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year than it actually did.

However, the authors say, "the Stockman critique of the 1981 long-run forecasts overlooks widespread bias in long-run Executive branch forecasts prior to 1981." The 1981 long-range economic forecast was *more* accurate than the forecasts of 1976, 1977, 1978, and 1979. The mean annual overestimation of long-range GNP growth made between 1962 and the start of the Reagan administration was 2.1 percentage points; the Reagan administration has reduced the error to 0.9 percentage points.

While short-run government economic forecasts "appear to be accurate and unbiased," long-run forecasts often face political pressures. For example, the Carter administration's long-run economic forecasts were prone to error because the Humphrey-Hawkins full-employment bill required that forecasts be prepared as if full employment would be reached "in the more distant years" of the projection. The authors expect OMB forecasts prepared under the 1985 Gramm-Rudman-Hollings deficit-reduction law will continue to be overly optimistic.

The authors suggest that private forecasters are likely to issue more reliable long-range forecasts. Unlike the government, the authors conclude, private forecasters "have a considerable financial incentive to issue forecasts with the least bias and greatest accuracy possible."

Some Lessons In Development

"Why Isn't the Whole World Developed? Lessons from the Cotton Mills" by Gregory Clark, in *The Journal of Economic History* (Mar. 1987), Hagley Museum and Library, P.O. Box 3630, Wilmington, Del. 19807.

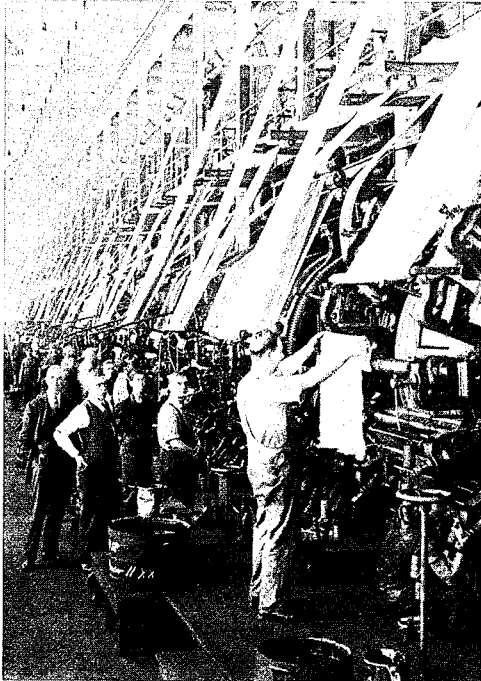
What causes some countries to be less developed than others? Developed countries, says Clark, an assistant professor of economics at Stanford, use labor more efficiently than their less-developed competitors.

Clark makes his case by studying Britain's domination of the world textile market in the years before the First World War. In 1911, Britain produced 81 percent of the world's cotton yarn and cloth exports with only 40 percent of the world's cotton-spinning mills. Yet all of Britain's cotton had to be imported, and British wages were over five times as high as Japanese and Chinese wages and twice as high as wages paid to Italian and Russian workers.

British workers earned their high wages by being much more efficient than their counterparts in competing nations. Workers in British mills could tend four times as many looms as workers in Indian or Chinese mills and twice as many looms as workers in Spanish, Italian, or Portuguese mills, even though most mills in the world used British looms and many used British mechanics.

Efficiency was related neither to experience nor to a worker's origins. Employees of Southern U.S. mills tended 30 percent more looms than British workers, yet Southern mills usually hired "hill farmers and their families, who were completely inexperienced not only in textiles but in any kind of factory work." In Italy, between three and six times as many workers were required per machine as in New England.

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Britain built the first modern cotton mill in 1771. This 1916 photograph shows managers and workers in the "printing room" of a large textile mill in Lawrence, Mass.

Worker efficiency, Clark argues, is "determined by the local environment." For example, in some less-developed countries, workers refuse to increase their productivity for fear of increasing unemployment. Indian mill hands during the 1920s refused to operate more spindles because they did not want to deny jobs to unemployed countrymen. Indian workers, wrote one American observer, "cannot be persuaded" to work harder "by any exhortation, ambition, or the opportunity to increase their earnings."

Novelties

"Gross National Products" by Robert A. Mamis, in *Inc.* (Apr. 1987), 38 Commercial Wharf, Boston, Mass. 02110.

The novelty products industry in America is thriving. Chattering teeth, Slinkies, Wacky Wallwalkers, and other novelties are steady sellers. Yet the family-owned firms which build novelties are threatened by cheaper Far East imports and rising production costs.

Many novelty products, says Mamis, an *Inc.* senior writer, sell well for generations. The Joy Buzzer was perfected by 1928. The Slinky was invented in 1943, when naval engineer Richard James saw a torsion spring slink off a shelf. Graham Putnam, chief executive officer of Fun Inc., says he wants to manufacture products that will have a "steady [sales] volume year in and year out."