CONTENTS

	PREFACE	Arthur Seldon	5
	THE AUTHOR		10
	CONSEQUENCES	Centre pages	
I	INTRODUCTION The economic dice		I I I 2
11	THE 'ODDS' IN ECONOMIC LIFE ARE MORE COMMOTHE 'SURE THING' What determines whether you live long or burns down?—conditioning variables Life, based on chance, can be foreseen only Testing 'sure things' and 'odds on (or again	your house as chances	12 14 15
III	REAL LIFE The formative years From sham to reality Loose (economic) laws and precise (econom Institutions affect the application of theory Disentangling cause and consequence The parable of the Russian peasants The short and the long (term) and the tall or Why the General Secretary of the Lab went wrong Galbraith's missing evidence	netric) results to real life (story),	19 20 23 24 25 28
IV	ECONOMIC FORECASTING VERSUS PREDICTION?—S ASTROLOGY? Economists/econometricians cannot predict other exogenous) behaviour Macro, misbegotten son of Micro, or the mis numbers Macro limitations—or, To aggregate or not Policy-making requires forecasting—based or	political (or use of index to aggregate?	33 34 36 36
	measurement, not surmise (i) Cereals (ii) Oil The two alternatives to econometrics (a) Naïve prediction (b) Ad hoccery The real thing—from number—fudging to The record of the model-builders Macro-models try to incorporate the procest Econometrics helps learning from experience	ss of change	41 42 43 44 48 50 54 58

[3]

V	A BETTER WAY TO UNDERSTAND THE ECONOMIC WORLD AND	<i>C</i> .
	ITS EFFECTS ON YOU	62
	From fumbling (macro) steps to best (micro) feet forward Macro-policies at best correct opposite errors; little	
	scope for initiating growth	63
	Driving a train by the rear window	63
	Basic micro-sources of growths	65
	Motives and misunderstanding in government	66
	The impossible macro-dream	67
	Micro policy—devising property rights	70
	(a) The legal framework	70
	(b) Enforcement of property rights	72
	(c) Government and 'public goods'	72
	The Government dressed in private clothing	73
	The required functions of government	76
Ί	SUMMARY AND RECOMMENDATIONS	76
	A. Summary of the Argument	76
	Practical lessons of macro-models	79
	(a) Rejection:	79
	(b) Recognition:	79
	B. Recommendations for Policy	7 9
	A SCEPTICAL VIEW OF FORECASTING IN BRITAIN Ralph Harris	81
	Pretence of knowledge	81
	Corporate forecasting and national planning	83
	Equilibrium or rogue elephant?	84
	Reality of ignorance	84
	(i) Ignorance of the present	84
	(ii) Uncertainty of the future	84
	(iii) The macro-mirage	87
	Scientism and statistics	88
	Proof of the pudding	89
	The bigger the worse	90
	Alternative approach	91
	How perfect?	91
	How stable?	92
	SIMPLE EXPLANATIONS OF THE MAIN IDEAS—Glossary	94
	QUESTIONS FOR DISCUSSION	100
	A NOTE ON FURTHER READING	101