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Letter From the Director

In October, an NSF-funded research organization included questions submitted by the Socionomics Foundation in a survey taken before the November mid-term elections. The resulting data will allow the Foundation to conduct research on the effects of social mood on political issues on a scale not possible before now. We profile the news on this page.

Dr. Wayne Parker of the Socionomics Foundation and Robert R. Prechter, Jr. and Deepak Goel of the Socionomics Institute have three papers in various stages of submission and acceptance (or rejection) at academic journals. We will keep you informed in coming months.

DuPont Automotive, in its 2006 Color Popularity Report and accompanying press release, cited senior researcher Mark Galasiewski's analysis of the effects of social mood on automobile color preferences. (See "Business and Larger Economic and Social Trends" section of the press release at http://www2.dupont.com/Automotive/en_US/news_events/article20061129.html.)

Socionomic Institute's Executive Director Robert Prechter recently commented on a study of Fibonacci retracements and projections in the stock market that was reviewed in recent issues of *The Economist* and the *Financial Times of London*. You may read the original study by Roy Batchelor and Richard Ramyar at Cass Business School in London at www.cass.city.ac.uk/media/stories/resources/Magic_Numbers_in_the_Dow.pdf. You can read Prechter's comments on the Institute's website, accessible through the home page or directly at www.socionomics.net/fibostudy and also in the March/April issue of the U.K. magazine, www.technicalanalyst.co.uk.

Dan Gough, Director

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NSF-Funded Research Poll To Help Ascertain The Role of Social Mood In Elections

The data collected in a recent American Political Science Association study will enable researchers at the Socionomics Foundation to test some of their hypotheses about the connection between social mood and political decision-making under certain conditions.

The association recently announced that it included several questions about social mood in a research survey project funded by the National Science Foundation.

Dr. Wayne Parker, Executive Director of the Socionomics Foundation, proposed "Questions about Social Mood" for the Pilot Study. Dr. Jon Krosnick of Stanford University and Dr. Skip Lupia of the University of Michigan are the co-Principal Investigators for the study. They announced the winning proposals for the 2006 American National Election Studies (ANES) Pilot Study at the Annual Meeting of the American Political Science Association in September.

"We hope that our participation in this project will interest more academic researchers in studying the role social mood plays in national elections," Dr. Parker says.

Some 300 organizations submitted proposed questions to the study's directors. The Socionomics Foundation is the only non-university-based research organization among the 30 whose questions were selected for the NSF study, conducted in November.

"It's quite an honor to be selected from so large a field and to become part of a highly regarded research endeavor that has been collecting data nationally since 1948," Dr. Parker notes.

ANES solicited proposals this year using a new Internet-based approach. This first-of-its-kind invitation resulted in participation nationwide by hundreds of scholars from many scientific disciplines. The Pilot Study will evaluate questions that have not been included on previous ANES surveys but could prove valuable to researchers in the future. The selection criteria for the winning proposals included factors such as novelty of idea, theoretical foundation, empirical support, breadth of relevance, and generalizability. For more details, visit: www.electionstudies.org/ and www.socionomics.org.

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## Recent Conference Activities

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

**Conference:** *Economics Departments External Seminar*

**Location:** London School of Economics & City University of London; London, England

**Time:** November 15, 2006

**Presentation Title:** "Institutions and Instabilities"

Dr. Green's paper sketched the development and changes in the social vision that occurred from the early 1980s to 2000. From the *socionomics* perspective, social mood supports the development of a shared social vision that serves as a benchmark against which a group judges the world. Based upon the social mood, this benchmark provides a set of social sentiments, social identities, agreed upon facts, and shared norms of action. These four components of economic institutions evolve together in a coherent and patterned way. Changes in the underlying social sentiments give rise to changes in beliefs about the risk or lack of risk inherent in the world, in social identities and the definition of economically responsible action, and in the norms of action that are accepted as appropriate for a society at a given time. The paper provided an outline of these changes in social sentiments, identities, beliefs, and norms from the risk-averse period in the early 1980s to the euphoric times of 2000.

### John Casti, Ph.D.

**Conference:** *Early Warning Systems & National Security Workshop, ETH and Global Futures Forum*

**Location:** Zurich, Switzerland

**Time:** November 10, 2006

**Presentation Title:** "The Rise and Fall of Globalization: An Example of Socionomics In Action"

This talk presented an exposition of the central hypothesis of *socionomics* that a collective social mood generates collective social behaviors on all timescales.

### Hernán Cortés Douglas

**Conference:** *Preparatory Workshop for the Third High-Level Seminar of the Eurosystem and Latin American Central Banks*

**Location:** Interactive Museum of Economy-Former Monastery of Betlemitas; Mexico City, Mexico

**Time:** October 5-6, 2006

**Presentation Title:** "Stock Market Turmoil and the World Economy"

## **Journal of Behavioral Finance Publishes Olson Paper**

In Issue 3 (Spring 2006), we reported that the *Journal of Behavioral Finance* had accepted for publication a paper by Kenneth Olson, Ph.D., professor of Psychology at Fort Hayes State University (Kansas). We are pleased to announce that the paper has been published. The citation is: Olson, K. R. (2006). "A Literature Review of Social Mood." *Journal of Behavioral Finance*, 7(4), pp. 193-223. You may purchase subscriptions to the *Journal* through the publisher, at [www.erlbaum.com](http://www.erlbaum.com). Back issues are also available. We recommend this journal for anyone interested in the psychology of financial markets. The paper's abstract reads as follows:

Emotions exert a significant influence on financial behavior. The "socioeconomic hypothesis" posits social mood, the collective mood of individuals, as a primary causal variable in financial and social trends. In order to provide a scientific basis for the study of social mood, this article reviews psychological research on major mood-related elements of personality: affect, motivation, and personality traits. We examine the structure and functions of these core personality dimensions, and discuss research on contagion processes by which individuals' moods spread and manifest in a collective social mood. We also address implications for financial and economic behavior. Social mood is rooted in empirically established personality dimensions that are fundamental to human nature, and can influence financial outcomes.

Two months ago, Professor Olson also notified the Socioeconomic Foundation of a lecture he had given as part of the university's Sabbatical Lecture Series. In the lecture, Professor Olson introduces his students to the socioeconomic concept of social mood and its relation to social trends and to the underlying dimensions of personality that he outlined in his paper. Dr. Olson mentioned to us that he had posted a video of the lecture. Naturally we asked if we could make it available to *Progress In Socioeconomics* readers, and he graciously consented. You may view the entire video at [www.socioeconomics.org/videos/olson/default.aspx](http://www.socioeconomics.org/videos/olson/default.aspx).

The following is an excerpt of a transcript of the lecture:

### **Personality, Social Mood, and Cultural Trends**

Excerpted transcription of a 1-hour lecture by Kenneth Olson, Ph.D., Professor of Psychology, Fort Hayes State University (Kansas)

*"The general idea here is that social mood is the collective mood of individuals; and it struck me that positive and negative social mood are related to core dimensions or elements of human personality.*

*"There are three core dimensions of personality that I looked at in terms of the literature in behavioral science research. Among these fundamental dimensions of human nature, the first one is Affect. There's been a lot of research on Positive and Negative Affect – another term for emotion. And there are two basic dimensions of emotion: Valence and Arousal.*

*"Valence refers to pleasantness: How pleasant or unpleasant is the emotion? Positive Affect involves positive emotions like joy, cheerfulness, happiness, contentment, and so on. Negative Affect involves anxiety, anger, depression and so forth. People differ in terms of how much Positive Affect and how much Negative Affect they experience. Some are chronically happy, some are chronically unhappy. But most people fall somewhere between those extremes. Positive and Negative Affect are two separate, independent dimensions of Affect. They're not just on one single continuum, so you can be strong or high on Positive Affect as well as Negative Affect. Positive affect is related to things like trust. Empirically, it's been found that people who are cheerful tend to be trusting. They are also more willing to take risks and invest. People with Negative Affect tend to be mistrustful and to be averse to risk.*

*"The second dimension is Arousal, or energy, associated with the emotion. So you have activated high arousal and deactivated low arousal. You can combine those two dimensions: Positive and Negative Affect with high and low arousal, so you get four combinations: Positive Affect, Activated, Positive Active Affect, Deactivated.*

*"And it occurred to me that those four combinations are similar to what Robert Prechter described as the emotions that are present in society during stock market increases, uptrends or downtrends.*

*“These are the four stages of the stock market cycle that Prechter identified. During a market uptrend, people tend to be calm and contented in general. This corresponds to the deactivated pleasant affect. Peak positive mood is characterized by energy and enthusiasm, and that struck me as being the activated pleasant combination of Affect. Just as an example of that, number two—peak-positive-mood—the year 2000 had a stock mark bubble, the dot-com euphoria. Hundreds of millions of dollars were being thrown at companies that didn’t have any real business or profits, and that led to the stock market’s severe decline in the next two years.*

*“Then came a market downtrend and the sad, fatigued, insecure kind of feelings that precede the peak negative mood: people being tense and angry. Prechter says that this stage four is when wars are more likely to occur. He also has some data indicating that’s when—at least in the U.S.—serial killings tend to increase, extreme kinds of negative emotions are expressed.*

*“Another dimension of personality involves motivational systems. There have been two systems that have been identified: approach and avoidance. The approach system deals with the desire to seek rewards and to obtain positive outcomes. This directs*

*organisms to seek out positive kinds of experiences and so on. The avoidance system is sensitive to threats, and is designed to prevent one’s self from being exposed to pain and punishment and so on.”*

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In 2005, Professor Olson was the recipient of the Socionomics Foundation’s first-ever academic grant. Psychology is just one of many fields that can help advance socionomics and which in turn can benefit through an understanding of the socionomic insight that social actions follow changes in social mood. If you believe you can make an impact in your area of study, please send a research proposal per the info in the box below.

Call for Research Scientists
The Socionomics Foundation is looking for research scientists and ideas that test aspects of the socionomic hypothesis. The Foundation provides funding for such endeavors. If you are interested in discussing potential research projects, contact Dr. Wayne Parker at waynep@socionomics.org



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