

# PROGRESS IN SOCIONOMICS

A publication of the **Socionomics Institute**

[www.socionomics.net](http://www.socionomics.net)

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“Thus, the task is not so much to see what no one yet has seen, but to think what nobody yet has thought about that which everybody sees.” – *Arthur Schopenhauer*



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## Socionomics News Update

### SOCIONOMICS FOUNDATION AWARDS FIRST-EVER GRANT

The Socionomics Foundation is pleased to announce that its first grant for socioeconomic research has been awarded to Dr. Kenneth Olson, Professor of Psychology at Fort Hays State University in Hays, Kansas. Dr. Olson received his doctorate in 1978, is the author of numerous research papers published in refereed journals, and currently serves as Director of Clinical Training in his doctoral program in addition to pursuing his research interests.

Prof. Olson is a long-term follower of the development of socioeconomic thought, having read about Prechter's research and analysis of trends in society for over 20 years. His completed paper, describing the results of the research funded by the Socionomics Foundation, will be ready for submission to a psychological journal sometime this fall.

The abstract of Prof. Olson's research project can be found at [www.socionomics.org/papers/essays.aspx](http://www.socionomics.org/papers/essays.aspx)

Please see Dr. Olson's article, "Social Mood and Core Elements of Personality", on page 3.

### SOCIONOMICS FOUNDATION – REPORT FROM BULGARIA

The Executive Director of the Socionomics Foundation, Dr. Wayne Parker, presented a paper he co-authored with Robert Prechter titled, "Herding: An Interdisciplinary Integrative Review from a Socioeconomic Perspective" at the International Conference on Cognitive Economics. The conference was held at New Bulgarian University in Sofia, Bulgaria, on August 5-8, 2005.

The conference gave 60 leading economists and psychologists an opportunity to compare notes on their findings in the relatively new area of cognitive economics, a discipline described by Prof. Marco Novarese as "an interdisciplinary approach to the study of problem solving, decision making, choice and change." Cognitive economics overlaps somewhat with the field of behavioral economics but has less allegiance to elements of traditional economic theory such as equilibrium theory and an assumption of utility-maximizing by all human agents.

Dr. Parker's report is continued on page 5.

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## UPCOMING EVENTS

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### **Robert R. Prechter, Jr.**

*CSTA Montreal Annual Conference*

October 15, 2005 - Montreal, Canada

Presentation title: "Socionomics- A Comprehensive Theory of Finance & Social Causality"

### **Michael K. Green, Ph.D.**

*Northeast Popular Culture/American Culture*

*Association 28th Annual Conference*

October 28-29, 2005 – Sacred Heart University,  
Fairfield, CT

*Association for Institutional Thought Conference*

April 19-23, 2006 – Phoenix, Arizona

*Hawaii International Conference on Arts and  
Humanities*

January 11-14, 2006

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## RECENT ACTIVITIES

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### **Robert R. Prechter, Jr.**

*International Federation of Technical Analysts*

5th Annual Technical Analysis Expo

March 19 - 20, 2004 – Paris, France

Presentation title: "Is the Bear Market Over?"

Presentation title: "Fundamentals of Socionomics"

*The Socionomics Institute*

April 8, 2005 – Cambridge, MA

Presentation title: "The Socionomic Model of  
Financial and Social Causality"

*Market Technicians Association (MTA)*

MTA Education Seminar 2005

May 19-22, 2005 – New York City, NY

Two-part introduction to socionomics

### **Michael K. Green, Ph.D.**

*Association for Institutional Thought [AFIT] 2005*

April 13 - 16, 2005 – Albuquerque, New Mexico

Paper: "Institutions and Social Ontologies"

Michael reports on the conference:

At the Association for Institutional Thought conference, the biggest resistance to the ideas

of waves of social and economic change was the assumption that the main goal of the social sciences is to develop social policies to control and direct social processes. However, the existence of waves shows that individual humans are not in control of the social institutions that they create. These take on a life of their own, and the experts will not be able to control them. This is the hard lesson that we are facing in our immediate future.

*Philosophy, Interpretation, and Culture Conference*

April 22-23, 2005 – Binghamton University, NY

Paper: "Social Ontologies and the Basis of the Social Sciences"

### **John L. Casti, Ph.D.**

*University of Warwick, Socio-Dynamics Seminar*

May 11, 2005 – London, England

John reports that listeners seemed to accept the notion of social mood causing events and behaviors. But the one thing that everyone had difficulty accepting is the idea that there is no feedback from behaviors/events to the social mood. From his experience, it is the biggest single hurdle that needs explaining in order to convince people of the merits of socionomics. Given that people wait with bated breath for pronouncements from the Fed, labor figures and the like, and that as soon as these numbers are announced markets move, the audience finds it difficult to accept that the social mood as measured by price changes in the financial markets is not affected by these "events."

### **Wayne D. Parker, Ph.D.**

*International Conference on Cognitive Economics*

August 5-8, 2005 – New Bulgarian University

Paper: "Herding: An Interdisciplinary Integrative Review from a Socionomic Perspective" (co-authors Wayne D. Parker, Ph.D. and Robert Prechter, Jr.)

**Anne Milne** of London, Ontario has decided to pursue a Masters degree in Sociology at the University of Western Ontario, with an emphasis on socionomics-related research. We wish her every success.

# Social Mood and Core Elements of Personality

by Kenneth Olson, Ph.D.

I have followed the writing of Bob Prechter since the mid-1980s. One of the appeals of his analysis is its broad scope, encompassing not only economic and financial patterns but also an exceedingly wide range of political, social, and cultural trends. I have found socio-economic theory able to describe the linkages between these phenomena in a more comprehensive manner than many other theories. Furthermore there is an emphasis on rigorous thinking and empirical testing of observations. For example, socio-economic writings over the past two decades have documented numerous examples in which the construct of social mood is better able to account for financial outcomes than many orthodox economic theories. Social mood is not only a powerful explanatory concept but also has the advantage of parsimony, a hallmark of a good scientific theory. Over a half century ago, Kurt Lewin, a pioneer of modern social psychology, wrote that “Nothing is as practical as a good theory.” Socio-economic theory is a quintessential example of a practical theory.

I am a clinical psychologist and my primary area of research is personality psychology. Core personality characteristics of individuals collectively form the basis of mass social mood. An initial step in providing a scientific basis for further research is to identify the variables to be studied. I am currently conducting research for the Socionomics Foundation in which the primary issue is: What are the fundamental dimensions of mood-related phenomena that comprise human personality? Answers to this question can provide not only a better understanding of the basis of social mood and its relations to social outcomes, but may also serve to generate hypotheses about these

relationships that can be empirically tested. Recognition of the importance of psychological factors in investment and finance is present not only in socio-economics but also in the recent development of the field of behavioral finance and economics. The seminal work of the psychologist Daniel Kahneman, who won a Nobel prize in economics, empirically demonstrated the effects of psychological influences on decision-making and risk-taking in investment decisions.

## MOOD

A great deal of research in personality psychology has focused on emotion, motivation, and traits as core elements of personality. Each of these domains is related to mood. Research on emotion has identified a two-dimensional structure of the core aspects of mood that includes (a) valence (pleasantness versus unpleasantness), and (b) arousal (activated versus deactivated emotions). The valence dimension is comprised of the major categories of positive affect (PA) and negative affect (NA). PA encompasses emotions such as happiness, joy, and contentment, whereas NA includes feelings of depression, anxiety, anger, and fear. PA and NA are often considered to be independent of each other. That is, they are two separate factors, although some researchers consider PA and NA as opposite poles of a single dimension.

Positive affect is the dimension of individual mood that parallels positive social mood and bull market psychology at the collective level. Similarly, negative affect is the aspect of mood at the individual level that parallels negative social mood and bear market psychology. PA and NA valence also interact with the arousal dimension of emotion. I believe specific combinations of emotional valence and arousal likely predominate during periods of rising social mood, falling social mood, and transitions between rising and falling mood.

A related issue for study is the processes by which individuals' mood is enacted in a wider population at the societal level. In other words, what are the dynamics by which individual mood ultimately manifests itself in mass social mood?

## MOTIVATION

With regard to motivation, another fundamental element of personality, research supports the existence of two broad systems that mediate goal-directed behaviors in both animals and humans. These motivational systems are the behavioral approach system (BAS), and an avoidance system, commonly labeled the behavioral inhibition system (BIS).

The behavioral approach system facilitates behavior and engagement with the environment. The function of this system is to direct organisms toward potentially pleasurable situations and therefore toward positive incentives and rewards. There is a likely evolutionary basis for such a system, given the obvious advantages of approach tendencies for survival and reproduction.

The avoidance system, on the other hand, is sensitive to threats and aversive stimuli and is responsible for behavioral inhibition or withdrawal. The main function of this system is to inhibit behavior that could lead to negative consequences and threats to one's survival. The evolutionarily adaptive benefits of this system are also readily apparent. Research has validated the operation of these motivational systems and has identified areas of the cerebral cortex that appear to be involved in their functioning.

The approach system is empirically associated with positive affect, and the avoidance system is related to negative affect. At a collective level, the approach system can be hypothesized to be dominant in periods of positive social mood and the avoidance system more prominent during times of negative social mood. For example, research has demonstrated that risk-taking, an approach-related behavior, is associated with positive affect, just as risk-taking in investment is associated with the bull market psychology of positive social mood. In the negative social mood of bear markets, with attendant anxiety and fear, the behavioral avoidance system promotes greater emphasis on avoidance of risk and negative outcomes.

## PERSONALITY TRAITS

Personality traits are typically defined as dispositional tendencies toward particular ways of thinking and behaving that are relatively consistent over time. The search for the basic dimensions of personality traits started at the inception of the modern era of personality psychology 75 years ago. Based on extensive research, a broad consensus has converged on five domains as the fundamental dimensions of traits. The Big Five traits include Extraversion (versus Introversion), Agreeableness (versus Antagonism), Conscientiousness (versus Unreliability), Emotional Stability (versus Neuroticism), and Openness to Experience (versus Closed to Experience).

More recent research indicates there are two higher-order factors of the Big Five traits. The first factor includes Extraversion and Openness to experience labeled *Engagement*, and the second factor includes Conscientiousness, Agreeableness, and Emotional Stability, labeled *Self-Control*. Engagement and Self-Control thus appear to represent the most fundamental elements of personality traits.

Engagement entails active and enthusiastic involvement with the world, both the external world as well as one's internal world of feelings and ideas. The trait of Engagement is characterized by energy, vitality, assertiveness, happiness, and curiosity. Engagement traits are empirically related to positive affect. The higher-order trait of Self-Control involves caution and self-restraint behaviorally, interpersonally, and emotionally. Low Self-Control traits are empirically related to negative affect.

Engagement traits are conceptually related to positive social mood. Positive mood stimulates vigorous engagement with one's environment and pursuit of potentially rewarding experiences. In the realm of economics and finance, Engagement traits are likely to stimulate behavior such as investment in equities and creation and expansion of business enterprises. Traits reflecting low Self-Control, on the other hand, are related to negative social mood. Research has demonstrated that low self control is associ

ated with a broad range of negative social outcomes including poor job performance, substance abuse, crime, and bankruptcy. These indicators of social dysfunction are more likely to be seen during periods of negative social mood.

Personality research can help identify the fundamental components and processes that make up social mood. This research can also illustrate that the causal basis of social mood is endogenous rather than being due to exogenous events, another key principle of socioeconomic theory.

*Dr. Olson is a Professor of Psychology at Fort Hays State University*

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### Donate to the Socionomics Foundation

The Socionomics Foundation is interested in funding more researchers in our field, and can do so only with your support. If you have enjoyed Professor Olson's article and would like to make a donation to the Foundation to support further efforts, please send a tax-deductible contribution to:



The Socionomics Foundation  
200 Main Street, Suite 300  
Gainesville, GA 30501

For more information  
contact Diane Gray at  
770-536-0309 x3089  
or visit [socionomics.org](http://socionomics.org).

*The Socionomics Foundation is dedicated to advancing socionomics, the science of social prediction pioneered by Robert R Prechter, Jr. The Foundation, a non-profit 501(c)3 organization, provides education and, by funding research, explores socio-economic theory and how it can benefit individuals and institutions through the successful anticipation of social and cultural change.*

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### REPORT FROM BULGARIA (cont'd)

The conference hosted researchers and theoreticians from five continents, approximately 15 countries, and many top universities, including Emory, Harvard, Princeton, Purdue, NYU, and the London School of Economics.

Parker and Prechter's paper assesses models of herding behavior from six different disciplines: social psychological approaches; information theory and cybernetic approaches; ethological and biological approaches; econophysics approaches; medical model approaches; and the socio-economic model. The paper categorizes these theories according to eight different theoretical distinctions:

- Evolutionary component or not;
- Assumes context of uncertainty or not;
- Model of agents as homogeneous or heterogeneous;
- Herding dynamics seen as endogenous or exogenous;
- Conscious or unconscious processes;
- Rational or other-than-fully-rational processes;
- Assumes equilibrium theory or not;
- Assumes utility-maximizing or not.

Following this analysis, socio-economic theory's model of herding appears unique in describing a model of unconscious, prerational herding behavior that posits endogenous dynamics that have evolved in homogeneous groups of humans in contexts of uncertainty, while eschewing the traditional economic assumptions of equilibrium and utility-maximization.

Prof. Novarese gave the first keynote address, "The Intermingling between Cognitive Economics and Experimental Economics: A Few Remarks on History, Methodology and Applications" (co-authored by Prof. Salvatore Rizzello). He mentioned several aspects of the field of cognitive economics that show its connections with socio-economic theory:

- "Dynamic analysis of decision-making

processes under uncertainty”

This is a specific focus of socioeconomics.

- “Tacit processes included”  
Unconscious (tacit) herding and unconscious social mood is a theoretical causal foundation of socioeconomics.
- “Use of...emotional short-cuts...in decision-making”  
Herding may be such an “emotional short-cut.”
- “Alternative to classical models of optimization”  
In not assuming utility-maximizing, cognitive economics is closer to socioeconomics theory on this issue than many segments of behavioral economics and behavioral finance, many of whose practitioners still attempt to maintain an allegiance to neo-classical equilibrium theory and/or utility-optimization.
- “A new view on the nature and economic role of institutions”  
Neo-institutionalism is closely related to many areas of cognitive economics, whether in the sense of individual “rules” for decision heuristics, or in the sense of “habits and customs” that become established in social interactions and institutions. The fractal pattern of the Wave Principle at the social aggregate level of socioeconomics theory may usefully be seen as a type of emergent social institution that constrains individuals’ interactions in contexts of uncertainty.

The full reference for the paper Dr. Parker presented at the Sofia conference is:

Parker, Wayne D., and Robert R. Prechter, Jr. (2005), “Herding: An Interdisciplinary Integrative Review from a Socioeconomic Perspective,” in Kokinov, Boicho, Ed., *Advances in Cognitive Economics: Proceedings of the International Conference on Cognitive Economics, Sofia, August 5-8, 2005*. Sofia, Bulgaria: NBU Press (New Bulgarian University), pp. 271-280.

The paper is posted in the “Essays” section of the Socioeconomics Foundation website at [www.socioeconomics.org](http://www.socioeconomics.org).

# Socioeconomics and Psychohistory: Life Imitating Art or Vice Versa?

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By David C. Calderwood

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Some people with inquiring and imaginative minds who become intrigued with socioeconomics occasionally hear echoes from the science fiction novels of Isaac Asimov.

Asimov (b. 1920, d.1992) was a prolific writer who provided many a reader with engrossing explanations of science fact and intriguing tales of science fiction. Among his best-known stories are the seven novels of the *Foundation* series, which span hundreds of years across numerous planets.

The plot line connecting the *Foundation* novels is a social forecasting method based on mathematics, called “psychohistory.” The stories concentrate on the adventures of Hari Seldon during his development of psychohistory and then on how it’s used to alter the future of the inhabited worlds. Seldon, his associates and their heirs share common goals: (1) to guide the inevitable decline of the galactic empire into a less destructive path and (2) to shorten the period of dark times between its fall and a forecasted renaissance of peace and prosperity. Because enough similarities exist between socioeconomic forecasting and psychohistory to attract occasional comments, here’s a brief discussion of their similarities and differences.

## PARALLELS BETWEEN SOCIOECONOMICS AND PSYCHOHISTORY

Although the early work of both R. N. Elliott and Asimov predated chaos theory and the modern study of complexity, later developments explicitly embraced elements of complexity that they described.

Elliott’s earliest reference to his work shows that it had progressed to a detailed understanding by 1934<sup>1</sup>. As Elliott and his proponents expanded

his original understanding, new concepts such as complexity theory and fractal geometry provided additional support and explanation for observations he had made decades earlier. Blending components of self-identical and indefinite fractals into what Robert R. Prechter, Jr., has termed “robust” fractals<sup>2</sup>, the Wave Principle provides a view of order that is disguised by the outward appearance of randomness.

Asimov’s first story referencing psychohistory was published in 1941 when he was 21 years old. However, the *Foundation* books were not published chronologically. First published were tales that occur in the middle of the story, while last to be published were those chronicling the earliest parts of the story. The final two books, *Prelude to Foundation* (1988) and *Forward the Foundation* (1993), detail the development of psychohistory during the lifespan of Hari Seldon and are a rich source of information about Asimov’s final synthesis of psychohistory. Notably, he incorporated new developments from the realm of non-fiction in a dialogue that discusses chaos and complexity theory<sup>3</sup>. “My mathematical analysis implies that order must underlie everything, however disorderly it may appear to be”<sup>4</sup> says Hari in *Prelude to Foundation*.

In this regard, both socionomics and psychohistory show these similarities:

1. They both use a simpler map to represent an infinitely complex whole.
2. They both recognize the centrality of mass emotion.
3. They both accept that successful application of the method requires the body of the social milieu to be ignorant of the model’s workings (psychohistory through secrecy; socionomics due to its conflict with the common-thought-erroneous application of physics-like causality to the social sphere).

Neither offers certainty, but they both offer a method for the probabilistic assessment of the future. And both suffer some erosion of credibility

when their forecasts are perceived to be inaccurate.

## CRITICAL DIFFERENCES BETWEEN SOCIONOMICS AND PSYCHOHISTORY

Arguably, the least important difference between socionomics and psychohistory is how they are used:

In Asimov’s fiction, the reason for developing psychohistory is to create social change along the lines presumed to be universally beneficial within the author’s ethical framework. Hari Seldon undertakes a desperate program to develop psychohistory in time to prevent the widespread death and destruction that will accompany the decline and fall of the galactic empire.

Psychohistory is thus intended to bequeath to an elite group of selfless men and women the virtual omniscience to manipulate other individuals for the good of mankind. Psychohistory then becomes the missing link in the Utopian vision for a government (albeit a secret one) that truly works: one composed of super-human rulers (in the case of the *Second Foundation*, persons with telepathic capabilities) who are not self-interested even though they are privy to special knowledge denied everyone else.

In contrast, socionomics offers the value neutrality of a natural science. “Although it is the best forecasting tool in existence, the Wave Principle is not primarily a forecasting tool; it is a detailed description of how markets [and other kinds of social events] behave,”<sup>5</sup> according to A.J. Frost and Robert Prechter.

Socionomics is not then a term introduced by Prechter for something with a hidden goal; it is simply an examination of the tides of social behavior we see around us and in which we participate daily. No one has to adopt a specific view of the world in order to extend his or her understanding of socionomics or to grasp how socionomics applies to decision-making.

The origins of each “theory” are another, more

important, difference. Psychohistory arises from the abstractions of pure mathematics, and Hari Seldon spends much of his life attempting to develop increasingly complex formulas to “give us probabilities of specific future developments under this condition or that.”<sup>6</sup> In contrast, R.N. Elliott’s insights were developed in the manner of a natural science, by recognizing a pattern through systematic observation of the real world (in this case, the Dow Jones Industrial Average).

Although Charles Dow noted that trending moves in the stock average came in three trending waves, interleaved with moves that took back three-eighths or more of the preceding move,<sup>7</sup> Elliott was the first to categorize and record the details of the variations within the pattern. He standardized wave labels and rules for identifying component waves, thus forming the basis for forecasting future social conditions. Robert R. Prechter, Jr., has elaborated on the Wave Principle by continued testing and fine-focusing of its nomenclature and guidelines, and, most importantly, by applying it specifically to a wider array of social phenomena.

But the most important divergence between socionomics and all other methods, even those appearing in works of fiction, is the direction of causality. Understanding socionomics requires comprehending the contrast between two postulations, as defined by Prechter in *Pioneering Studies in Socionomics* (2003):

1. The standard presumption: Social mood is buffeted by economic, political, and cultural trends and events. News of such events affects the social mood, which in turn affects people’s penchant for investing and other manifestations of social behavior.
2. The socionomic hypothesis: Social mood is a natural product of human interaction and is patterned according to the Wave Principle. Its trends and extent determine the character of social action, including the economic, political and cultural.<sup>8</sup>

This reversal of causation is the critical difference between socionomics and all other claimants to forecasting utility. Asimov didn’t escape the standard presumption’s universal appeal. Several times during the course of the Foundation stories, his characters refer to outside events altering the emotional content of the populace and potentially altering the course of history.<sup>9,10</sup> This kind of cause and effect is contradicted empirically by numerous socionomic studies.<sup>11</sup>

A reliance on physics as a metaphor for how social causality works is as normal for most people as it is incorrect. Perhaps it should be expected that science fiction, suffused as it is with creative descriptions of space travel, rocketry, and “future” technology, would find it even more normal to let physics dominate the description of how cause and effect works. Fortuitously, the prevalence and intuitiveness of the physics metaphor ensures that human history will continue to unfold in Elliott waves, because only a minority of observers will be willing to recognize the patterns and their implications.

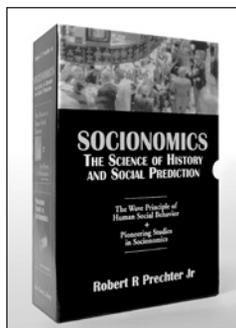
Ultimately, although both socionomics and psychohistory are inherently interesting, only one is a real science grounded in the workings of nature, while the other is a clever twist of creativity whose development began and ended with an individual author. Thanks to the popularity of Isaac Asimov’s books, psychohistory may be the best-known construct to attribute a mathematical solution to the age-old desire for fortune-telling, but it actually breaks no ground even in the theoretical sense. Socionomics, on the other hand, is a new science in its own right, breathtaking in its affront to conventional wisdom, accessible to all who choose to study it, and open to further inquiry that will refine its utility in understanding human social behavior and organizations. Further study will also hone the forecasting usefulness of the method, and therein lays its most mainstream application.

Many individuals have contributed to the development of socionomics, and its future is bright. It is the frontier of the social sciences,

begging the attention of imaginative people who may have already encountered the romance, if not the reality, of accurately forecasting human social events.

The Foundation stories remain among the best from the golden age of science fiction. It seems likely that had Isaac Asimov known the Wave Principle, he would have found it to be elegant and its extension, socionomics, to be quite fascinating. He might not even have been surprised by its existence, once he fully grasped its significance. After all, it is conceivable that life, as described by Prechter's socionomics, exceeds the art that even the best of human minds can dream of.

- <sup>1</sup> Frost, A.J. & Prechter, Jr., Robert R. (1978) *Elliott Wave Principle: Key to Market Behavior*, New Classics Library (1996 ed.), p. 14.
- <sup>2</sup> Prechter, Jr., Robert R. (1999) *The Wave Principle of Human Social Behavior and the New Science of Socionomics*, New Classics Library, p. 69.
- <sup>3</sup> Asimov, Isaac (1988) *Prelude to Foundation*, Doubleday p. 9.
- <sup>4</sup> Ibid, p. 11.
- <sup>5</sup> Frost & Prechter (1978) p. 19.
- <sup>6</sup> Asimov, Isaac (1993) *Forward the Foundation*, Doubleday, p. 9.
- <sup>7</sup> Frost & Prechter, p. 12
- <sup>8</sup> Prechter, Jr. (1999) p. 55.
- <sup>9</sup> Asimov, (1993) p. 101.
- <sup>10</sup> Ibid, p. 117.
- <sup>11</sup> Prechter, Jr., Robert R. (2003) *Pioneering Studies in Socionomics*. New Classics Library.



### Robert Prechter's REVOLUTIONARY TWO-VOLUME SET

*Socionomics: The Science of History and Social Prediction* spells out a historical correlation between patterned shifts in social mood and their most sensitive register, the stock market. It also presents engaging essays -- representing over 20 years worth of research -- correlating social mood trends to music, sports, corporate culture, peace, war and macroeconomic trends.

[www.socionomics.net/books\\_home.aspx](http://www.socionomics.net/books_home.aspx)

## Letters and Comments from the Field

February 14, 2005

### ULTIMATE FIGHTING

Have you given much thought to the rise of ultimate fighting/no holds barred contests? I've been a fan of mixed martial arts since the early 1990s.

The vale tudo (Portuguese for "anything goes") competitions, sponsored by a large family of Brazilians who had learned and modified a style of jui-jitsu taught them by a Japanese immigrant to Brazil back in the 1920s, were the progenitors of today's mixed martial arts competitions (Ultimate Fighting Championship (UFC) in the U.S., Pride and Shooto in Japan, Vale Tudo in Brazil). The vale tudo fights became major attractions and in the late 1980s inspired the Japanese, just as their bear market was clawing down, to launch a full-contact hybrid wrestling organization called Pancrase, and later, Pride.

Pride and UFC bouts feature mixed martial artists in hand-to-hand combat using closed-hand strikes, kicks, knees and elbows, as well as ground submission techniques from wrestling, judo, jui-jitsu and sambo. It is really something to see, and from the looks of the ratings, more and more people are seeing it.

With the growing popularity of the sport (Shaquille O'Neal just did a commercial for the Ultimate Fighting Championship, which also has a reality show called "The Ultimate Fighter" on Spike TV), I wondered whether you might have given the rise of this new combat sport some thought.

Best,  
David Penn  
Seattle, Washington

*Editor's reply: Yes, in fact socionomics gave practitioners a handle on extreme sports even before they began appearing. In December 1996, The Elliott Wave Theorist commented, "It's hard to imagine what a bear market sport*

would be like. We envision something along the lines of boxing, where it's man against man. There is no ball to displace man's natural aggression and no hoop to make us focus on any loftier ambition than survival." The January 2003 Elliott Wave Financial Forecast added, "The rising game on the scene is just such a sport. Ultimate fighting is a brutal, free-form mix of wrestling, boxing, jujitsu and whatever else it takes to pound an adversary into submission. The sport was born in the last major correction of the late 1980s and early 1990s, but it was outlawed in many states and fell into obscurity as the bull market took off in the mid-1990s. In recent months, however, it has 'quietly blossomed,' with participants and matches throughout the United States." By the way, Creative Loafing columnist Doug Monroe quoted Prechter in an article on extreme boxing published in January of this year.

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May 17, 2005

### **WORKER ABSENTEEISM**

We did a lot of research at Harvard and MIT for resources on worker absenteeism and noticed that almost every article and research paper written about the topic occurred in bad economic times – 70s, early 80s, late 80s and early 90s. As far as we are aware, the last serious Ph.D. research was conducted in the early 90s, and published in 1994. Based on this we can probably already make the prediction that worker absenteeism will become a "hot" research topic during the next bear market.

Ikroop Sandhv and Einar Nilsen  
Japan

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### **THRU THE SOCIONOMIC LOOKING-GLASS**

I've often felt that as a result of my awareness and acceptance of socionomics I am living a life a few years in advance of prevailing social mood. I have no proof, but that is just the way it feels. Like falling out of step with the aspirations of old friends who are still in the grip of asset mania. Like failing suddenly to be impressed with the descriptions of the fabulous houses people are building, and the tired, tired old story of escalating asset prices. I wonder where I'll be when social mood hits bot-

tom. Maybe my days of oblivion and happily fighting in are over, but I am sure I'll find some way to navigate and grow. And I'm sure there is strategic advantage in my point of view.

Allan Hall

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### **SOCIAL MOOD IN MICROCOSM**

I once sat at my stepson's baseball game and watched the birth, peak, and death of a trend. One kid started shouting a slogan, soon others were repeating it; eventually everyone was saying it, including parents in the stands. After this peak it quickly wore off and then died completely, never to be heard again. The peak was excessive, which told me it was a peak. Thinking socionomically, I looked for it to go into "bear" mode precisely when I heard everyone saying the slogan, and sure enough, it works. I thought a lot about this. When people get together and a herd forms (even a short-lived herd that lasts for only a few hours) its members reveal a strong desire to bond. People are predisposed to "get on the same page"; the urge is there already, and it is a wick looking for a spark. Someone provides the spark with a slogan that all the rest can repeat. The act of saying the slogan marks one as a "member" and exacerbates the group feeling. At the peak an almost giddy and semi-delirious energy takes over in an orgy of mutual identification, and then of course it runs out of steam. The same thing happens with movie slogans such as Arnold saying "I'll be back" and Eastwood's "make my day". In these cases the identification spreads across the country in offices and school yards and late night talk shows. It is the same motivation as on the baseball field but on a much larger scale.

Jay Taylor

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### **MASTERS IN SOCIONOMICS?**

I have a B.A. in Economics. I always found fault with much of what I learned in economics while I

was a student. That is why I did not pursue employment as an economist. Now I know why. You have uncovered much of the truth and I would like to get a Masters in socioeconomics. Is there any school out here teaching this subject?

Cordially,  
R. Cuyler Salyer  
Oceanside, CA

The head of the local SEC here (CNVM – Bucharest) asked me to give a presentation on socioeconomics giving me a chance to do my doctorate in socioeconomics. She seemed pretty open for a Romanian to buy the thesis that ‘events don’t create markets, markets create events’ and ‘social events lead economic cycles’. I am of the firm opinion that your work – along with the theories of Daniel Kahneman, Terry Burnham, and Robert Schiller – is starting a “third wave” in the social sciences. I want to be a socioeconomist, and I need your guidance.

Mukul Pal  
Bucharest, Romania

*Editor’s note: As yet there are no university-level courses available specifically for the study of socioeconomics. We often receive inquiries such as yours and are aware of several people who have made socioeconomics a focus of their work within other fields. We are interested in working with any university faculty member to develop course material or even academic departments devoted to socioeconomics. Interested parties may contact Dr. Parker at [WayneP@socioeconomics.org](mailto:WayneP@socioeconomics.org)*

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