

## Mass Media Coverage Professor J. Scott Armstrong

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### The Art of Forecasting Falls on Hard Times by Kevin Phillips

The forecasters' art is a dismal one these days, almost as dismal as their record. Across a broad spectrum of subject matter – from politics and communications to society and consumerism – prognostication has come a cropper, with economic seers probably the least successful of all.

Yet the same law that C. Northcote Parkinson postulated regarding the latter-day Royal Navy may apply: Just as fewer British ships have somehow led to more British admirals, minimal forecasting success has somehow meant even more forecasters. Witness the Third International Symposium on forecasting to be held in June under the auspices of the International Institute of Forecasters and the University of Pennsylvania's Wharton School: Seers of all categories and degrees of competence will descend on Philadelphia to compare notes.

Ironically, the session's principal director, Professor J. Scott Armstrong of the Wharton School, several years back wrote a study that wittily debunked forecasting: "Expertise beyond a minimal level in the subject being forecast is of almost no value ... The implication is obvious and clear-cut: Do not hire the best expert you can – or even close to the best. Hire the cheapest expert." An exaggeration, perhaps. But not by much: In a fascinating new analysis, California economist Thomas Hazlet has laid out a number of the best-botched economic forecasts of the last decade: 31 of 32 major forecasting models did not call the 1974-75 recession; California's UCLA Business Forecasting Project mistakenly predicted that Proposition 13, passed in 1978 would plunge the state into a virtual depression and, in 1982, *The Washington Post* reported that the consensus economic forecast had been wrong five out of the last seven times on whether the Gross National Product would go up or down during the following three months. Tossing a nickel would have been equally predictive.

Possibly the ultimate embarrassment of the economic forecasters has emerged in a National Science Foundation study conducted by economist Kajal Lahiri and reported late last year. Lahiri found that consumer surveys tabulating the expectations of everyday Americans outperformed the experts in predicting basic inflationary trends and levels.

Of course, one reason the forecasters have done so poorly is that we live in what management consultant Peter Drucker rightly describes as an age of discontinuity. Old rules and relationships do not apply anymore. Arguably, the late 20th century is seeing another of those great global upheavals – call this one the Post-Industrial Era, the Third Wave, the Microchip Era, or whatever – in which economic, political, societal, and commercial relationships undergo mega-watershed transformations like the Industrial Revolution and the 16th century's Renaissance, Reformation and Rise of Capitalism.

If this upheaval has created interpretive and forecasting turmoil in the economic arena, the same has been true in politics. Sixteen years ago, I wrote a book called *The Emerging Republican Majority*. It was used prior to publication as a strategic element in Richard Nixon's 1968 presidential campaign.

Basically correct in its forecast of a new conservative era (with populist overtones) pivoting on the Sun Belt – a term coined therein – and in its forecast of Republican presidential dominance (three of the last four presidential elections have gone to the GOP), the analysis miscarried in its collateral explanation that the Republicans would put together a new party majority of sorts. Yet I simply assumed continuation of the pattern prevailing throughout U.S. electoral history: a political realignment and a clear-cut new party majority taking shape every 28-36 years.

However, for all that historical models suggested such a new majority was overdue in 1968-72, it never came. Watergate was a major factor, of course. But so was the decay we have seen over the last two decades in the role of the national political party. Parties just do not have the roots or the institutional importance anymore to mobilize new traditional-type majorities.

One distinguished political scientist, Prof. Walter Dean Burnham of the Massachusetts Institute of Technology, forecast as much in the mid-1960s. Yet his analysis missed the possibility that a notable swing to the right could occur on the presidential level despite party decay. As of 1983, Burnham and I both agree that

the U.S. party and political system is in deep trouble – and with a tilt towards populist “frustration politics.” Whether our convergent forecasts are prophetic or all wet remains to be seen.

Predicting the shape and nature of society has been another troubled enterprise. Because the pop sociology market is larger than the serious political or economic analysis market, books here can make the best-seller list – unfortunately. Yale Prof. Charles Reich’s *Greening of America*, published in 1970, predicted that American society – young people especially – was headed for a new culture and morality of self-indulgence and hippie beads, hardly predictive of today’s youthful preoccupation with future earning power and vocational success.

As of 1983, even ROTC is making a comeback – and even at Harvard. Alvin Toffler’s widely known *Future Shock* was a kindred venture into gross overstatement. The most reasonable example of sociological forecasting – John Naisbitt’s current best-seller *Mega-trends* – really is not a forecast at all, but a compilation of today’s ongoing trends with staying power: The Sun Belt is going to increase its national dominance; the national two-party system is going to continue to decay. Of course.

Yet even Naisbitt’s sober approach to forecasting – principally based on analyzing and projecting current national trends by content analysis of hundreds of newspapers and periodicals across the United States – misses the occasional highly significant trend launched not at the grass roots but from on high. Watergate and the oil crisis of 1973-74 would be good examples. So would most of the wars and financial crashes of modern U.S. or world history. The most reasonable 106-year projections made right before 1914, 1929, 1939 or 1973-74 were undone by the critical forces unleashed by great events.

As of the 1980s, the United States and the world do seem to be caught up in one of those infrequent basic Industrial Revolution-magnitude upheavals consigning old economic, societal and political yardsticks to the scrap heap.

For the forecasting profession, this confusion, fulfilling the old Chinese curse “May you live in interesting times,” cuts two ways: Changing relationships are almost impossible to predict. Yet the desire of individuals and organizations for explanations and insights seems insatiable.