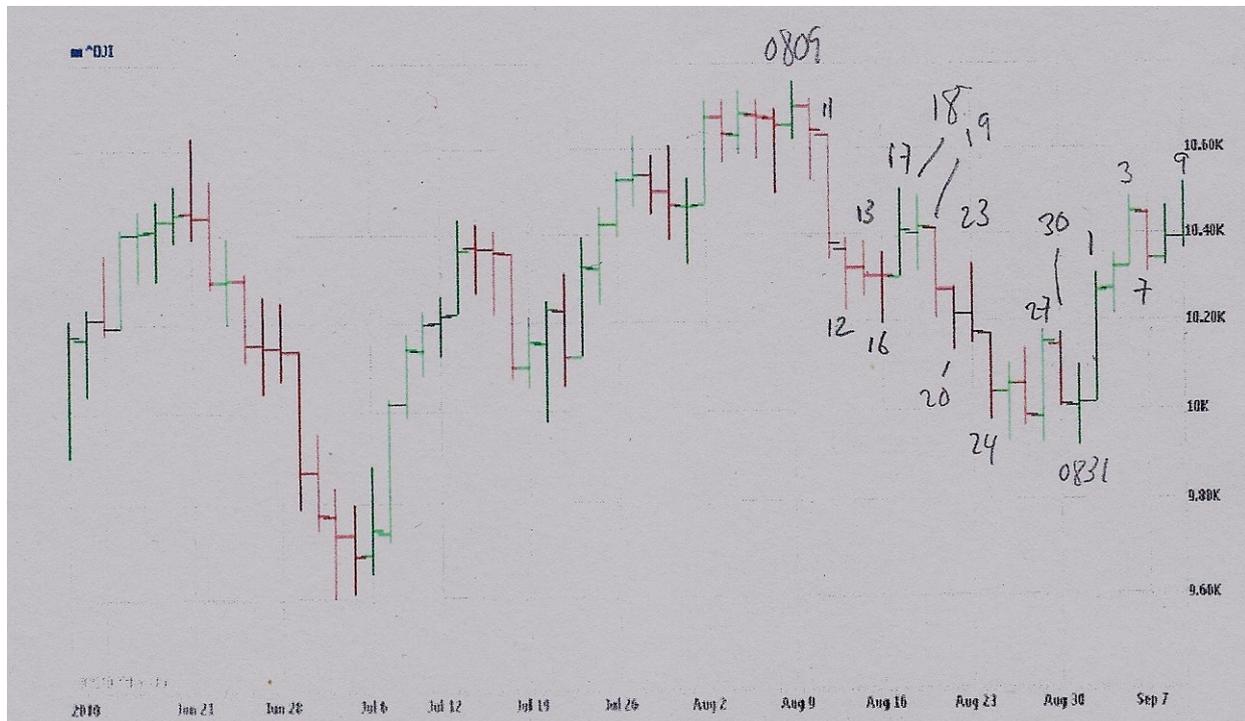


Florian Galler

Psychonomic Newsletter, Sep 13, 2010

Aug 9 - Sep 9



This issue explains the course of stock prices for the period from Aug 10 to Sep 10. In my last extensive newsletter of Jul 18 I explained the period until the end of June 2010. In a future newsletter I plan to cover the period since then. I decided to issue a preliminary on the period since Aug 10 because the data show that while reactionaries¹ and hatemongers are powering ahead investors react negatively on their successes and even on tax cuts.

Aug 9 - Aug 31

A peak on Aug 9 was followed by a downward phase of stock prices which lasted until the end of August. As you know I understand downswings in stock prices since Feb 2010 to be the result of an irrational phase in the political group process. During such a phase people cleanse themselves from unconscious traumatic feelings stemming from traumatic experiences during their life times by an unconscious identification with the aggressor and they then prefer politics which are siding with abusers and perpetrators. During such a phase the group is in a growth panic. Helping and supporting aspects of the state which the Obama administration tries to restore cause deep feelings of rage and anxiety within the group.

Aug 11 proved to be the strongest down day of this phase of falling stock prices. So what had happened on this day? After White House press secretary Robert **Gibbs** had said on Aug 10 that **liberal critics** who **likened Obama to former President George W. Bush** should be

¹ I use the terms "reactionary", "progressive" and "liberal" in the same way as outlined by Lloyd De Mause: DeMause, Lloyd (2007): The Psychobiology and Neurobiology of Violence. The Journal of Psychohistory 35 (2) 2007), 114-141 and DeMause, Lloyd (2010): Patriarchal Families and National Wars. The Journal of Psychohistory 38 (1) 2010), 2-26

drug tested Paul **Krugman** titled his **Aug 11 NYTimes column "In The Matter Of Robert L. Gibbs"**. With this title he turned the irresponsible behavior of the liberal critics into a problem of the administration. I think this was irresponsible since it looked like a repetition of a previous mistake of progressive people when they had said during the presidential elections in the year 2000 that it did not matter whether Bush or Gore were elected. Krugman's column was a group signal that the demonization of Obama by reactionary Tea Party people had transformed into a mass-psychological process which until then had also captured the progressives. So while support for the president as the central figure in charge for rational change was shrinking the way for the political reaction was open. It is remarkable that this generalisation of the demonization of Obama happened although the actual performance of his administration did not correspond to it as you can see from the empirical evidence below:

thehill.com - 08/10/10

White House unloads anger over criticism from 'professional left'

...Larry Berman, an expert on the presidency and a political science professor at the University of California-Davis, said he has been surprised that **liberals aren't more cognizant of the pragmatism Obama has had to employ to pass landmark reforms....**

McClatchy Newspapers – Wed Aug 11, 4:08 pm ET

Wanted: Something to make a slow economy grow faster

... "There is a widespread impression this is the weakest recovery in the postwar era. While the speed and character of this recovery is disappointing compared to many postwar recoveries, it is not the worst ever," wrote James Paulsen, the chief investment strategist for Wells Capital Management, in an Aug. 5 analysis of the economy. "Actually, in its first year, the **contemporary recovery has outpaced the last two recoveries** in terms of real GDP growth, job creation and profits!"

The political reaction which had erupted one year before on the then pending health care overhaul therefore could grow: Polls showed that **Obama was losing independent voters** and that a **Majority disapproved of Obama**. Considerable **more people than one year before pretended not to know that Obama** was a Christ and instead said they believed he was a Muslim.

Therefore stocks kept falling with the exception of 2 days: Aug 17 and 18. The ongoing growth panic was shortly interrupted on these days after in an article ("News outlets split in describing mosque") which could appear late on Aug 16 the press coverage on an issue which incorrectly was called "**Ground Zero mosque**" was criticized. This was a rational disturbance of the ongoing reactionary advance and therefore stocks could recover somewhat. The news on Aug 18 on a rational candidate's win and of a Tea Party candidate's setback in **primary elections in the state of Washington** could prolong the rational break for one more day.



USA TODAY – Thu Aug 12

In their own words: Tea Party activists speak out

A year ago, the political hurricane known as the "Tea Party" erupted in made-for-YouTube confrontations at congressional town hall meetings on the pending health care overhaul.

AP – Sun Aug 15, 2:29 pm ET

AP-GfK polls show Obama losing independents



AP

WASHINGTON - Independents who embraced President Barack Obama's call for change in 2008 are ready for a shift again, and that's worrisome news for Democrats

Reuters – Sun Aug 15, 12:09 pm ET

Republicans attack Obama over Muslim center comments

Republicans attacked President Barack Obama on Sunday for his comments on a controversial plan to build a Muslim cultural center in New York, saying he was "disconnected" from the nation in an election year

The Upshot – Mon Aug 16, 5:03 pm ET

News outlets split in describing mosque

There is no mosque being built on the site of Ground Zero. It's a simple fact, but one that news consumers can be forgiven for missing. In covering the growing

controversy over the proposed Islamic community center in lower Manhattan, the **national media**, led by the big cable networks, have **by default** shaped the increasingly heated debate by repeatedly referring **to the project as the "Ground Zero mosque."**

... The "Park51" project, as it's officially dubbed, is in fact planned for a site two blocks from where the World Trade Center towers fell, amid other lower Manhattan establishments whose names have never featured the words "Ground Zero."...

Location, location, location

News organizations make conscious decisions when they describe a construction work-in-progress as either located on the site of the worst terrorist attack in U.S. history or two blocks away. **The New York Times** — except for one blog headline — has consistently described the mosque in headlines as not being built at Ground Zero but "near" the site.

... Many news organizations ran headlines this past weekend describing a "Ground Zero mosque," including the Associated Press, Huffington Post, Washington Post, Fox News, New York Daily News, Politico, and AOL's Politics Daily site. (Yahoo! News, linking to an AP story on the remarks, similarly went with "Ground Zero mosque.")...

McClatchy Newspapers – Tue Aug 17, 6:50 pm ET

Poll: Majority now disapprove of Obama

WASHINGTON — More than half of Americans now disapprove of President Barack Obama's job performance, new polling found, as the **Ground Zero mosque controversy** appeared to **further erode ratings that the nation's stagnant economy already had damaged.**

Associated Press - Wed Aug 18

Pivotal Senate primary in Washington decided

OLYMPIA, Wash. — Democratic Sen. **Patty Murray** and her Republican challenger dove right into their fall matchup after winning the primary in a high-stakes election that could determine the balance of power in the nation's capital...

Murray and Rossi easily won Washington's primary Tuesday on a day in which **President Barack Obama** came to the state to campaign for the Democrat....

With about 59 percent of the expected vote counted, Murray had 46 percent, compared with Rossi's 34 percent. **GOP hopeful Clint Didier**, a former Super Bowl winner for the Washington Redskins who has the **backing of tea party activists and Sarah Palin**, was running a **distant third** with 12 percent.

Associated Press - Thu Aug 19

Poll: Growing number incorrectly call Obama Muslim

WASHINGTON – Americans increasingly are convinced — incorrectly — that President Barack Obama is a Muslim, and a growing number are thoroughly confused about his religion.

Nearly one in five people, or 18 percent, said they think Obama is Muslim, up from the 11 percent who said so in March 2009, according to a poll released Thursday. The proportion who correctly say he is a Christian is down to just 34 percent.

The largest share of people, 43 percent, said they don't know his religion, an increase from the 34 percent who said that in early 2009...

The Pew poll found that about three in 10 of Obama's fiercest political rivals, Republicans and conservatives, say he is a Muslim. That is up significantly from last year and far higher than the share of Democrats and liberals who say so. But even among his supporters, the number saying he is a Christian has fallen since 2009, with just 43 percent of blacks and 46 percent of Democrats saying he is Christian.

Among independents, 18 percent say Obama is Muslim — up from 10 percent last year...

A last downward push happened at the end of the month. It was mainly caused by the infamous "Restoring hope rally" on Aug 28 the meaning of which I had described in my Aug 30's newsletter. This was reinforced by hard-line tendencies in Israel, a terrorist attack of Hamas in the Westbank and hopeful GOP expectations for the House election in November. That Krugman had changed his position which he earlier had expressed in his Aug 11 column "In The Matter Of Robert L. Gibbs" with his Aug 29 column "It's Witch-Hunt Season" got lost for the moment amidst the Restoring hope rally hype but probably has given support to the subsequent rational political phase which began on Sep 1.

AFP – Wed Aug 25, 11:11 am ET

Israeli FM says peace deal in one year unlikely

AFP – Wed Aug 25, 6:59 am ET

Israeli settlers warn PM could face 'day of judgment'

The Atlantic Wire – Thu Aug 26, 12:48 pm ET

39 Seats Away: Republicans Hungry to Take Back the House

WASHINGTON, DC - Expectations of a 2010 GOP tsunami have peaked in the days after the primaries, but the essential question is still up for debate: will Republicans take control of the House of Representatives? The House is widely viewed as vulnerable, and Republicans are aggressively positioning themselves to pull off a political coup, with Representative John Boehner angling to become House Majority Leader. ..

NYTimes - August 29, 2010, By PAUL KRUGMAN

It's Witch-Hunt Season

The last time a Democrat sat in the White House, he faced a nonstop witch hunt by his political opponents. Prominent figures on the right accused Bill and Hillary Clinton of everything from drug smuggling to murder. And once Republicans took control of Congress, they subjected the Clinton administration to unrelenting harassment — at one point taking 140 hours of sworn testimony over accusations that the White House had misused its Christmas card list. ..

Anyone who remembered the 1990s could have predicted something like the current political craziness. **What we learned from the Clinton years is that a significant number of Americans just don't consider government by liberals — even very moderate liberals — legitimate.** Mr. Obama's election would have enraged those people even if he were white. Of course, the fact that he isn't, and has an alien-sounding name, adds to the rage.

Beck rally signals election trouble for Dems

Associated Press Writer - Aug 29

WASHINGTON – If Democrats had doubts about the voter unrest that threatens to rob them of their majority in Congress, they needed only look from the Capitol this weekend to the opposite end of the National Mall....

Neither Democrats nor Republicans can afford to ignore the antiestablishment fervor displayed Saturday during Beck's rally that took on the tone of an **evangelical revival.**

Billed as a nonpolitical event, it nevertheless was a clarifying moment for those curious as to what clout an anti-Washington sentiment could have on midterm congressional elections in November. The gathering was advertised as an opportunity to honor American troops. **But it also illustrated voters' exasperation — and provided additional evidence that Democrats in power — as well as some incumbent Republicans — may pay the price when voters go to the polls.**

The **tea party is** essentially a loosely organized band of **anti-tax, libertarian-leaning political newcomers** who are fed up with Washington and take some of their cues from Beck. While the movement drew early skepticism from establishment Republicans, these same GOP powerbrokers now watch it with a wary eye as activists have mounted successful primary campaigns against incumbents.

The Beck rally further demonstrated the tea party activists' growing political clout.

If the GOP is able to contain and cooperate with the tea party, and **recharge its evangelical wing** with Beck-style talk of faith, it spells the kind of change Ratliff and others like him are searching for....

That's been a drag on both congressional Democrats and the president. **While Obama has shelved his soaring campaign rhetoric on change, Beck has adopted it.**

At Saturday's rally, the Fox News Channel personality borrowed Obama's rhetoric of individual empowerment from one of the then-candidate's favorite themes on the 2008 campaign trail.

"One man can change the world," Beck told the crowd. "That man or woman is you. You make the difference."

Or change Washington. And while Beck didn't say so, that means change the party in power.

His followers got the message.

"A lot of people want our country back," said Janice Cantor. She was raised a Massachusetts Democrat and is now a North Carolina tea party activist....



AP Associated Press Sat Aug 28, 3:40 PM
ET

The crowd attending the 'Restoring Honor rally', organized by Glenn Beck, is seen from the base of the Washington Monument in Washington, on Saturday, Aug. 28, 2010.

AFP – Mon Aug 30, 3:35 am ET

Israel PM denies offer made to freeze settlements

AP – Tue Aug 31, 9:17 pm ET

Palestinian kills 4 Israelis on eve of peace talks



AP

JERUSALEM - Palestinian gunmen opened fire Tuesday on an Israeli car in the West Bank and killed four passengers on the eve of a new round of Mideast peace talks in Washington. The Islamic militant group Hamas claimed responsibility.

Assailants firing from a passing car riddled the vehicle with bullets as it traveled near Hebron — a volatile city that has been a flash point of violence in the past. Some 500 ultranationalist Jewish settlers live in heavily fortified enclaves in the city amid more than 100,000 Palestinians.

Aug 31 - Sep 9

On Sep 1 a relatively strong upward movement took place which is still in place and which led to the best day and the best week of stock markets in eight weeks. I attribute the strong move mainly to 2 events: The declaration of the **end of the US combat role in Iraq** on Tuesday Night by Obama and the **opening of the summit for direct Mideast peace talks in Washington**. The stock market rally got reinforced on the announcement of a new **economic aid package** on Sep 3.

AP – Wed Sep 1

Obama: US combat in Iraq over, 'time to turn page'

Claiming no victory, President Barack Obama formally ended the U.S. combat role in Iraq after seven long years of bloodshed, declaring firmly Tuesday night: "It's time to turn the page." Now, he said, the nation's most urgent priority is fixing its own sickly economy.

Reuters – Wed Sep 1

Obama says U.S. undeterred in bid for **Mideast peace**

President Barack Obama vowed Wednesday that a deadly Hamas attack in the West Bank "is not going to stop us" in the quest for Israeli-Palestinian peace as he **opened a Washington summit to relaunch face-to-face negotiations.**



AP

Reuters – Wed Sep 1

Stocks mark best day in 8 weeks

NEW YORK (Reuters) – Wall Street ended sharply higher on Wednesday, posting its best day in eight weeks, as investor mood brightened after better-than-expected factory data from the United States and China.



[U.S. says Israelis and Palestinians agree to more talks](#)

Reuters – Thu Sep 2

Israeli and Palestinian leaders began their first round of direct peace negotiations in more than a year on Thursday, pledging to meet again in two weeks as part of a U.S.-brokered quest for peace.



 REUTERS

Wed Sep 1, 8:58 PM ET

AFP – Thu Sep 2

Abbas, Netanyahu vow to meet every two weeks for peace

AP – Fri Sep 3

Obama planning new package of economic aid



AP

WASHINGTON - Eager to jumpstart the economy ahead of crucial midterm elections, President Barack Obama said Friday he intends to unveil a new package of proposals, likely including tax cuts and targeted spending, to spark job growth.

Reuters – Fri Sep 3

S&P 500 rides wave of optimism to best week in eight

NEW YORK (Reuters) – The broad S&P 500 index closed its best week in eight on Friday after recent economic data, including a stronger-than-expected labor market report, bolstered optimism that the economy would not fall back into recession

Because Monday Sep 6 was a US holiday (Labor Day) stock markets remained closed until Tue Sep 7. The stock market rally got interrupted on Sep 7 and 8 and could be resumed only on Sep 9. The interruption can be explained as the result of events which were contrary to the factors responsible for the upswing since Sep 1. So a major terrorist attack in Baghdad on Sunday cast doubts on the declaration of a formal end of the US combat role in Iraq. In Israel the settler lobby strongly opposed an extension of Israel's settlement slowdown. And last not least it became clear on Saturday and Monday that most of the economic aid package consisted in tax cuts and not in spending. This gave the impression that the administration was not able to depart from neoliberal and socially destabilising tax cut policies for the rich by the former G.W. Bush administration.

- **Obama to propose permanent research tax credit**

Reuters – Sat Sep 4



Reuters

WASHINGTON (Reuters) - President Barack Obama will ask the Congress on Wednesday to increase and permanently extend a tax credit for business research as a way of boosting job growth, an administration officials said on Sunday.



AFP Sun Sep 5, 9:21 AM ET

A double suicide bombing hit an Iraqi defence ministry complex in Baghdad on Sunday,...

AP – Sun Sep 5

Despite formal combat end, US joins Baghdad battle

The Atlantic Wire – Mon Sep 6 (Labor Day)

Evaluating Obama's 'Second Stimulus' Proposals

WASHINGTON, DC - As the job market and housing sector continue to suffer, the White House is seeking initiatives meant to re-stimulate the economy, following the first stimulus efforts of 2009. According to Time magazine, "most nonpartisan economists agree" that the first stimulus was successful in the short-term but did not go far enough. The "second stimulus" proposals are a **\$100 billion tax credit** for businesses and **\$50 billion on infrastructure spending**...

AP – Mon Sep 6

Israeli FM pushes for new settlement construction



AP

JERUSALEM - Israel's hard-line foreign minister said Monday that his party will try to **block any extension of Israel's settlement slowdown**, a move that could derail the recently launched Mideast peace negotiations.

On Thu Sep 9 the rally could continue. This had to do with the issue of tax cuts of the Bush administration for the middle class and for the rich. These are set to expire automatically by the end of the year. The Obama administration intends to let expire the tax cuts only for the rich and not for the middle class. On Sep 8 House Republican Leader Boehner proposed a two-year freeze on all tax rates and a cut in government spending to the levels of 2008. I suppose that Obama remained firm in this issue was the reason for the continuation of the stock rally. The implications of this are far reaching. If not even the investors/the economy approve tax cuts you don't have to worry if you abandon such policies at all.

AP – – Wed Sep 8

GOP proposes renewing tax cuts, freezing spending

House Republican Leader John Boehner on Wednesday proposed a **two-year freeze on all tax rates and a cut in government spending to the levels of 2008**, before a deep recession took hold of the economy



Wed Sep 8, 1:24 PM ET

House Minority Leader John **Boehner**, slammed **Obama** in August 2010 for "job killing tax hikes" and claimed the **president had left America broke** -- though Boehner offered few detailed policies of his own. (AFP/Getty Images/File/Chip Somodevilla)

AP – Thu Sep 9, 1:25 am ET

Obama firm, won't yield on tax hike for wealthiest

Politically weakened but refusing to bend, President Barack **Obama insisted Wednesday that Bush-era tax cuts be cut off for the wealthiest Americans**, joining battle with Republicans — and some fellow Democrats — just two months before bruising midterm elections



AP/Pablo

Martinez Monsivais

Outlook: How could stock prices develop? Most important is the answer to the question whether there will be a landslide victory for the GOP in the upcoming midterm elections. I do not know how long the current upswing will last. I suppose at latest when the GOP would have a big win and real policies subsequently would become irrational again investors would become discouraged and sell stocks.

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