama can't stand up to the likes of Marty Peretz, Jonathan Chait, Steve Rosen, and other snarky critics, and if the White House can't defend a critical intelligence pick when that person is savaged by Republican sharks smelling blood in the water, then how can we expect Obama to stand up to Bibi Netanyahu and his even more radical ally, Avigdor Lieberman, when they confront Obama over Middle East policy?

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