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Social Representations and Communication
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"Social Representations and Sciences"

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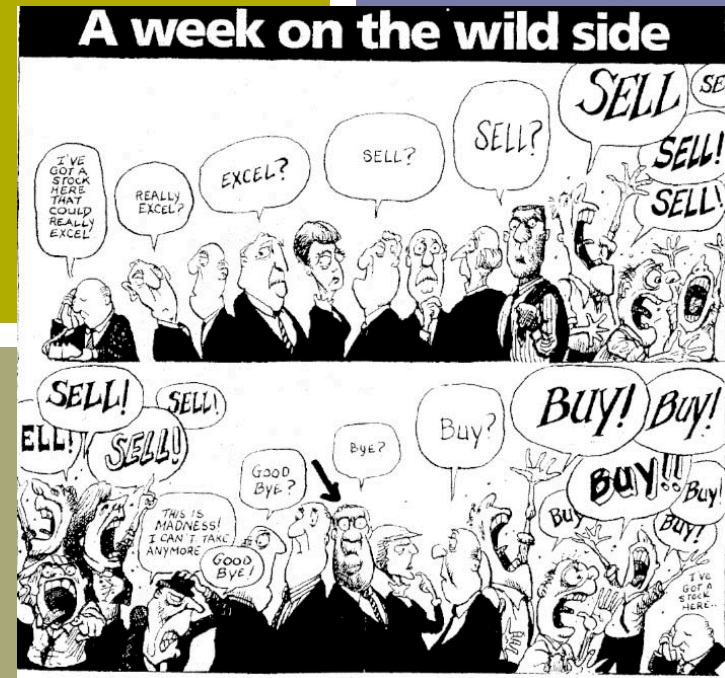
Participants Presentations



European Ph.D

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Social Representations of the Stock Market

Summer School 2010

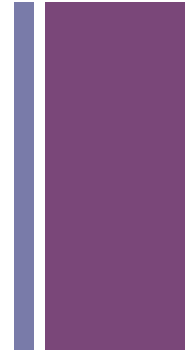
Clio Bulgarella

+ “ Mass Psychology of the Stock Market: heterogeneous agents, media and investors”

- The project of this thesis is part of a larger transnational and interdisciplinary research program focused on “ Mass Psychology of the Stock Market: heterogeneous agents, media and investors” presented at the ERC council on 2009 by de Rosa and it is a continuation and further extension of the pilot study on the psychology of the stock market in media and in different types of investors (de Rosa, Gioiosa, Errieto, 2005; de Rosa, Gioiosa, 2008).



Focus of this research project



- The hypothesis of this research project is that different financial behavior is strongly correlated with a set of personal psychological dimensions that include specific metaphors and social representations of the stock market.
- The research have its main headquarters in Italy, site of the Principal Investigators' institution but it has also been conducted in France, UK and China.



Lines of interrelated research



- The study has been organized in different lines of inter-related research and several main steps, in particular:
- **-Cultural Context Background Analysis:** Media analysis for Expert and Lay Targets
- **-Media Analysis:** analysis of Generalist and Specialized Print and Digital Media by Alceste Program
- **-Multi-method studies (Qualitative approaches and quantitative approaches) :** Interviews to Financial Advisors, Investors through Financial Advisors and On-line Investors.



-CULTURAL CONTEXT BACKGROUND

ANALYSIS: hypothesis and media

This study is focus on social discourse elaborated by media concerning economy and finance in the period between September 2008 and April 2010, which is strongly determined by the financial crisis that sets the “contextual scenario” of the social representations.

- The research has been conducted using texts and interviews published in general and specialized, in print and digital media, with economic and finance specialists. We have analyzed Italian, French, English, American and Chinese print media in countries where different languages are spoken and different media systems operate.





CULTURAL CONTEXT BACKGROUND

ANALYSIS: opinion leaders and laymen

- **academic experts** (Serge Latouche, Alberto Alesina, Francesco Giavazzi, Nadia Urbinati, Luigi Spaventa, Loriana Pellizzon, Roberto Marchesi, Mazzotti, D. Gaggi, M., Roberto Marchesi Marcello de Cecco, Marco Onaldo, James Heckman, Zhiwu Chen, Tullio Japelli, George Akerlof, Ronald Dore Jacques Attali)
- **banking experts** (Ben Bernanke, Jean-Claude Trichet, Ignazio Visco, Charles Morris, Roberto Mazzotta, Ennio Doris, Stephen Green, Neil Woodford, Gianni Bottalico, Oscar Farinetti, Giulietto Chiesa)
- **political leaders** (Giulio Tremonti, Daniele Molgora, Dominique de Villepin, Nicolas Sarkozy, Massimo D'Alema, Dario Franceschini, Silvio Berlusconi, Barak Obama, Susanna Cammuso, Gordon Brown, Wen Jiabao, Muhammad Yunus)
- **financial/economic journalists** (Gad Lerner, Arianna Ferrari, Luca Santini, Marco di Paolo, Giuseppe Gaffo, Fausto Tenini)
- **laymen** (few people participants in various on-line forum)



CULTURAL CONTEXT

BACKGROUND ANALYSIS: Results

One of the first evident results is the redundancy of rhetorical figures of speech in both in generalist and specialized sources, which concerns six main thematic areas:

- a) Representations of finance as “under accusation”, as “sick person”, and as “predatory animal”;
- b) Genesis and development of “bad finance” and its global effect;
- c) Contribution of science (financial mathematics) and virtualization of economics into finance (volatility and risk);
- d) Deregulation and market self-regulation;
- e) Dissociation of science from ethics;
- f) To be done: reaction to the crisis and ethical choice.





CULTURAL CONTEXT BACKGROUND

ANALYSIS: some statements

Below are some statements made by opinion leaders, chosen from different socio-professional backgrounds, that reinforces the representation of finance as

- -“under accusation”: “Finance is under siege, accused not only of having provoked the most serious economic crisis since the 1930s, but also having pushed the price of primary materials sky high” (Alesina, A. & Giavazzi, F. 2008 p.57) Alberto Alesina (Professor of Political Economy, Harvard University)
- -Genesis and development of “bad finance” and its global effect: “In the United States and in Europe, the crisis is now hitting the real economy” Loriana Pellizzon (Economist, University of Cà Foscari);
- -Contribution of science (financial mathematics) and virtualization of economics into finance (volatility and risk): “Creating effects of wealth and artificial demand, the new techno-finance fundamentally contributed to financing the almost instantaneous “miracle” of globalization” Giulio Tremonti (Italian Minister of Economy and Finance);
- -Deregulation and market self-regulation: “(...) The need returns for politics, State intervention in the economy, supranational rules and regulations capable of influencing a global market.” Massimo D’Alema (Former Italian Prime Minister);
- -Dissociation of science from ethics: “(...)the open structure of financial markets, the failure of controls and new finance techniques together provided the way out of this fixed plan. The break down of the old equilibrium between risk and responsibility: the opening up of a great asymmetry between risk origin and responsibility for risk” (Tremonti, G. 2008 p.14);
- -To be done: reaction to the crisis and ethical choice: “Millions of Americans who have worked hard and behaved responsibly have seen their life dreams eroded by the irresponsibility of others and by the failure of their government to provide adequate oversight(...) ” Barak Obama (U.S. President);



CULTURAL CONTEXT BACKGROUND

ANALYSIS: concluding remarks

- The key points which organizes the whole discourse as transversal dimension is the opposition between economics and finance, confirming the hypothesis that one of the rhetorical devices used as an explanation for the financial crisis is based on the split between the good "real" economy and bad "virtual" finance. The former being anchored in the productivity of real people and their work, the latter in insubstantial financial products produced by speculators so complicated that ordinary people as well as so-called experts do not understand them.
- Economic and finance specialists, often questioning the identity of their disciplines, in most of the cases deal with the complex relationship between economics, finance, and politics, simply rediscovering the "common sense truth": to come back to the measure (to do not spend more money than we gain!), the trust, the confidence, the social equity and more justice, the "need to return to real reality rather than tying ourselves to virtual reality" . In a word: the future seems a return to the past

+ -MEDIA ANALYSIS



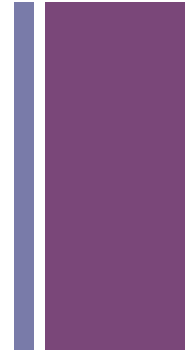
Analysis has been conducted using texts of online newspapers articles:

- - generalist La Repubblica (97 articles)
- - specialized Il Sole 24 Ore (248 articles)

in the economical and financial field published in the home page of the newspapers website from September 2008 to April 2010.



-MEDIA ANALYSIS: Online Grid



- The online grid used as research tool for this research line is based on the variables of the questionnaire used in the following research line.
- The online grid is available at this address:
http://www.kwiksurveys.com/online-survey.php?surveyID=OBJEH_a598d2c7&UID=2709328686

+ MEDIA ANALYSIS: Variables

- - -Newspaper , -Date of the article, -Author , -Author qualification, -Political Orientation, -Title of the article -Editorial placement - Thematic Area, -Link of the article, -Data of retrieval of the article, -Frequency of the word stock market,
- -Metaphors referred to the stock market (running race, machine, game, gambling, sport, war, living being, ocean, bazaar),
- -Conceptual links referred to stock market,
- -Investments channels in Stock Market (through promoters, through post office, autonomously on-line, through traditional bank),
- -Temporal Dimension of the Financial Crisis and polarity (positive or negative)

+ MEDIA ANALYSIS: Variables

■ Social Representations of Finance:

UNDER ACCUSATION/ ACQUIT, DEFENCE OF THE
DEFENDANT/ METAPHORS/ AS VIRTUALISATION OF
ECONOMY/ DEREGULATED/ DISSOCIATED FROM ETHICS/
ACTION OF REACTION TO THE CRISIS /Others

■ -Social Representations of Economics:

UNDER ACCUSATION/ ACQUIT, DEFENCE OF THE
DEFENDANT/ METAPHORS/ AS VIRTUALISATION OF
ECONOMY/ DEREGULATED/ DISSOCIATED FROM ETHICS/
ACTION OF REACTION TO THE CRISIS /Others



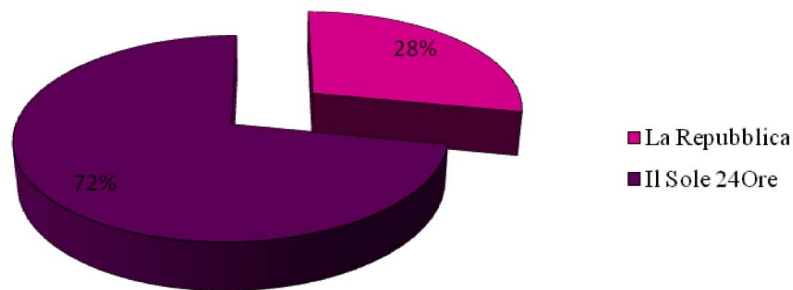
MEDIA ANALYSIS: Variables



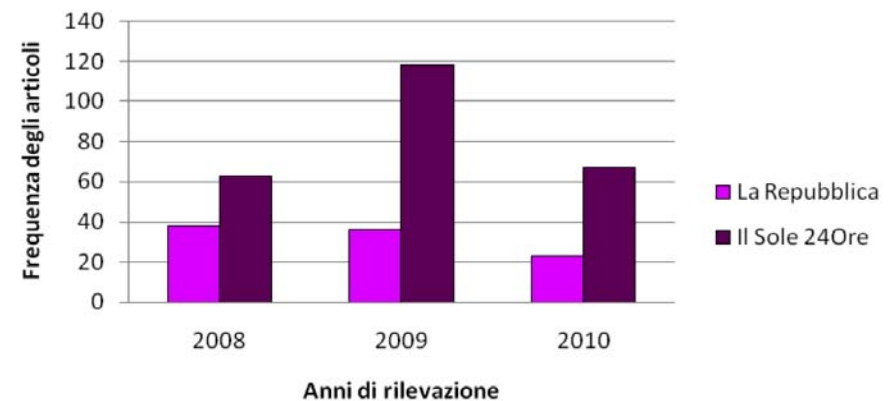
- -Risk (referred to the stock market)
- -Metaphors referred to Internet (Piracy, Diary, Brain, Transportations, Metropolis, Ocean, Puzzle, Chain, Path, Bazaar, Jangle, Virus, Market, Traffic, Square, Navigate, Super market, Big brother Spider web, Village, Places for gathering, Mail, Show case, Net, Labyrinth, Billboard, Highway, Living room, Library, Trap, Mask, Vices)
- -Trust/Distrust on **Heterogeneous Agent**: Network of promoters, On-line Banks, Local banks, National Banks, International banks, The National Bank, European Bank (BCE), Federal Reserve (FED), World Bank, National Ministry of Economics, National Government, European Council of Ministers of the Economy, National Regulatory Authority, European Bank for Reconstruction of Development (EBRD), European Investment Bank (EIB), G7, G8, G20
- -Dates present in the articles
- -Geographical area of investment(Own Country, Europe, USA, Pacific Area, Emerging Countries)
- -Dates of keys events
- -Technical terms

+ MEDIA ANALYSIS: Analysis of frequencies -Author qualification

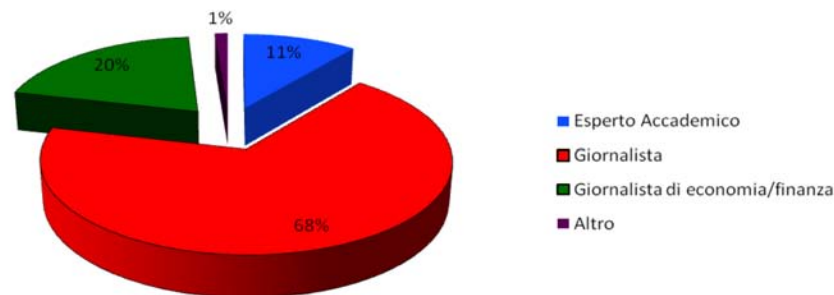
Quotidiani



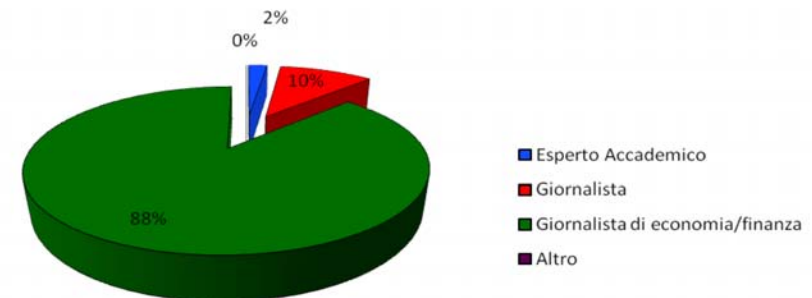
Confronto frequenza articoli nell'arco temporale considerato



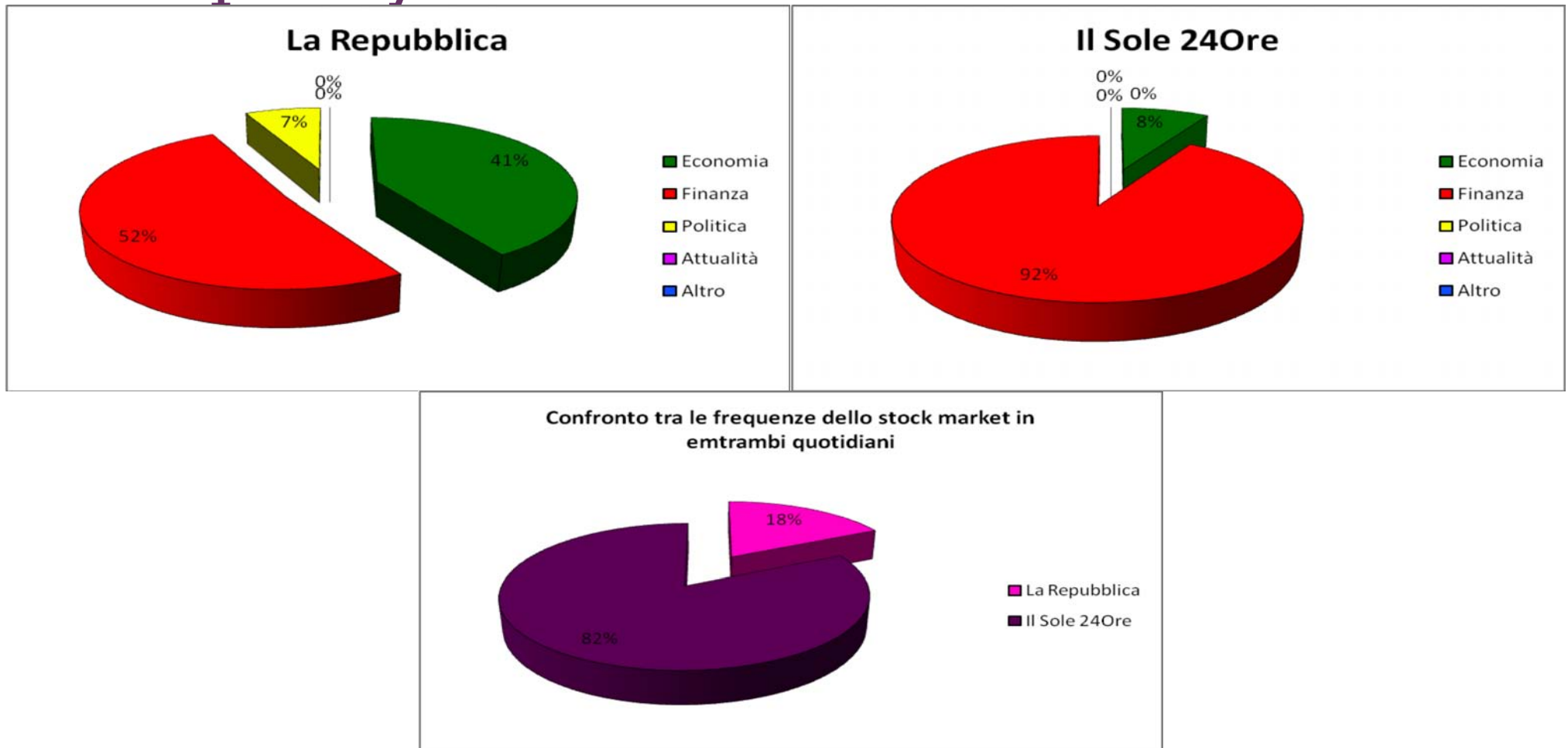
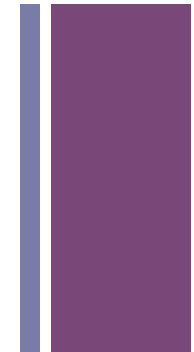
La Repubblica



Il Sole 24Ore

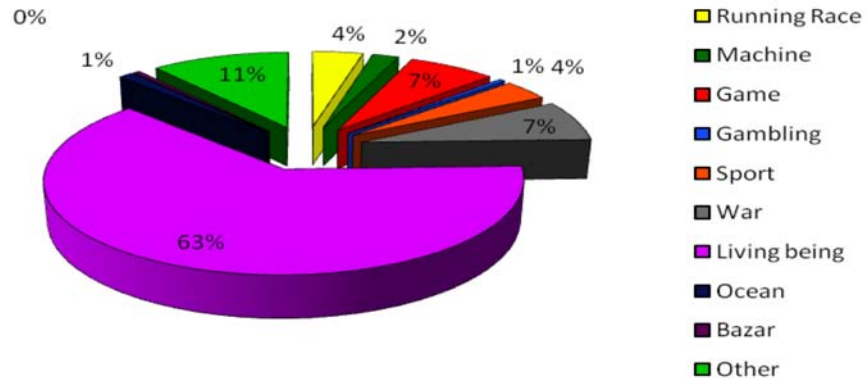


+ MEDIA ANALYSIS: Analysis of frequencies -Thematic Area and frequency of Stock Market

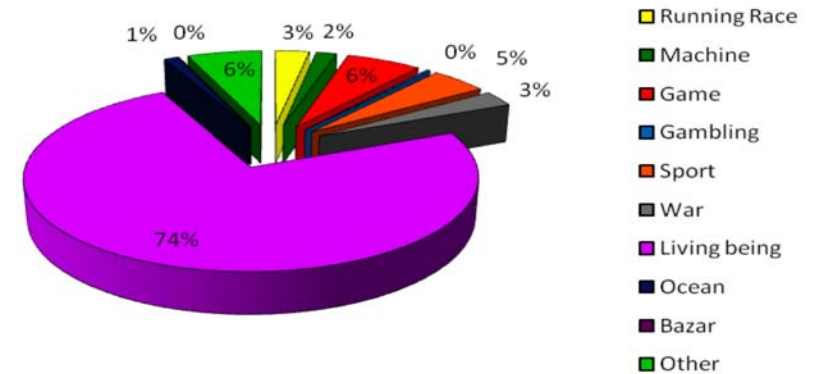


+ MEDIA ANALYSIS: Analysis of frequencies - Conceptual links referred and metaphors

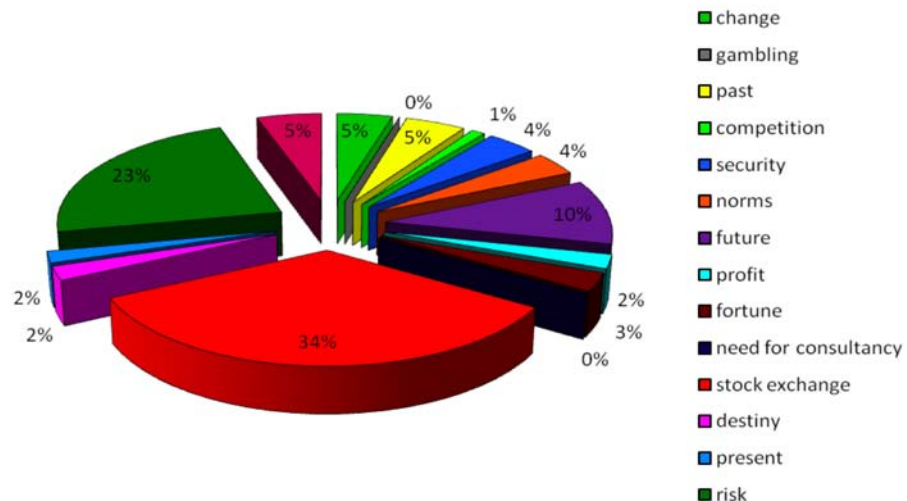
La Repubblica



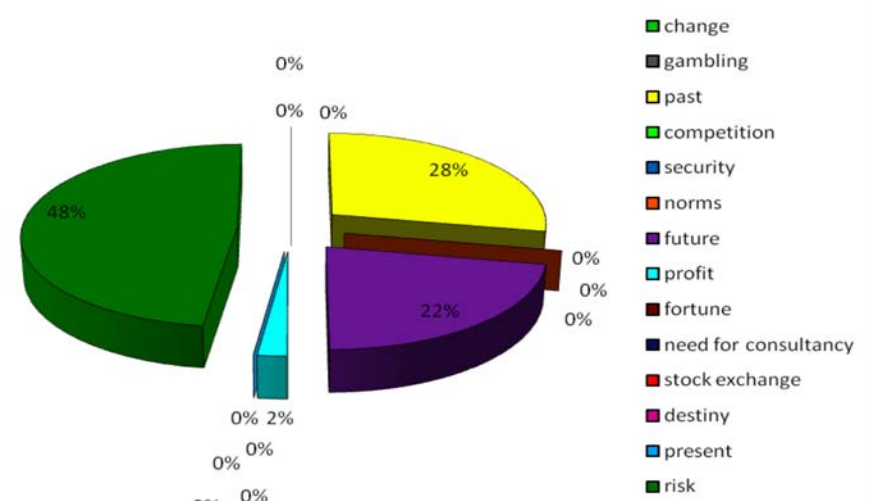
Il Sole 24Ore



La Repubblica



Il Sole 24Ore

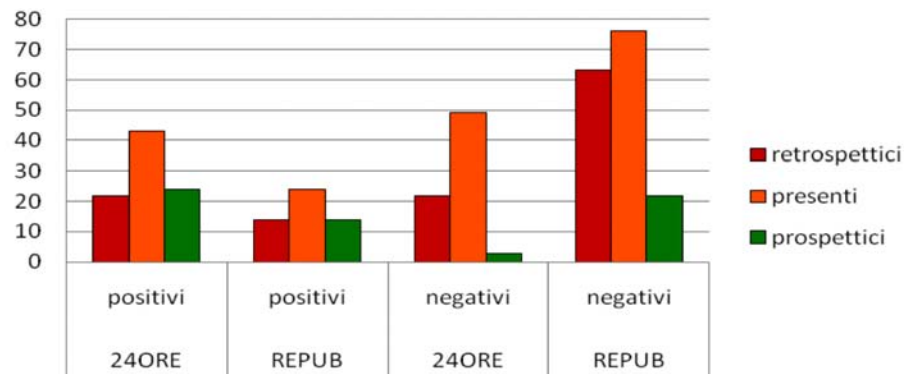




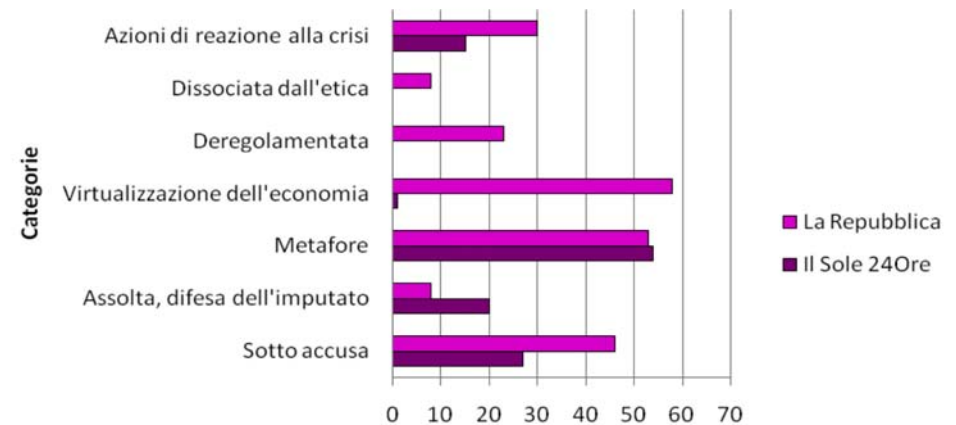
MEDIA ANALYSIS: Analysis of frequencies- Temporal dimension, SR of Finance, Economics and Risk



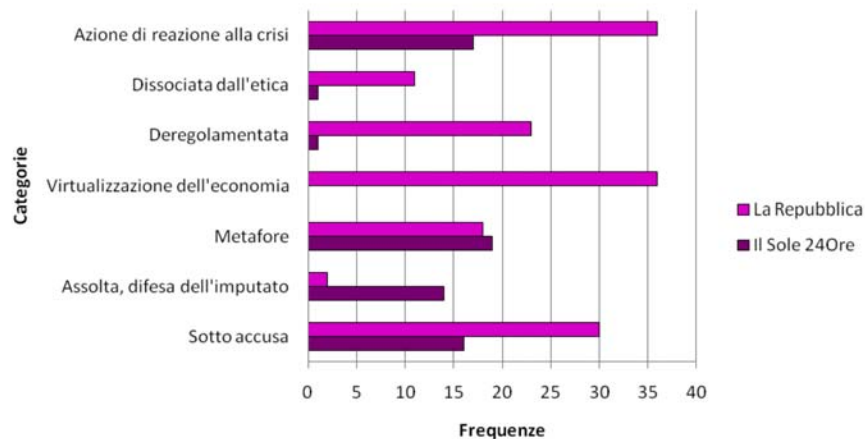
Confronto dimensione temporale della crisi in entrambi i quotidiani



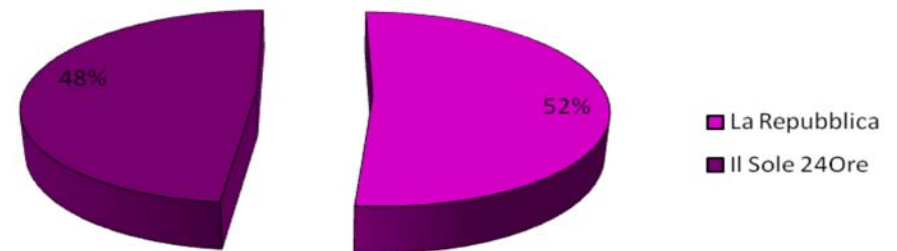
Confronto tra le frequenze delle RS della Finanza



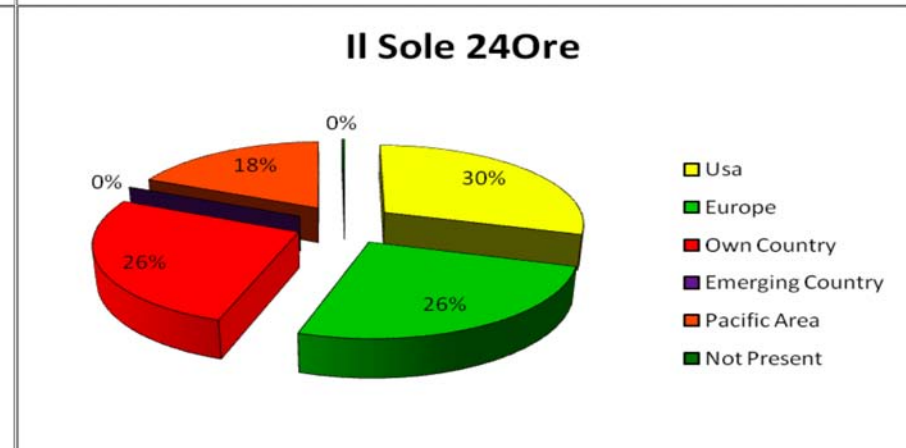
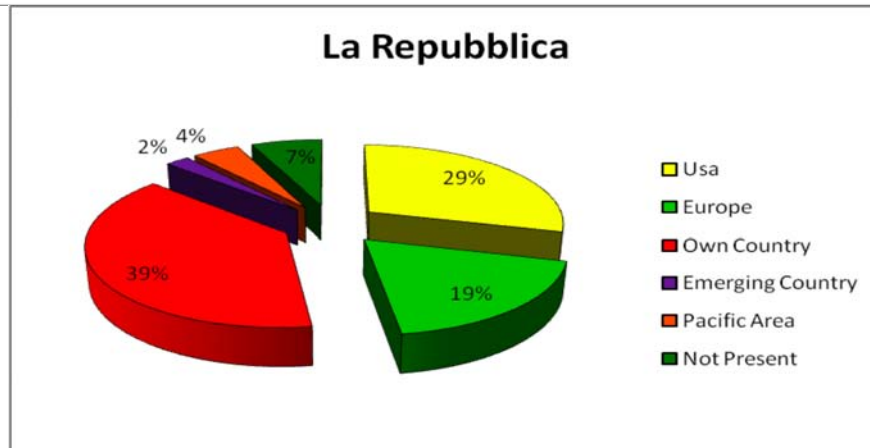
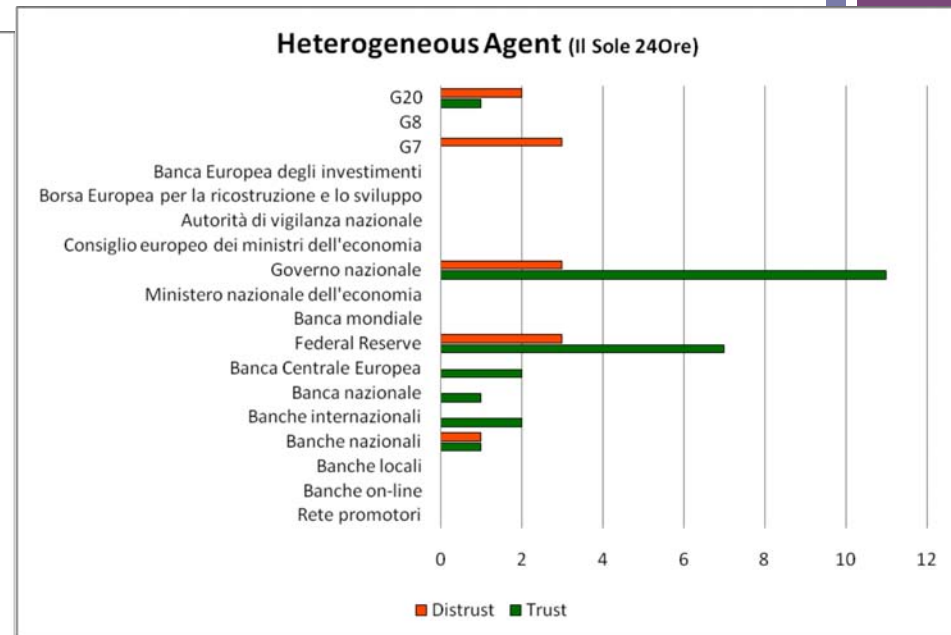
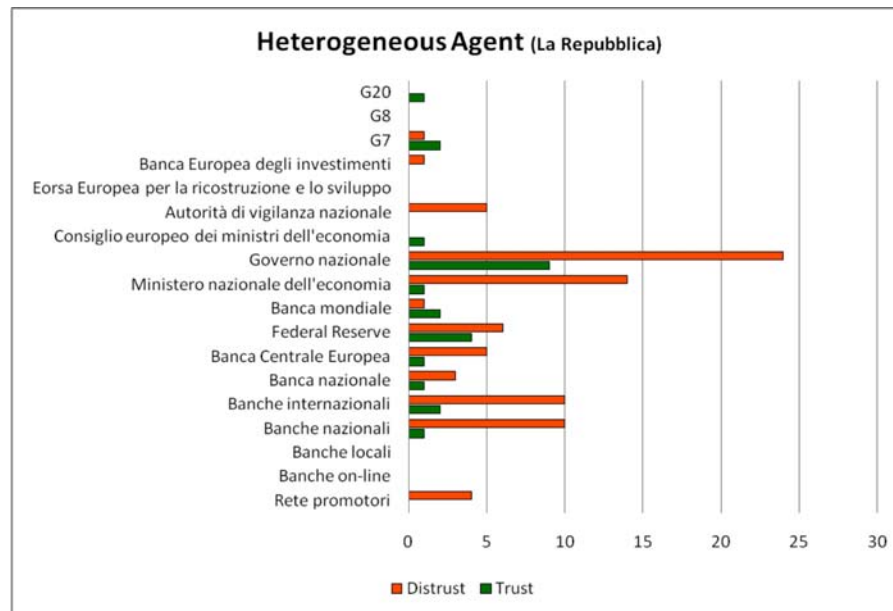
Confronto tra le frequenze delle Rs dell'Economia



Rappresentazioni Sociali del Rischio



+ MEDIA ANALYSIS: Analysis of frequencies- Trust/Distrust and Area of Investment



+ MEDIA ANALYSIS: by Alceste Program, 1st Class “*Expected Recovery*”

- Data analysis have been conducted through the use of the software ALCESTE (Reinert, 1983) on 345 articoli by means of hierarchic descendent analysis and it has found two classes:
- The **first class** refers to articles published on Il Sole 24 Ore in the period between Jan. 1st 2009 – April 30th 2010 .
- The class defines the temporal horizon: transitory time context, whereas the focus is not on the crisis that exploded in 2008, which is absent from the specific words of the class

The class focuses on the local Italian scenario: (Italy”, chi2 10.42; “Italian”, chi2 3.60; “Italian+” chi2 7.54; “Milan”, chi2 2.5; scenario, chi2 4.12) , with a few references to a wider European perspective (Berlin, Athens, Europe) polarized around more recent events that occurred in the Euro zone as a consequence of Greece’s public debt crisis.

It is declared that “*the economic recovery in Italy will be slow and fragile, it will take a lot of time to return to pre-crisis levels*” (e.c.u. 644-13). **Why?**

For the weakness of the National market is due to the fact that the Italian Stock Market is relatively small and very exposed to the financial sector (to the bank crisis).

Notwithstanding the difficulty, rays of light can be seen (“trust” chi2 3.08); the positive elements are linked to the growth of revenues and net incomes of some **big Italian companies** such as the Della Valle Group, and to the fact that in Europe the Italian system– based on saving – has reacted better to the crisis: “*the Italian system is envied in Europe and has reacted better to the crisis without public aid*” (e.c.u. 191-9).

+ MEDIA ANALYSIS: by Alceste Program, 2nd class “The Crisis”

- The **second class** refers to articles published on: La Repubblica in the period between: September 1st to December 31st 2008

The second class, compared to the first one, widens both spatial and time perspectives:

- -in the temporal perspective: we go back in time “up to the 1929 crisis” (e.c.u. 442-14);
- -in the spatial perspective: there is a highlight on the connections that bind the single markets together in a global perspective, producing a “domino” effect (“crack”, chi2 14.63; “failure” 11.62: “crash”, 5.98; “disaster, 5.98) from one corner of the earth (“America”, chi2 22.79 “cines+”, chi2 7.99; “Asia”, chi2 5.98; Russian, chi2 7.99).

Focusing the close relationship among the markets a wide space is dedicated to the American situation where big amounts of government interventions have been necessary to try a “rescue” (chi2 10.01) of “giants” (chi2 3.11) that could not be left to die like “Fannie Mae & Freddie Mac” (chi2 22.35) or “Bear Stearns” (chi2 10.01).

The class highlights the close relationship between:

- -the virtual finance (“financial” – singular -, chi2 12.69; “derivatives, chi2 6.76; “hedge”, chi2 6.28: “speculation”, chi2 6.10; “financial – plural -, chi2 5.65) end
- -the real economy (“resources”, chi2 12.04, “dollars”, chi2 12.6; “millions”, chi2 11.34; “capitalism”, chi2 7.99; “economy”, chi2 7.47). **Why?**

Because the effects of government intervention ends up by having an impact on lay people, thus contributing on the crisis of real economy

+ MEDIA ANALYSIS: by Alceste

Program, Results

- Contrary to the results of the previous study based on qualitative content analysis of books and magazines, in this study on statistical content analysis an interrelated representation of economy and finance emerged in both classes.
- In the first class, good economy is associated to recovery; economic recovery is slowed down by bad finance. Both aspects are interrelated:
- “our stock market is very exposed to the financial sector and in this moment at a global level the financial sector and banks in particular, are more vulnerable to the crisis” (e.c.u.110.9) “the market is weak”-“the economic recovery in Italy will be slow and fragile”
- The second class highlights **the pressure of the virtual finance** (“**financial**” – singular -, chi2 12.69; “**derivatives**, chi2 6.76; “**hedge**”, chi2 6.28: “**speculation**”, chi2 6.10; “**financial** – plural -, chi2 5.65) on the **real economy** (“**resources**”, chi2 12.04, “**dollars**”, chi2 12.6; “**millions**”, chi2 11.34; “**capitalism**”, chi2 7.99; “**economy**”, chi2 7.47), since the effect of numerous government interventions end up by reflecting themselves on common people, re-proposing themselves as a **crisis of the real economy**.
- One can ask: “ *which will be the next bank dropped on American tax payers’ shoulders? Shoulders that are more and more fragile, because in the meanwhile the real economy does not give any signal of improvement*” (e.c.u. 418-14).



INTERVIEWS: 3 versions



- By considering that, people may have different risk aversions and can be influenced not only by different processes in elaborating information (as in cognitive studies), but also by the complex system of interrelation between social representations related to the market and other relevant psychosocial dimensions and attitudes related to risk, trust, and temporal perspective, on the basis of the pilot study, Professor de Rosa and me have adjusted the questionnaire the questionnaire used on that research to the new financial scenario and according to the ERC international project.
- We have considered **three versions** (for Financial Advisors, for Investors through Financial Advisors and for Investor Autonomously online) of a multi-method set of instruments including several technique (from open and projective techniques to structured scales and closed questions).



INTERVIEWS : sample

The sample of this research line has been about 100 of people for each category:

- -Financial Advisors:97
- -Investors through Financial Advisors:97
- -Online Investors:90

We have distinguished our sample according to the kind of Banks and Insurance

- traditional banks (Banca Nazionale del Lavoro),
- innovative banks (Mediolanum)
- Insurance (ITAS)

in order to analyze the different ways of elaborating “trust” and other dimensions.





INTERVIEWS : dimensions

- Different dimension to investigate:
- -the trust/distrust in the market, in the different economic and political actor's ability in capability of the financial crisis management, in the personal financial advisors and their degree of self-confidence as auto-directed investors;
- -the personal temporal perspective oriented to the past, present or future, and the related underlying psychological dimensions such as immediate gratification attitudes, tendencies to delay or delay tendency and sensation seeking;
- -familiarity with telematic tools (Internet, wireless services), correlated with positive representations and metaphors of the Internet, that obviate the need to work through financial and banking consultants.
- -level of financial expertise
- -propensity and tolerance towards risk (risk representations, general risk propensity attitude, financial risk behavior propensity, personal tolerance of market's fluctuations before and after the financial crisis)
- -“contrarian” attitude through the investigation of the investor'/financial advisor' behavior in case of a decrease of the stock value





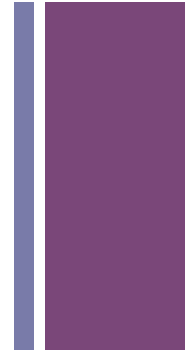
INTERVIEWS :dimensions

- -self-rating of the subject's financial profile (small investor, medium investor, big investor) according to the percentage of capital invested directly and indirectly in the stock market with respect to their entire family estate
- -percentage of invested saving
- -amount and percentage of the loss on the total of the invested saving after the financial crisis until now, using as starting reference point September 2008 as the starting point.
- historically scenario before and after the September 2008 financial crisis (using as point of reference September 2008), and to other dimensions concerning their perceived influence by media and different stake holders:
- -the perceived influence of various economic and political actors on subject's financial decision making,
- -the subject's economic behavior and his/her financial Crisis Explanations and Foreseeing,





INTERVIEWS: Results in progress!



- The results of this research line are still in progress. I will analyze the data at the beginning of September of this year.

Thanks for your attention!!