

PROGRESS IN SOCIONOMICS

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Green takes socionomics to Cambridge

Dr. Michael Green is stateside after a three-month stay at the University of Cambridge funded through the Socionomics Foundation.

He attended nearly a dozen university events and shared socionomic ideas with professors and students. Among those with whom Green worked was Tony Lawson, economics professor and executive director of the Cambridge University Centre for Gender Studies. Green also spent some time with Lawson's Cambridge Social Ontology Group.

Green reports, "They maintain that traditional economics is worthless, but for the most part they have yet to accept the importance of social mood."

Michael Green is a philosophy professor at the State University of New York-Oneonta and author of *How Do We Create a Philosophical Cosmos for Acting Socially and Being Happy?*

Professor comments on socionomics of *The Dark Knight*

The Associated Press recently attributed the success of the summer blockbuster, *The Dark Knight*, to a weak economy. Socionomics presents a different view.

As the film swept through theatres, several observers noted the socionomic implications

of its success. Professor Dennis Elam at Texas A&M-Kingsville posted this commentary:

The new social science of socionomics links how popular culture reflects the economic environment. There is no better social laboratory than the stock market; the prices are there for everyone to see every day. Optimism brings higher prices and pessimism brings lower prices. The lack of hope for Gotham City reflects the frustration and low consumer expectations in the markets.

Elam's analysis is right on target. Falling markets and economies do not make people bearish, nor do they make people rush out to see the latest Batman film. Rather, social mood is the fundamental, causal variable, and when it trends toward the negative, stock prices fall and dark entertainment becomes popular. Or, as J. Michael McBride explains on his blog, "The general population's dark mood which makes a movie like Batman so popular also drives markets down."

Emotion and mood

Neuroscientist Julie Hall visited the Socionomics Foundation in June to report on a series of fMRI experiments her research team conducted at the University of Michigan. In the studies, Hall showed participants images designed to provoke an emotional response, such as a picture of a snake to induce fear or a picture of a person smiling to induce happiness. The participants were then asked to make investment decisions while undergoing a brain scan.

Hall hypothesized that people who were induced to be fearful would make less risky decisions than those who were induced to be happy. While the results of the study support this claim, they are not statistically significant. Socionomic theory explains why.

Socionomics allows for short-term changes in behavior based on transient emotions of the type Hall studied. These behavioral changes, however, are temporary, typically lasting just hours. The true driver of financial decision making is social mood, the overall trend of which cannot be impacted by external provocations. For instance, a Fed announcement might provoke a temporary

spike or dip in stock market prices, but the market always quickly resumes its trend, with the announcement having no net effect.

Since Hall's study tested induced emotions rather than endogenously regulated mood, the Foundation does not plan to incorporate the results into its future papers. Hall had fruitful discussions with members of the Foundation after her presentation, and the Foundation is open to the possibility of working with her on studies related to socioeconomic causality in the future.

National election study to measure social mood

Out of 1,100 proposed questions for a study on voting behavior, the American National Election Studies (ANES) has decided to include several questions based on a formal proposal from the Socionomics Foundation. The Foundation recommended that the researchers pay particular attention to how mood influences voter preferences.

"The inclusion of social mood measures on the ANES Panel Study is a great boon for socioeconomics," says Dr. Wayne Parker, the Foundation's executive director. "It sets the stage for future papers about socioeconomics based on the results of the study."

According to the principal investigators, the goal of the study is "to inform explanations of election outcomes by providing data that support rich hypothesis testing, maximize methodological excellence, measure many variables, and promote comparisons across people, contexts and time."

The final form of the mood measures will be available later this year. The study runs through 2009.

To help the Socionomics Foundation continue its work, please consider making a tax-deductible donation of any amount today. Donating is easy and can be done online at www.socionomics.org/donations.

Ask not what your candidate can do for the stock market

As Election Day draws near in the U.S., you can hardly turn on a television without hearing commentators argue over which presidential candidate would be better for the economy and the stock market. In our view, this is the wrong question.

In an article published in the September issue of *Investment Strategy*, Robert Prechter makes the socio-economic case that leaders are powerless to change trends in the market and economy.

"Republicans claim that the laissez-faire, low-tax policies of President Reagan were responsible

for the economic recovery of the 1980s," says Prechter. "The Democrats claim that the social-regulatory, high-tax policies of President Franklin Roosevelt were responsible for the economic recovery that brought the U.S. out of the Great Depression. Can they both be right? No, they're both wrong."

Prechter argues that the recoveries in both instances were due to a rising social mood. Social mood, in turn, affects whom is elected.

Prechter, Goel and Parker have been working on a paper about predicting elections on this basis. We will let you know if it gets published.

Mean markets and lizard brains

A chief tenet of socio-economic theory is that the non-rational, unconscious, emotional part of the brain is the driver of decision making in contexts of uncertainty, including financial markets. Dr. Terry Burnham's book, *Mean Markets and Lizard Brains: How to Profit from the New Science of Irrationality*, explores this very topic. Due to popular demand, the book is now available in paperback.

In the book's first edition in 2005, Burnham used his understanding of the primitive part of the brain to call for a declining dollar, the end of price stability, and disappointing returns on stocks, bonds and real estate. Robert Shiller, Robert Prechter and other students of human herding have made similar useful calls.

In the new edition, Burnham presents the original, unaltered text and adds supplementary material, updates the data and comments on evolving market conditions.

"Obviously, human nature has not changed in three years so the chapters that cover the lizard brain do not need to be revised," writes Burnham.

Human nature is the key. Burnham translates his observations of this nature into a readable, informative book that can be appreciated not only for its insight, but also for its applicability.

On its jacket, the book has attracted praise from Nobel Prize winner Vernon L. Smith, bestselling author Nassim Nicholas Taleb, MIT professor Andrew Lo and socio-economist Robert Prechter.

With Burnham's book, you will learn much about the nature of markets and the nature of man. *Mean Markets and Lizard Brains* is available online and at most major book retailers.

Lining up for gas: Herd behavior or rational response?

Parts of the southeastern U.S. are experiencing a gas shortage. On most gas station signs, there are blank panels where prices used

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to be. Some people lucky enough to find an open station have waited in line for more than an hour to fill the tank. Those who spot a gasoline tanker truck on the road will often follow it to its destination to ensure a fill-up. Observing this behavior, it might be tempting to attribute it to non-rational herding.

But, as Robert Prechter explains in an article for the Ludwig von Mises Institute, sometimes people behave synchronously without necessarily herding. In markets for utilitarian goods, such as gasoline, people simply strive to maximize the utility of their dollars. When there is a shortage, topping off the tank is an entirely rational thing to do, so it would be inaccurate to charge people with herding in this instance.

There are almost as many explanations for the gas shortage as there are gas stations. Prechter examines the evidence to reveal the true cause of the shortage and offer a solution. To read Prechter's insights, go to <http://mises.org/story/3136>.

Russia conflict: Why now?

One of the advantages of understanding the socio-economic insight is being able to anticipate social events that virtually no one else sees coming.

In November 2007, when the Russian stock market was booming and *Time* was preparing to coronate Vladimir Putin as its Person of the Year, the Socionomics Institute's Alan Hall issued a series of predictions in an Elliott Wave International special report.

Hall's analysis indicated that social mood in Russia was nearing an extreme peak and was ready to decline. This forecast enabled him to identify other social events that would likely occur as a result.

Since declines in social mood are often associated with increased conflict and aggression, Hall wrote, "Russia's long history of border wars and its desire to reclaim the resources of satellite states lost upon the collapse of the U.S.S.R. make future border conflicts likely."

He also described "Georgia's desire to bring its pro-Russia separatist regions under control" and Russia's "military plans to stop any move by Georgia to secure these regions."

Nine months later, Russian social mood was plummeting, the RTSI was down more than 30% and continued to fall, and the Russia-Georgia border was awash in violence.

These are only some of the insights the report offers. [Learn more about what Hall foresees in Russia's future, and why, at \[elliottwave.com\]\(http://elliottwave.com\).](#)

Socionomist successfully predicts peaceful resolution to Beirut crisis

In May, the worst stretch of violence since 2004 swept through Beirut. Hezbollah militias and supporters of the Lebanese government clashed on the street. Torched vehicles dotted the city landscape as people sandbagged their homes and businesses to protect themselves from gunfire and explosions.

Amid this scene, socionomist Mark Galasiewski traveled to nearby Jordan to address the Jordan Technical Analysts Society. Galasiewski made what may seem like an unusual forecast. He told the attendees that the violence in Beirut would likely subside.

Galasiewski's studies of the Beirut Stock Exchange revealed that the market's Elliott wave patterns exhibited signs of an emerging uptrend. Understanding that social mood is the driver of both stock trends and outbreaks of violence, he hypothesized that the violence in the area would reach a peaceful resolution.

Four days after Galasiewski's presentation, the Lebanese government and opposition forces agreed to a reconciliation. Former enemies gathered in Beirut to plant trees along city streets, businesses re-opened and tourists once again flocked to Beirut's shops and cafés. In the seven weeks following his presentation, the Lebanese stock market gained 18%.

Galasiewski provides commentary on Asian markets and cultural trends in the monthly publication, *The Elliott Wave Asian Financial Forecast*. In the October issue, he analyzes the conflicts in Iraq and Afghanistan, and Al Qaeda's war on the U.S., from a socio-economic perspective.

Wars, warriors and the herd

What would you do if you thought a war involving your nation was imminent? David Calderwood tackled this question in an article for LewRockwell.com.

Here is an excerpt:

According to socio-economic theory, significant wars break out near or shortly after the bottom of cycle degree wave c declines in the stock market. A bottom of this cycle wave c is not likely for several years. Then, or in the following couple years, is when we should expect a significant war.

Prepare to have your life so affected.

Where do you think wars come from? They arise from the same set of herding impulses that cause politicians, central bankers, bank regulators, bankers, mortgage companies, purchasers of McMansions, condo-flippers, and everyone else to build a historic credit bubble.

“They” didn’t see it coming and never do! Do you expect “them” to see what’s on deck now?

The point is that while herding is natural and inevitable on a collective scale, the urge can be overcome on an individual level. By recognizing the invisible pull of collective social mood, a person can, with practice, overcome its siren song and follow a different path, a path that seeks to avoid the collective, self-destructive behaviors of the crowd.

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You can read Calderwood’s article in full at www.lewrockwell.com/calderwood/calderwood23.html.

Flying across the Radar

Want to know what a Pulitzer Prize winner has to say about Peter Kendall’s prediction for a boom in androgeny in coming years, or what a film professor thinks of Robert Prechter’s forecast for an increase in groundbreaking horror movies? *Radar* magazine answers these questions and more in Willa Paskin’s two-page spread on socionomics in the July/August issue. Paskin assembled a team of experts to weigh in on several socionomic predictions.

For example, Prechter predicted that gym memberships would drop as social mood declines. Sean Kelleher, managing partner of New York City’s Edge Gyms, reports that people are caring less about staying in shape, choosing instead to fret over finances and politics.

In his 2006 study, “Social Mood and Automobile Colors,” Mark Galasiewski found that downturns in social mood are correlated with a rise in popularity of muddy car colors. The Pantone Color Institute’s executive director, Leatrice Eiseman, says the odds are in Galasiewski’s favor that you will soon be getting revved up to drive a brown, beige or green car.

If you want to get the panel’s take on even more socionomic forecasts, including predictions for politically potent women, falling hemlines and hair-raising horror films, check out the July/August issue of *Radar*.

Socionomics meets fiction in Newell’s novel

When Paul J. Newell set out to write a futuristic mystery novel, he needed a lead character with a keen understanding of social psychology and cultural trends. His choice: a socionomist.

In *The Turning*, Newell’s protagonist is a “demand forecaster” who uses socionomic principles to predict what types of clothing, music and even alcoholic beverages will be popular in the future. Mr. Newell was kind enough to discuss his latest novel with us.

Socionomics Institute: Do you remember when you first encountered socionomics?

PJN: I first learned of socionomics and Elliott waves in a piece entitled “I Know What You’ll Do Next Summer.”

SI: John Casti’s article in *New Scientist*.

PJN: Yes. Many of the ideas for my writing are sparked by something I read. I like to throw in some “what-if” thought experiments.

SI: In *The Turning*, why did you decide to make your lead character a socionomist?

PJN: I think one of the most interesting things to explore when writing about the future is what jobs we’ll all be doing. It’s more changeable than people might imagine. For my book, I needed a character whose job it was to know a lot about society and social trends, so a socionomist was an obvious fit.

SI: Do you think more people will apply socionomics to commercial enterprises?

PJN: There are some who already instinctively use the principles underpinning socionomics, probably without even knowing it.

SI: How so?

PJN: By way of example, consider the climate change issue. It rumbled on for two decades without really capturing the interest of the world. Then suddenly there was a notable change in mood. Who noticed this right at the start? The same Silicon Valley venture capitalists that made billions by financing the dot-com start-ups in the 1990s. They began pouring their green into green. They sensed the mood change. Perhaps what makes a successful venture capitalist is innate socionomic skills, even if most of them assume Elliott waves have something to do with surfing.

To learn more about Newell’s novel, visit www.pauljnewell.com.

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