

flourish

the quarterly newsletter of the
center *for* neuroeconomics studies

WINTER 2009

www.neuroeconomicstudies.org

10 Leadership Lessons *from* **neuroeconomics**



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Letter from the Director

Happy New Year! I trust your holidays were spent building memories and nurturing relationships. We at CNS certainly have much to be grateful for, and much to offer others. We are particularly grateful to our funders and donors who have allowed us to double the number of students and post-docs in the lab in the past year. This has necessitated a restructuring of the lab into research teams, directed by a Program Director. I am pleased to

We at CNS certainly have much to be grateful for, and much to offer others.

announce that the position of Program Director has been filled by soon-to-be PhD from CNS, Moana Vercoe (pg. 6). Moana has been in the lab nearly

from its inception, and her PhD will be her third degree from Claremont so she knows what we do and our academic home well. Since accepting this job October 15th, she has already transformed what the lab is able to

accomplish with her acumen, energy, and generosity towards others.



This year will be one of great challenges and great opportunities. The deep recession has produced many media requests asking how our neurofinance research provides fresh insights into boom-bust cycles, and what can be done to prevent them. We have also been investigating and reporting why people are susceptible to financial scams and when people should be suspicious. This quarter we also have new research appearing on empathy and generosity as well as clinical findings revealing a role for oxytocin in debilitating social anxiety disorder. My hope is that this research will provide ways to inspire economic, social, and spiritual flourishing.

I wish each and every one of you the very best for 2009!

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Recent Publications & Media



The Independent December 2, 2008



Hormones: Learning the Rules of Attraction.

This review of the role of hormones in interpersonal attraction and desire cites CNS findings in its discussion of oxytocin.



The Brian Lehrer Show November 26, 2008



Dr. Zak interviewed live on WNYC's Radio Program

In this interview Dr. Zak discusses the role of oxytocin in our innate desire to help others and how hormones may set us up to fall prey to fraudulent schemes and scam artists.



Scientific American November 5, 2008



Letters on Trust or Generosity

This letter queries the role of oxytocin in the interaction between trust and generosity.



USA Today September 30, 2008



During a Crisis (Financial or Otherwise) We Follow the Crowd

Dr. Zak was interviewed in this discussion of the role of "herd mentality" in the current financial crisis.



Mind, Brain and Body Show September 19, 2008



Dr. Michael Kell interviews Dr. Zak about CNS research showing that oxytocin mediates interpersonal trust, cooperation, and generosity.



Oxytocin Levels in Social Anxiety Disorder



Elizabeth A. Hoge, Mark H. Pollack, Rebecca E. Kaufman, Paul J. Zak and Naomi M. Simon. *CNS Neuroscience & Therapeutics* 14 (2008) 165–170

This research documents for the first time that patients with Generalized Social Anxiety Disorder have a dysregulation of oxytocin. It suggests a new clinical approach to treating GSAD.



Empathy Toward Strangers Triggers OT Release and Subsequent Generosity



Jorge A. Barraza and Paul J. Zak.

Annals of the New York Academy of Sciences In press.

This study provides the first evidence that oxytocin is a physiologic signature for empathy, and that empathy mediates positive social behaviors such as generosity and charitable giving to strangers.

In addition, this quarter Dr. Zak was interviewed by magazines in Russia and Norway. For a complete listing of all publications and media with live links and full downloads, please visit

www.neuroeconomicstudies.org



10 Leadership Lessons

from **neuroeconomics**



The following lessons are excerpts from dissertation research by CNS graduate students Steve Sapra and Amos Nadler. They are directly applicable to leaders of all types of organizations.



1. Success can be your biggest problem

Success causes the brain to want to take greater risks. This means a bigger chance for a spectacular failure – especially if your initial success was due more to random events than skill. Leaders must insist that analytical tools are used to determine appropriate risks, not simply using “gut instinct” that is driven by emotion.



2. Your people are your most valuable resource and potentially the most dangerous

Trusting those around us raises productivity by activating The Human Oxytocin Mediated Attachment System (THOMAS). Higher trust is associated with greater happiness and higher stock market returns. But distrust, especially in men, causes an increase in testosterone and aggressive outbursts that can destroy morale and productivity. Trust must be actively managed to optimize your organization’s effectiveness.



3. Change is hard

Your brain is designed to conserve energy. This means that once something is learned it is hard to change. When can you

Apply these lessons to your workplace and watch it transform.

change? Change is common after a success (see Lesson 1) and is likely in a crisis. In other circumstances, decision-making is based on beliefs about what has already been done because this saves the brain's energy; belief-based decisions are often suboptimal. Leaders must compel and impel change constantly or organizations will operate on auto-pilot and miss new opportunities.

The "soft" stuff is often the "hard" stuff.

4. Continually retool

Learning activates the brain's reward pathways, so provide employees with an opportunity to do and see new things to keep them engaged. This must be done consistently because what is learned feeds into belief formation (Lesson 3) and is subject to selective belief-reinforcing retention. Leaders need to make learning fun.



5. Take chances

Risk is assessed in brain areas that process pain. The pain associated with facing risks can be reduced by slowing down decisions so that the newer deliberative part of your brain is active. Decisions made in haste almost always produce waste. Leaders need to promote appropriate risk-taking in a structured decision-making environment.



6. You are the leader for a reason

Humans are a herd species, we need a leader. Having a leader makes us comfortable and reinforces THOMAS. The leader sets the tone, but successful leaders sustain support by sharing the fruits of leadership. Too much top-down leadership reduces innovation and ownership of ideas and projects especially among knowledge workers as Peter Drucker recognized. Share leadership.



Awareness and implementation of these principles will give you greater influence and respect in every area of your life, not only at the office.

7. Moral markets

Human beings have an innate affinity to be virtuous because this makes us happy. Aristotle identified magnificence as primary human virtue. A leader who fosters the magnificence of those around her or him will be successful.



Continued on pg. 5

share YOUR Story!

How have these lessons made a difference in your

life?

info@

neuroeconomicstudies.

org

(don't worry, all email is confidential).



8. Take a stand

Integrity builds trust and reduces the friction of operations by building a reputation for delivering what is expected (or more, see Lesson 7). Taking a stand by turning down customers or suppliers who don't have integrity will establish your reputation for quality. Integrity must come from the organization leader and be constantly reinforced to maximize its value.



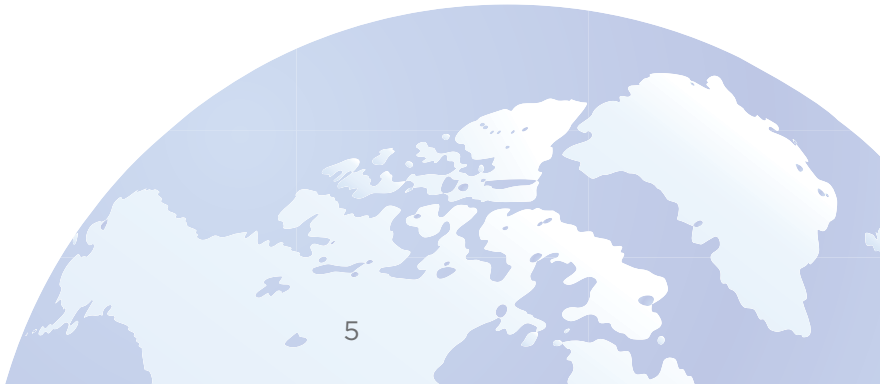
9. Money matters, but not that much

According to Peter Drucker, organizations are societies in miniature where individuals seek to satisfy their needs for security, recognition, and purpose. Salary is only weakly associated with these needs. An empathic leader understands the needs of others and creates a workplace that fulfills their needs. This enhances motivation, helps retain employees, reduces sick days, and increases productivity and profitability.



10. Pay it forward

Rather than selfish homo economicus, our research shows that we are homo reciprocans or reciprocal beings. If you help others, 98% of those around you will reciprocate. A leader can initiate and sustain cooperation, trust, integrity and magnificence.





ResearcherCloseup

Moana Vercoe

A New Zealand native with a passion for transdisciplinary studies takes the helm as CNS's first Program Director.



Background

I started working at CNS as a Research Assistant while I doing doctoral coursework in politics and economics. I completed undergraduate training in physiological psychology and earned an MBA, but for my PhD I was having difficulty fitting the pieces of what I was studying together in a way that would have an impact scientifically and on society. Neuroeconomics, and examining human behavior in terms of brain functioning, provided me with tools and a framework to gain insights into how people behave and societies develop. It also gives me a sense of optimism and the hope that I can improve the world.

On being the first CNS Program Director

I can't imagine doing anything that would be more fulfilling or fun than being the CNS Program Director. This year we are building on the results CNS has established in our previous experiments to increase the scale and scope of our research. The kinds of questions we are now able to address are quite complex.

Neuroeconomics, and examining human behavior in terms of brain functioning, provided me with tools and a framework to gain insights into how people behave and societies develop.

Because of this, we are utilizing a wider range of neuroscientific tools in an integrated multidisciplinary approach. Innovative research is what CNS is known for, and it is the processes of getting those results that differentiates us as researchers. We always work in teams and are mentored throughout so that at the dissertation stage we manage our own research team. Multi-method training in conjunction with the culture of trust, cooperation and excellence has eased the transition into my new position as Program Director.

Current Work

As the Program Director, I coordinate and facilitate the activities of five teams of researchers – ranging from undergraduates to MDs and PhDs working with us around the world. I work with people who are passionate about research and energized because our results have the potential to make a difference. Everyday I get to juggle concepts, resources and projects while working with a fantastic group of people who are trying to solve the puzzle of human flourishing.

Calendar of Events WINTER 2009

- JAN** 13 The Moral Molecule
UC Davis, Psychology, CA
- FEB** 26-27 Oxytocin, Stress & Performance
University of Texas at Austin Center for Strategic and Innovative Technologies, Washington, DC
- MAR** 5 The Moral Molecule
University of Louisville
- 20-22 Emotions and Economics Conference
University of Richmond, Richmond, VA
- 27-29 Conference Director
Moral Markets: Ethics, Economics, and Liberty
San Diego, CA
- MAY** 1 Empathy and Collective Action
Collective Action Workshop
University of Indiana, Bloomington, IN
- 18 The Moral Molecule
Gruter Institute Law and Neuroscience Conf.
Squaw Valley, CA



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