

How To Restore Trust So As to Revive the Economy: The Psychological Dimension

By [Global Research](#)

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Region: [USA](#)

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In addition to the technical factors which have brought on the financial crisis - the huge speculative bubble and leverage, derivatives, fractional reserve banking, spending beyond our means, etc. - there is another major factor.

As market psychologists Richard L. Peterson M.D. and Frank Murtha, Ph.D. [wrote](#) in October:

“This crisis is now fundamentally about psychology.

Trust is the oil in the engine of capitalism, without it, the engine seizes up.

Confidence is like the gasoline, without it the machine won't move.

Trust is gone: there is no longer trust between counterparties in the financial system. Furthermore, confidence is at a low. Investors have lost their confidence in the ability of shares to provide decent returns (since they haven't).

This is now a PSYCHOLOGICAL problem.”

Understandably, the Fed's refusal to disclose who it gave \$2 trillion in loans to, and Paulson's failure to disclose what Treasury is doing (even to the official Congressional TARP oversight committee) are adding to investor and taxpayer distrust. Obviously, they need to start disclosing what they're doing.

And the big financial institutions don't trust each other, because they know that all of the other companies might have hidden their problems or gamed their books. See [this](#), [this](#) and [this](#).

Bigger Context

But these facts cannot be taken in a vacuum.

Remember, every time Paulson, Bernanke or Bush open their mouths, the stock market dives (see [this](#) and [this](#)).

Why?

Well, what if - on your way to the bank - you happen to see your normal banker mug an old

lady and steal her purse? Would you then proceed to the bank as if nothing had happened, and give your money to that banker?

Probably not.

Similarly, Americans' trust in our leaders and our systems have collapsed. Whether or not Americans think much about it, we all know that Bush lied us into war in Iraq with false claims about WMDs. We know that the Bush administration has implemented a widespread torture policy, and lied about it. We know that our government has been spying on us for years, but lied about it. We know that our intelligence and military should have stopped the 9/11 attacks, that the official story about 9/11 is very shaky, and that something must have been very wrong to allow them to succeed.

So How Do We Restore Trust?

Even though it is contrary to conventional wisdom, I would argue that we need war crimes trials against those who authorized America's torture program to restore our trust in our government and its leaders. We need real investigations and full disclosures about the WMD propaganda, spying and 9/11.

Everyone knows about these things anyway, but the lies and cover-ups have eaten away at our trust in a profound way.

As counterintuitive as this may sound, the festering distrust which is killing our economy will not ease until the truth about these abuses by our government are aired.

Rather than dragging the markets down with pessimism, airing the truth will restore our trust in our government, our leaders and our systems, and allow us to start to rebuild our economy and our financial system.

"We were wrong" are the three magic words which can start to end the cancer of distrust and begin to revive our economy.

If you are an economist, psychologist, sociologist or historian with expertise in market psychology, I would appreciate your input.

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