

TITLE: The Socionomic Theory of Finance

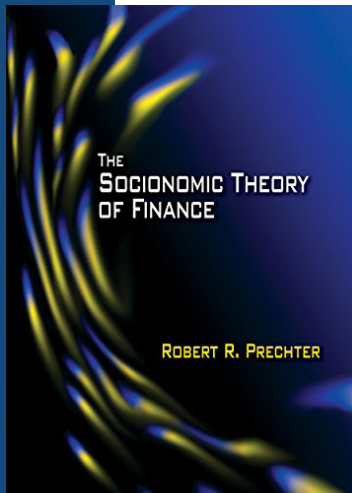
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PUBLISHER & DATE: [Socionomics Institute Press](#), Gainesville, GA, USA 2016

THE SOCIONOMIC THEORY OF FINANCE

Henry “Hank” Pruden, PhD

This prodigious piece of work (813 pages) encompasses a new school of thought that proposes to more accurately explain the behavior of financial markets. Building upon scientific, empirical observations plus theories and findings from psychology and the social sciences, Mr. Prechter presents a comprehensive theory that is intended to displace the efficient market hypothesis and kindred economic models. The implications of this endeavor by Mr. Prechter are profound for students and practitioners of financial markets.



At the base of *The Socionomic Theory of Finance* is the thesis that financial markets, such as the Stock Exchange, are a manifestation of “Unconscious Herding Behavior.” Hence, financial market trends and patterns are a reflection of endogenous herding behavior. Changes in market trend direction occur because of changes in social mood. A swing in mood, say from optimism to pessimism radiates throughout the financial community to shape herd behavior. The price, volume, and sentiment measures of markets follow in an orderly, predictable fashion according to a hierarchy of fractals and the structure of the Elliott Wave Principle.

Mr. Prechter buttresses his main thesis that market behavior is a manifestation of herd psychology in action through a careful and comprehensive critique of earlier and recent thought in economics, psychology, and social sciences plus practitioners’ observations and actions. Aiding Mr. Prechter in his endeavor are excellent contributions by Alan Hall, Brian Whitmer, Wayne D. Parker, Wayne Gorman, John R. Nofsinger and Kenneth R. Olson. All of those contributions appear in this book by Robert R. Prechter.

I am convinced that both students and practitioners in financial markets will discover these brilliant excursions by Prechter et. al to be intellectually broadening, financially rewarding and in many cases entertaining. In sum, *The Socionomic Theory of Finance* by Robert R. Prechter is an important book and a worthwhile purchase.



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