

## What Conventional Finance Can't Tell You

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Professional investors are turning nervous about the path of asset prices. Unlike conventional models, we cannot interrogate the precise nature of these concerns: other than a vague sense that something strange and frightening is happening which arouses a feeling of dread and horror while being simultaneously oddly familiar. A concern heightened by the fact that conventional stock and bond valuation have been degraded almost to death by a combination of intense central bank intervention and near-zero natural real interest rates ( $r^*$ ). Before deciding whether to listen to our inner voice we first need to understand more about it. We explore:

You probably weren't aware of this but hidden from view in the last decade or so there has been an increasing interest in the psychological theory of 20th century Swiss Psychiatrist Carl Jung. Some of the biggest brands, the most central institutions, and the most prominent political movements are so influential precisely because they understand how to exploit one of Jung's most fundamental concepts: The collective unconscious.

You would be forgiven if you have never heard of the collective unconscious before; it is an entirely misunderstood and contentious concept. Jung argued that, as well as the personal unconscious popularised by Freud – which is unique to every individual – the unconscious psyche had a much deeper level which is typical across the human species. This collective level is the deepest and most primitive part of the human psyche, which comes programmed in all individuals at birth. Jung viewed it as a ‘psychic substratum’, sort of like a network of archaic information deposited into the nervous system as humans have evolved. This inherited, pre-built structure of the unconscious directs us to behave in typically human ways.

In Kevin Lu’s words, the collective unconscious is the

*general part of the unconscious mind; derived through aeons of repetition of human cultural imagery and experiences that, despite differences in detail, remain typically human with recognisable commonalities and meanings.*

## What actually is the collective unconscious?

We have a conscious and an unconscious mind which speak very different languages. The language of the conscious mind is language – words, speech, etc. The language of the unconscious mind is image. All your waking life, your unconscious mind communicates with your conscious mind in the form of fantasy by spontaneously producing images, impulses, and flashes of insight. Whether this be daydreaming or mind wandering in the day, or actual dreaming at night.

Think about what happens when a loved one is out late and doesn’t answer their phone. What happens? Your mind immediately starts spinning together a narrative of a worst case scenario in your head. This is an example of how the unconscious mind communicates: it produces images that play out as a personal drama to influence your behaviour.

The point here is that your conscious and unconscious modes of thinking are entirely different. Consciousness is logical, literate, and modern. Unconsciousness is emotional, imagistic, and primitive.

Consciousness is a very recent evolutionary adaptation. For thousands of years our brain engaged only in unconscious activity – in fantasy production. Jung himself argued that “There were psychic processes and functions long before any ego-consciousness existed. “Thinking” existed long before man was able to say: “I am conscious of thinking”. This means that, before consciousness developed, primitive man engaged in the same cognitive activity as the rest of the animal kingdom. It was during this time in our evolutionary history that the human brain was contained solely within the collective unconscious – the deepest and most archaic layer of the psyche.

Because this type of thinking still occurs beneath our consciousness (and occurs in children before they develop consciousness), we can argue that the collective unconscious is the activity of our brains if consciousness were taken away.

If consciousness were taken away, what would be left is an a priori structure that exists beneath the personal psyche. In it we would find 'traces of earlier modes of functioning' and thinking which helped us to survive in ancient historical epochs. If we only had this type of primitive, collective thinking, then all brains in the human species would engage in similar activity, have similar thoughts etc. This shared thought is not specific to any one individual but, in the absence of consciousness, can only be a result of the shared evolutionary history of that species and the shared psychological makeup it results in.

Think about dogs: your dog engages in "thought", but it doesn't direct the thought itself – it has no conscious control over what "happens" in its head. Rather, their thoughts and behaviours are driven by their automatic reactions to environmental cues – which is exactly what instincts are. So we can assume that the thoughts going on in the head of one dog are remarkably like the thoughts of a dog living on the other side of the world. So in other words, their thoughts both arise from a collective pool of psychic activity – or a collective unconscious.

You can think about it in terms of other animals too: How do honeybees intrinsically know how to build hives? How do dogs intrinsically know to chase cats? How do birds intrinsically know when and in which direction to migrate? How do spiders know to spin webs? These are behaviours which are innate and need not be taught.

If all organisms manifest identical behavioural patterns which are automatic, then we have to assume that it comes from some sort of unconscious behavioural framework which is inbuilt. This collective behaviour would only be possible if it was drawn from an unconscious network of inherited information, which Jung viewed as the 'deposits of the constantly repeated experiences' of that species into the nervous system itself.

To give a more modern example: Imagine you are buying a new phone with 64gb of memory. What happens when you receive the phone? Can you access all 64gb of that memory? No. The phone comes pre-programmed with a certain amount of essential information without which it couldn't function. And this is exactly what Jung meant by the collective unconscious: There is a certain portion of our unconscious mind that is actually built into the psyche through evolution. Without this network of information, we couldn't function in the world or function collectively with other members of the species.

## Why should I care about the collective unconscious?

The collective unconscious remains one of Carl Jung's most fundamental yet debated contributions to psychology. It has attracted criticism from many disciplines, perhaps mostly from the behaviourists, whose ideas are based on the notion that individuals are born with nothing pre-determined about them. But how can we continue to deny the validity of a collective unconscious – of a repository of pre-determined inherited information and fixed behavioural patterns – when identical twins raised on opposite sides of the world are disproportionately more similar than step-siblings raised in the same household?

The really interesting stuff starts when we recognise that concepts from the collective unconscious can be recreated or turned into symbols by brands and companies alike. In fact, the reason that multinational brands should care about the Jungian collective unconscious is because, in a world of unlimited information, it is the only thing which guarantees you the singular attention of your customers. For when we see symbols and concepts which relate to the collective unconscious, it has such an influence over us precisely because we recognise it as part of our unconscious human hard-wiring.

The truth is that there is no more powerful a tool which brands and businesses can wield – but more on that next time.

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