

THOMAS THEOREM APPLICATIONS IN ECONOMICS

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Abstract:

The study presents a history of Thomas's theorem formulation and points on its up to dateness. At the same time it pays homage to William Thomas, whom we celebrate at the occasion of his 150th birthday. There are analyzed the implications of Thomas's theorem starting from a real situation in America, which was triggered by a broadcasted drama that caused panic in New York. Finally, there are reviewed implications of Thomas's theorem in post-communist Romania, when a number of banks got bankrupted on the principles of this theorem.

Keywords: *Thomas theorem, rumor, situational analysis*

We celebrate the 150th anniversary of the birth of William Isaac Thomas (13 August 1863 - 5th December 1947), American sociologist, former president of the American Sociological Society (now ASA), professor at the University of Chicago. His work, not very large in size, remains valuable in content. The paper "Polish Peasant in Europe and America", written in cooperation with Florian Znaniecki, is a monumental work, classical, which is studied today in American universities. Another important work is "The child in America: behavior problems and programs" (New York: Knopf, 1928), written with his wife Dorothy Swaine Thomas. In this paper appears for the first time, what later will be called the Thomas Theorem (Op. cit p 572): "If men define situations as real, they are real in their consequences". Although the book was written by both spouses, today it is known exactly that the formulation of the theorem belongs to William Thomas (in a large article

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entitled "The Thomas Theorem and The Matthew Effect" published in *Social Forces* No 74 December 1995, Robert K Merton undertook a thorough analysis of the history and connotations with which the theorem circulated, - and after he corresponded with Dorothy Swaine Thomas – concluded that it belongs solely to William Thomas). Thomas started developing the theorem from the analysis of situation in various contexts. Situational analysis was used mainly in the sociology of migration, where he develops a typology of immigrants in America (The Settler, The Political Idealist, The Intellectual, etc.). Many events, happened in America and around the world, have proven the viability of Thomas's theorem. 10 years later, after the publication of the work, in 1938, a broadcasted theatre play, produced chaos in New York and reminded of the force of Thomas theorem.

Orson Welles (1915-1985) actor, writer, film director, worked in theater, radio and film. He gained international fame in 1938 when, as director and narrator of the radio play "War of the Worlds", created real panic in the audience, caused by the realism of the play. It was an adaptation of the novel with the same name by H.G. Wells, published in 1898 and considered to be the first story detailing the conflict between humans and aliens. The author of the novel, Herbert George Wells (1866-1946), English writer, is known as the father of science-fiction genre. Among his most famous literary works from this category are: "War of the Worlds", "The Time Machine" and "The Invisible Man".

The drama was broadcasted between 8.15 and 9.30 p.m. and its subject was an interplanetary war started in New Jersey and New York. Two-thirds of the first hour of radio play was devoted to the presentation of information in the form of a news bulletin, telling how a kind of "meteor", a "metal cylinder", from which dropped out some strange beings, landed on Earth and triggered a gas attack.

This broadcast contributed to the building of a wrong perception, as the listeners believed the events were real. Although before the play started, the following announcement was made: Columbia Broadcasting System and partner stations presents Orson Welles and the Mercury Theatre in "War of the Worlds" by HG Wells), it seems that the listeners have lost information or considered it irrelevant in context of authenticity of the action staged by Welles. The omission can be explained by the fact that in that period the broadcasts were often interrupted to transmit news about military events that took place in Czechoslovakia. These series of "news" was not associated with

the drama but with a newsletter, a kind of breaking news, which transmitted information of interest to the public. The style of the play was so alive that the content seemed real and not fiction.

The narrator's inflection, the authenticity of his behavior made the listeners to take information seriously and act in consequence. A number of people needed medical care because of the shock they suffered. Some people tried to verify the information and called the police, newspapers and radio, where it was explained that it was fiction and there was no reason for concern. In response, these institutions have sent information through their specific channels such that it is a drama, a fantasy story, nothing real. However, many of the residents have considered that it is no time to check the data and better take into account the advice of so-called "newscast". Therefore, they left their homes and went somewhere to be safe. "News" has quickly spread on the rumor principle. Two women, whose husbands were at the theater, called the director of the institution and asked him to tell their husbands to leave the building immediately (The New York Times October 31, 1938).

Some people even said they have seen the invasion, and therefore fueled their cars, took their families and went to the police in order to tell them where to go to be safe. In the campus of Brevard University/college five students fainted and their colleagues lived half an hour of panic, while struggling on the phones to call their parents to pick them up.

The New York Times received 875 calls in a very short time. 42 inhabitants of the town of Harlem went to the police station and said they had packed their belongings and were ready to leave the place. The only thing they needed was to be told where to go. One of them insisted that he heard the president on the radio urging them to leave the city.

In Westchester the authorities thought that they were victims of some bad jokes. They were insistently called by residents who asked "where the 40 policemen were killed" (part of the play). In some hospitals and prisons it was decided to close the radio because people in these institutions believed information and there was the risk of triggering a state of panic.

In some areas teams of volunteers were mobilized in order to help coping the situation, especially to take care of the wounded. Even when people were told that the situation was not real they were quite confused, not knowing whom to believe.

In New Jersey a large number of people fled their homes staying in the street and staring fearfully at the sky. Meanwhile, a police patrol arrived and tried to calm them, explaining what it was about

In Newark the traffic was blocked by approximately 20 families who went to the streets and called the police because "they were threatened by a gas attack." An ambulance, three police cars and an intervention car with eight specialists who brought gas masks and inhalers arrived and found people with wet handkerchiefs on their faces uploading stuff from their houses to the cars in order to leave the city. In the center of the same locality fifteen people needed medical intervention due to the shock they suffered. Three other people who had children under treatment in hospital called and announced that hat they would go to take them in order to leave the city, but were calmed down by the authorities (The New York Times October 31, 1938).

A member of Baptist Community entered a church during the Mass and shouted that a meteorite fell and caused great destruction and therefore they are in danger. At that moment all the people began to pray for salvation from the "catastrophe."

An unidentified man tried to enter the building of a theater to warn spectators that a meteorite fell near New Brunswick and spread toxic gases everywhere. He was stopped by the theater manager who called the police. Then they explained him that it was fiction. Managing the situation was aggravated by the fact that the phone lines were blocked so that the authorities could no longer communicate with each other to ask information about the situation in different cities.

Later, The Columbia Broadcasting System explained that the drama was an adaptation of Wells's novel, and that director Orson Welles replaced the English locations of the play's plot with locations from the U.S. Doing so, he intended to make the details more attractive to the American public. They also said that the imaginary character of the show was mentioned four times before starting to broadcast it, but apparently this information was not received. The director expressed his deep regret for the incident and said that he probably he would broadcast it never again. He also said that he had thought that listeners would have got bored listening something that unreal, therefore he tried to make the transmission more active and more real.

Today, Thomas's theorem has many applications in Romania (after December 1990). A number of Romanian banks, including Dacia Felix Bank, Bankcoop, Religions Bank have assumed this theorem. For sure some of the

financial engineers made these banks vulnerable, but the greatest impact was the rumor that they are insolvent. When customers rushed to withdraw their money, the banks collapsed. They defined a situation as real (the bank has no money!) that became real in its consequences. The same happened with BCR in 2000 when a similar rumor created panic among depositors and the people rushed to withdraw the money they had deposited to the bank. In Sibiu a window of the bank was broken and people come out with bags of money. Finally proved that the bank was solvent, and those who initiated this action failed: their goal was to show that the bank is vulnerable and to purchase it for nothing! Finally the sale of BCR was a great success, but those who started the rumor were never found.

Messages coming from credible persons such as the Governor of the National Bank, Mugur Isarescu, can influence the behavior of individuals: when they say that Romanian currency is strong (to keep savings in Romanian currency). The economist Mugur Isarescu is doubled by a fine psychosociologist that add its own power (symbolic) to national currency functionality.

Contemporary research on consciousness shows that we can change the world in which we participate through an awareness of the objectives that we want to achieve. In this context, theorem of Thomas may have positive applications in socio-economic life.

Today an important desiderate of any society is building confidence, from the institutional level to the individual one (the sociologists systematically measured the confidence level). The degree of complexity of the societies increased while the trust level decreased. Francis Fukuyama stressed that in America there is a significant decline in confidence. If around 1900 business partners were shaking hands and saying "deal" the business was completed, today things have changed dramatically. Take any contract with an insurance company or a bank and see how many pages you have to read in order to understand the terms of it. Most of the customers give up to do so! Mistrust is mutual! Decreased confidence or lack of confidence reduces the dynamics of society.

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