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## **Mania on the Stock Market**

Psychohistory is very interested in destructive processes on a social level which come to a crisis in a compulsive way. Wars that cannot be warded off are an instance or stock market booms that end in great losses.

How do destructive processes on a social level develop? Lloyd DeMause has recently begun explaining it with the concept of the "social alter."<sup>1</sup> The term has been deduced from the concept of multiple personality. A multiple personality is comprised of one main and several alternate personalities (or other alters), which originate in unprocessed traumatic experiences. Such traumas can arise as a consequence of repeated sexual abuse, war or other violent experiences. The original trauma can be revived by re-emerging traces of memories of that trauma and the conscious center of the personality is then threatened by the inflow of unbearable feelings of pain, rage and fear which cause the transformation into one of his alternate personalities. Dr. Jekyll becomes Mr. Hyde. The original personality becomes unrecognizable and the defense against fear follows. These unbearable inner fears can be warded off by acting them out (or staging them) in the external world, e.g., by self-inflicted injuries or by sadistically acting out the fear and the appropriate emotion of rage against someone else. It is the Alter's task to protect the conscious center of personality from unendurable feelings of pain, rage and fear. That is why the Main Self, the conscious center of personality, is amnesiac to the existence and the deeds of the alternate personality. The Main Self knows nothing of the Alter. Alter and Main Self are separate.

When he is in his normal state, the violent person isn't conscious of his violent deeds. When forced to remember, he reacts exactly like the exterior world: as long as he is in his Main Self, he cannot understand and comprehend his Alter's deeds. Somehow they don't belong to him.

### **The Social Alter**

It is Lloyd DeMause's opinion that even in so-called normal people split personalities can be found.<sup>2</sup> But the fears connected with that aren't warded off individually. Normal people protect themselves from their unbearable inner fears collectively, i.e., through a corresponding group behavior. That is why DeMause calls the split personalities of normal people Social Alters.

In its destructiveness this group defense is in every way comparable to the individual psychotic's defense, if we only think of the suffering generated by wars, persecutions and economic crises.

Objectively despicable and pain-causing acts of collectives, such as the turning away of Jewish refugees during the Nazi regime or the offensive treatment of surviving

Jews after W.W.II by the Swiss, are not really condemned, but instead are excused by claiming they corresponded to the spirit of the time, the current opinions and wishes of the population and that they therefore were normal. As soon as destructiveness becomes normal, i.e., corresponding to the needs of the collective defense, amnesia arises, just as it happens with a multiple personality. The injustice and the victim's suffering are not perceived or discussed. They become meaningless.

### *Preverbal Fears and Their Revival*

Social Alters as these always contain the group members' traumas from a preverbal phase. The less developed the human organism is, the less may the threat be restricted and the greater will be the sense of loss in case of temporary frustrations. These experiences of total threat from the preverbal phase of life haven't been integrated into the linguistic memory. They are not conscious nor are they intentionally recallable. As I have explained in another text<sup>3</sup> such experiences are normal, i.e., they can be encountered universally.

Adults who were educated strictly as children and infants, i.e., who were often punished, rejected or ignored because they demanded too much or they simply didn't adapt conformistically enough to their family's ideals, have a heightened need for defense against inner fears. These inner fears can be revived by a perceived increase in demands or when they are successful and doing "too well". This is why economic growth can be perceived as excessive and social change as a betrayal of tradition and both trigger off accordingly intense fears in society.<sup>4</sup>

We should not forget that motivation for action in a group who is in its Social Alter and is warding off unconscious fears, in part also corresponds to a preverbal developmental stage of the psyche. Activity motives as these are determined by the underlying urging unconscious fears and strive for immediate satisfaction. The group members act like a desperate baby and the motivation of the angrily kicking infant is the wish to be freed from its tormenting feelings of self-deprecation, -fear and rage.

### **Mania on the Stock Market**

Speculative phases are recurrent on the stock markets. These phases can be defined as a *mania* because they separate themselves from the development of real-economy. Thus price earning ratios rise to a level that later proves to be excessive.<sup>5</sup>

Just as the mania usually ends up in a depression, speculation typically conclude with a price crash. In the last 50 years the American stock market crashed at least 20% nine times.<sup>6</sup>

### *Immediate Satisfaction Is the Stock Market's Prime Goal during the mania*

Using the current boom of the American stock market as an instance, I would like to prove that such speculations are really collective unconscious defense processes. This is the reason why it is difficult to understand these markets.

Their secret lies in the fact that the investor's prime aim during the mania is warding off immediate preverbal fears. I would like to illustrate that by means of an article printed in the 31.12.96 issue of the Wall Street Journal Europe.<sup>7</sup> The article describes how fund managers who invest individuals' savings in shares are more and more judged solely by their current success. This means that the fund manager can't

actually afford to employ a cautious strategy of higher cash reserves or increase the share of obligations because he primarily has to accumulate a big amount of high-risk stock. That is why the cash reserves of the mutual funds sink to a rock bottom just when the fund managers estimate the market as highly overvalued.

This irrational behavior can be explained if we assume that the investor's main goal in investing has become immediate narcissistic satisfaction, because he is primarily trying to ward off fears of devaluation and the respective intense feelings of pain and rage. I would like to support this theory by quoting from the above-mentioned article which contains an indication of the widespread feelings of rage and the importance of immediate gratification:

*At Neuberger & Berman Guardian Fund, one investor wrote a letter inquiring whether the fund manager went to college recalls Kent Simones, a co-manager. The fund which has outperformed the S&P 500 in the past five, 10, 15 and 20 years, has lagged behind the index by about six percentage points this year. Mr. Simons says the letter added, „And if they did go to college, where did they go? Because I don't want any of my kids to go there.“*

The following quote explains how the investors want to compensate unbearable fears of devaluation by satisfying narcissistic needs („a macho thing at times...“):

*All this creates a pressure-cooker atmosphere for fund managers. Lagging behind your rivals in an up-market seems to be a greater sin than losing a lot of money in a down market. It's „a macho thing at times.“*

Once the baby's stress reaches a certain mark, its manically angry remonstrations against desertion or loss, the greedy desire for immediate relief, inevitably lead to defeat; into the collapse of claims which objectively, i.e. seen from the outside or the perspective of personality's conscious self, seem „excessive“.

The reason for such exaggerated claims lies in the need to ward off excessive and unbearable unconscious fears. The rage of desperation arises because the personality is being overwhelmed by unbearable fears and is about to collapse into a depressive, apathetic state of trance.

#### *Unconscious Sacrificial Process*

Once anxiety has reached a certain level, disaster cannot be averted. The mania on the stock market is the exterior production of this intrapsychic process. It is an unconscious sacrificial process. Tensions which seem immediate need to be soothed by a direct reward (instant price earning). The seemingly „rational“ interest in price earnings is but a means to outwit the rational consciousness of the Main Self. The same thing happened in Europe during the credit inflation of the 90s when banks granted financial acrobats as Maxwell or Rey, and numerous other real estate speculators, rashly large loans for apparently rational reasons (i.e. defense of market shares), which then led to predictably high losses. This makes me think of the Ponzi scheme, an investment swindle in which some early investors are paid off with money put up by later ones in order to encourage more and bigger risks. Albania's credit pyramids and the Letters of the European Kings Club both fall in this same

category; and as we well know, both of these have crashed. *What at first sight looks like rational action, later turns out to be irrational and destructive.* Actually, the mania is but the capitulation of the Main Self's rational consciousness. Rational authorities cannot prevail because strong unconscious impulses are weakening the conscious attitude. Intrapsychically the crossing of a certain stress level signifies that the apprehended catastrophe can't be averted. In fact this terrible threat is responsible for the intensity of the defense against anxiety. *Final relief and a soothing of the intrapsychic situation can only arise when the feared and averted intrapsychic event, the total loss of existence or feeling of self-esteem, has taken place.*

There is one recurring image in connection with the end of the manic bull market, that of the *burst bubble*. In German the term *Blase* apply to both the integument in which the baby lives before being born and to a bubble. Therefore in German the term suggests that the preverbal fears also stem from experiences from a time before and during birth and that fears from this period of time are also to be warded off. After all the rupture of the fetal integument precedes the baby being swallowed by the birth canal and ultimately the loss of prenatal existence. The bursting of the integument denotes that the averted and intense fear of devaluation is catching up with the investor.

#### *When Will The Maniac Boom Collapse ?*

From the psychohistoric point of view a collapse of the maniac boom occurs at the moment when the fears of loss can't be warded off any more. This moment arrives with an increase of the fears or when defense collapses elsewhere. The latter especially applies to

1. economic growth and social change
2. ending of the secret agreement with destructive perpetrators

#### *Crash as the Aftermath Of Economical Growth and Social Change*

Punishments revive unconscious fears of loss in a child because they are experienced as the, at least temporary, suspension of parental support which is a prerequisite in the child's existence. Thus through the punishment the child loses its previous home, and its existence is questioned.

The more unfinished the psychological organism is at the time of the punishment - the more totally will the loss be experienced because the threat will be perceived as boundless. Another reason is that in the infant's psyche the primal loss of birth and the entailed unbearable fears of devaluation are revived. As already stated a child will be punished for having too many claims; and just as the increase of economic growth can originate a massive and unintentional revival of the primal loss which is connected to punishment, it can also trigger off intense fears in the group members.

#### *Destructiveness Lessens Fears*

Social change and economic growth can cause intense fears of punishment in group members and therefore be perceived as something negative. Change will be experienced as *permissive*, growth as *excessive*, society in general as *sinful*. A wish for divine punishment arises instinctively. Apocalyptic certainties that something will collapse arise. Paranoid sects who predict the end of the world gain in popularity. The Swiss professor for economics Walter Wittmann<sup>8</sup> predicts that

economy will plunge into a „*crisis of hitherto unknown extent*“. The cities, being the centers of change and growth, turn into Babylon and head for destruction.

These certainties of ruin express existing, unconscious wishes for destruction, and these cause a secret unconscious approval of destructive deeds. What ensues is an unconscious collaboration with destructive perpetrators. That is the reason why destructive demagogues as Gingrich in the USA, Haider in Austria and Blocher in Switzerland are so successful politically. By punishing a scapegoat-group in the exterior world for instance, interior certainties of a collapse are confirmed and thus the group members find relief from their intrapsychic fears.

#### *The Decrease in Destructiveness Heightens Tensions*

But if the collusion, i.e. the unconscious collaboration, with destructive perpetrators is terminated, fear which was bound to these figures' politics will be released. A decrease in destructiveness can therefore lead to an increase of tension.

This circumstance can entail a possible chain of causes which could end a maniac bull market. In my opinion this in fact underlay the crisis that originated by the president of the American Central Bank Greenspan's comment on possible overvaluation on stock markets on Thursday evening, December 5, 1996, and which lead to high price losses on the world stock markets.

#### *The Weakening of Unconscious Solidarity With Perpetrators ....*

The conclusion of this crisis has been a global slackening of the defense against fear since November 1996. The punishing deflationary policy in Europe and its symbol, the German President of the Bundesbank, Tietmeyer, lost legitimization in the course of this crisis. It went so far that since the week of November 18, the acceptance of the Italian Lira into the European monetary union has again become a possibility. Moreover a decrease in unconscious solidarity with perpetrators, and thus a decrease in the defense against the flow of intense fears, can be noted. I'm thinking about López of Volkswagen and the accusations against Swiss banks voiced by senator D'Amato on behalf of the Congress. Because Lopez's and Volkswagen's destructive and egoistical behavior with regard to GM was actually in harmony with unconscious group wishes for destruction, German justice lacked the energy to come to a satisfactory conclusion in this case. On November 26, 1996 the US court of justice decided that López and Volkswagen would have to answer for their actions to the American courts on the basis of the Anti-Mafia law. López resigned from the post as Volkswagen's managing director on November 29, 1996. In the same week criticism against Swiss banks culminated when, in the course of the filing of a 20 billion \$ lawsuit by a group of holocaust victims, a first appeal to boycott Swiss banks was made. Also in the same week the media informed about the discovery of the fact that women soldiers had been sexually abused by drill sergeants in the U.S. army.<sup>9</sup>

#### *... Leads to a Revival of Intense Fears*

The reaction of the unconscious to a weakening of destructive politics may be illustrated by having a closer look at cartoons. The cartoonist lets his/her unconscious react spontaneously to exterior events, free of compulsions of everyday consciousness and by doing so unconscious desires are expressed. The two cartoons I'm about to show (illustration 1 and 2) depict the proposed scientific inquiry into the reproaches made against Swiss banks. Although they stem from a later period of time they still express the unconscious emotional reaction of the group to this kind

of weakening of unconscious solidarity with perpetrators. Both have the same subject: the exploration of spaces that usually lie in the dark. The only light-less space in which every human being has lived for an extended period of time, namely nine months, is the uterus. The two tunnels or corridors (birth canal) in illustration 2 confirm the supposition that it depicts a regression to a prenatal period. We also perceive that the planned exploration triggers off great fears of punishment (illustration 1) on a unconscious level: the explorers are about to be slain. In illustration 2 even the terrifying specter of death is revived. All group members have one destructive experience in common: the destruction of prenatal existence. Intense fears as these seem to be thus revived by the chances of having to take back existing projections - as it is to be expected when exploring the use of scapegoats.

### *Collapse of Defense and the Image of the Abandoned Child*

In the wake of the above mentioned disintegration of the group defense, the next week the *Tages Anzeiger* printed a series of cartoons. These have the central theme of the original experience of the abandoned child, or respectively, the child persecuted by negative parent-figures. One can observe a more and more adequate approximation to the actual source of the unconscious fears, namely the factual experience of loss from a prelingual phase of the group member's life. The clearer this actual source becomes, the closer to consciousness the trauma gets, the larger the danger of the defense collapsing and the manic position becoming a depressive one.

In illustration 3 the threatened children are yet able to fend off the demonic parent-figure rising from hell. In illustration 4 a confidently advancing figure is being stealthily attacked by a huge demonic parent-figure unexpectedly threatening its safety. Although the figure in question is an adult member of the Swiss Federal Council, the origin of this fearful image which stems from early infancy, is unmistakable when we focus on the difference in size between perpetrator and victim and the small, goblin-like figure accompanying him which additionally underlines the victim's child-like character.

In cartoon number 5 the abandonment phantasy of cartoon 6 is intimated. The motif of the abandoned children is evident in cartoon in number 6.<sup>10</sup> The source of the fears of loss before and during birth are hinted at: the children are standing on a peak from which they could precipitate.

The motif of precipitation can be connected to the „baby drop“ in a symbol of ejection: we are ejected from the uterus in the course of our birth. The image of the bats, who are related to the motif of blood-sucking vampires (note their vampire-like teeth), only underline this. And this takes us back to the root of prenatal fears: the fetus' poor condition before and during birth are closely connected to placental crises in whose course the fetus is not provided with enough oxygenated blood and therefore is confronted with fears of suffocation.<sup>11</sup>

The blood-sucking vampires can be explained as a revival of experiences in connection with a poor supply of oxygenated blood provided by the early parent-figure placenta during uterine crises and birth.

### *Greenspan's Good Instinct*

It is an experience of psycho-history that social tensions coming to a crisis, as for instance preceding a war, are announced by fantasies of child sacrifice (and devouring parent-figures).<sup>12</sup>

These cartoons intimate that the defense of fear is about to collapse and, strictly speaking, can only give information about the Swiss group process. But as they appear in the wake of a world-wide reduction of group defense this suggests a

certain parallelism of group processes. This suggestion finds confirmation in the course of Winfried Kurth's Threat Index<sup>13</sup> which reached its peak (in a two-month period) on December, 5 (illustration 7). The Index was formed by using cartoons from Swiss and mostly German newspapers. Moreover Kurth has pointed out that the American and the German/Swiss Threat Index show a tendency to coincide.<sup>14</sup> Should we transfer the above-mentioned group-psychological constellation the U.S.A., the President of the American Central Bank had a good instinct on that Thursday. That day, when thinking aloud, he spoke about the overvaluation on the stock markets and by doing so purposely triggered off price losses on the stock exchange.

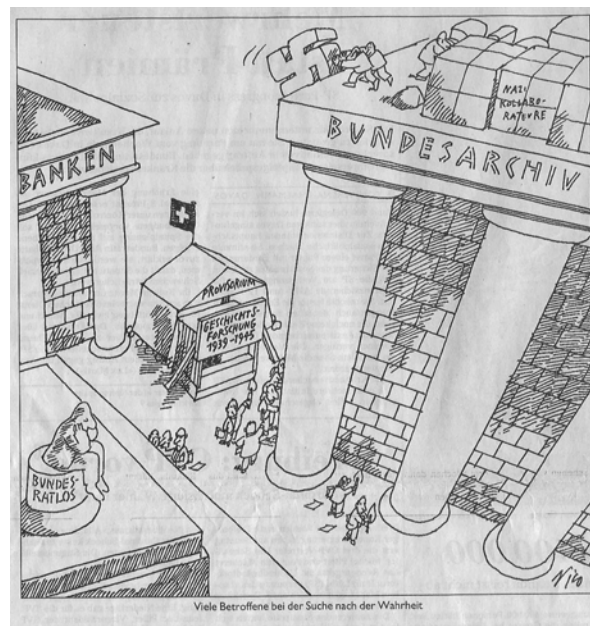


Illustration 1. *Tages-Anzeiger*, 20.12.96. “Many are concerned to seek for the truth.” The Independent Commission of Experts Switzerland – Second World War, was appointed to investigate Swiss politics during World War II. The Commission, headed by historian Jean-Francois Bergier, consists of seven other historian (three of them foreign) plus one lawyer. They were commissioned to look into the conduct of the banks (“Banken”) and the National Archive (“Bundesarchiv”). On the roof of the Archive the Nazi collaborators (“Nazi-Kollaborateure”) are at work.



Illustration 2. *Tages-Anzeiger*, 20.12.96. "My colleague will be able to answer every question concerning the missing bank accounts to the commission of experts." The sign inside of the darkened room reads: "Bank Information on Accounts of Holocaust Victims."



Illustration 3. *Tages-Anzeiger*, 2.12.96. Cartoon comments the rejection of a xenophobic initiative by the Swiss voters.



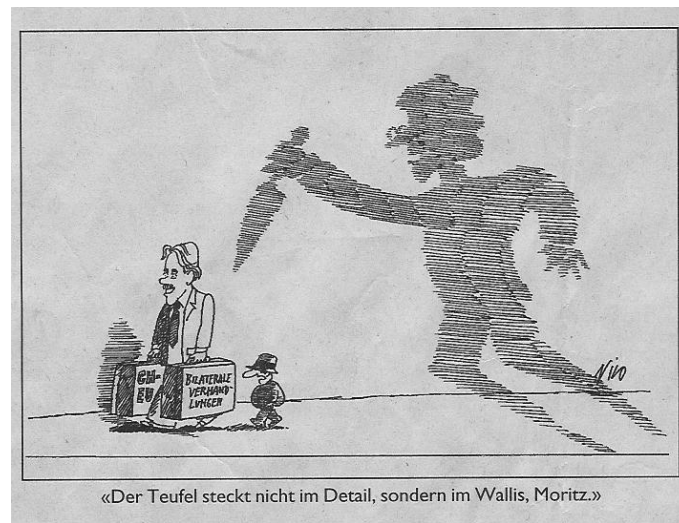


Illustration 4. *Tages-Anzeiger*, 5.12.96. The little figure says to Moritz Leuenberger, Minister of the National Government: “The devil is not in the detail but in Wallis, Moritz”, referring to a Swiss region. The minister’s policy was attacked by a politician from this region at that time



Illustration 5. *Tages-Anzeiger*, 6.12.96 “The beloved Bishop in the midst of his numours fans.” Bishop Haas is a fundamentalist cleric removed from office by the Pope.

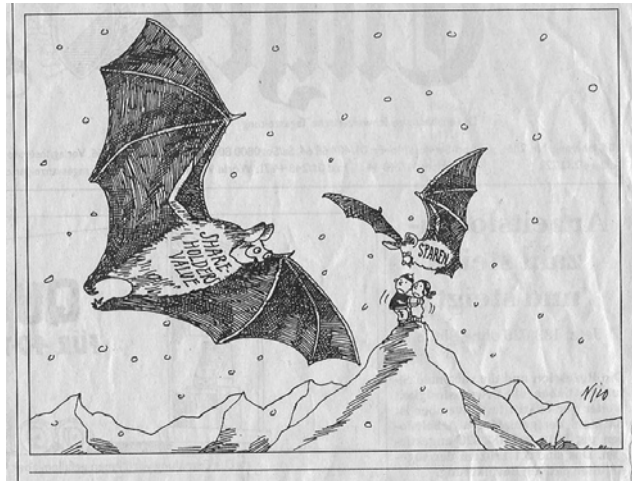


Illustration 6. *Tages-Anzeiger*, 7.12.96. On the smaller bat hovering over two frightened Swiss children on an alpine peak is written: "Savings".

<sup>1</sup> Lloyd DeMause, *The Psychogenic Theory*, *The Journal of Psychohistory*, 25 (1997): 112 –183.

<sup>2</sup> Compare also: David Wasdell, *Die pränatalen und perinatalen Wurzeln von Religion und Krieg*, Centaurus-Verlagsgesellschaft

<sup>3</sup> Florian Galler, *Regression der Politik Europas*. Internationale Zeitschrift für Pränatale und Perinatale Psychologie und Medizin, Mattes Verlag, Heidelberg, Juni 1995

<sup>4</sup> Florian Galler, *Group-dynamic Processes in Financial Markets*, *The Journal of Psychohistory*, 24 (1997): 403 - 408

<sup>5</sup> The American Central Bank, the Fed, rated the price level at the American Stock Exchange as too high at a Dow Jones index of 5700. At the end of the year the Dow Jones index had soared to 6500 points. *The Wall Street Journal Europe*, 25.11.96, "The Outlook. Worried Fed Watches U.S. Stock Market Soar."

<sup>6</sup> *Tages-Anzeiger*, 5.2.97. *Fors Geld arbeiten – das Geld arbeiten lassen. Die Aktienmärkte bewegen sich, als gäbe es keinen Bezug zur realen Wirtschaft.*

<sup>7</sup> *Buying Pressure. Despite Rising Doubts, American Mutual Funds Pour Cash Into Stocks. Eggend On by Their Inestors, Managers Pay Steep Prices And Take On More Risk. A Drunken Student's Party?*

<sup>8</sup> Walter Wittmann, *Das globale Desaster. Politik und Finanzen im Bankrott*, Wirtschaftsverlag Langen Müller, Monchen 1995

<sup>9</sup> *Weltwoche* of 21.11.96

<sup>10</sup> Interestingly it is Bishop Haas' (a fundamentalistic perpetrator) failure, that releases primitive fears that before were connected to this perpetrator.

<sup>11</sup> Compare also Ludwig Janus *Wie die Seele entsteht. Unser psychisches Leben vor und nach der Geburt*, A. 59 ff, Hoffmann und Campe Verlag, Hamburg 1991

<sup>12</sup> See also Lloyd DeMause *The Gulf War as a Mental Disorder*, *The Journal of Psychohistory*, New York, Summer 1991.

<sup>13</sup> Winfried Kurth *Analysis of German group fantasies (1995-1996): An empirical approach*. *Psychohistory Quarterly* (to appear).

<sup>14</sup> Winfried Kurth *Quantitative und qualitative Ergebnisse der Analyse der deutschen Gruppenphantasien 1995-96* (This article is printed in the „Tagungsdokumentation der 11. Jahrestagung der Deutschen Gesellschaft für Psychohistorische Forschung in Marburg vom 28.2. - 2.3.97“ and can be bought from: Textstudio Gross, Postfach 25 11 13, 69079 Heidelberg, Germany).