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In short: The bailout rescue plan should slow the spreading of the financial crisis. I do not expect a reversal of the downtrend in stocks since the political factors which were responsible for the outbreak of the credit crisis have even gained in strength during the last 10 days of discussion of the bailout plan and the simultaneous reduction of the legitimation of neoliberal politics and of the Republican chances in the ongoing election campaign.

I suppose that the implementation of the bailout rescue plan will have the effect that the mechanics of the spreading of the financial crisis will be slowed somewhat and that, hopefully, a “melting down” of the financial or the economic system can be avoided. So the bailout deal may soften the descent of stocks and economy but should not prevent the economic and financial system from a further deterioration. This because the driving forces of the economic downturn have not been overcome yet, on the contrary they seem to have gained in strength during the last 10 days.

According to my approach the credit crisis broke out because the political support for neoconservative politics had been diminished since the US midterm-election in 2006. By autumn 2007 the alter egos of the population had lost their belief in a further cleansing from their traumatic feelings of rage and anxieties by acting them out in neoconservative war politics. So anxieties stemming from traumatic experiences in the early lifetime of the population which had been warded off by neoconservative war politics until then turned to the economy and caused the credit crisis to break out in July/October 2007.

The discussions of the bailout plan then had the effect that it came to a further erosion of the Republican position in politics. Whereas by 2007 neoconservative war politics had lost acceptance in society we now can experience the disappearance of the legitimation of the neoliberal ideology and the connected ideal of free market economy. Simultaneously we have seen further setbacks of the Republican chances in the ongoing US election campaign.

That's bad news for the alter ego of the population. Therefore I expect a continuation of the economic and financial crisis.

PS: It has been a while since my last newsletter came out on May 26, 2008. In case you wonder how the course of stocks and politics during the last half year can be explained read my articles which should appear in the Journal of Psychohistory and in the Jahrbuch für Psychohistorische Forschung. Both publications appear next spring.