

ECONOMICS, LABOR, & BUSINESS

new AT&T (comprised of the Long Lines division, the \$12 billion-dollar Western Electric manufacturing arm, the famed Bell Telephone Laboratories) does not adapt well to a competitive, unregulated marketplace. And the lack of an integrated, nationwide communications system worries U.S. defense planners. (In fact, the Pentagon is seeking from the courts certain exceptions to AT&T's breakup agreement.)

Uncle Sam, Drucker concludes, never should have stuck his nose into Ma Bell's business.

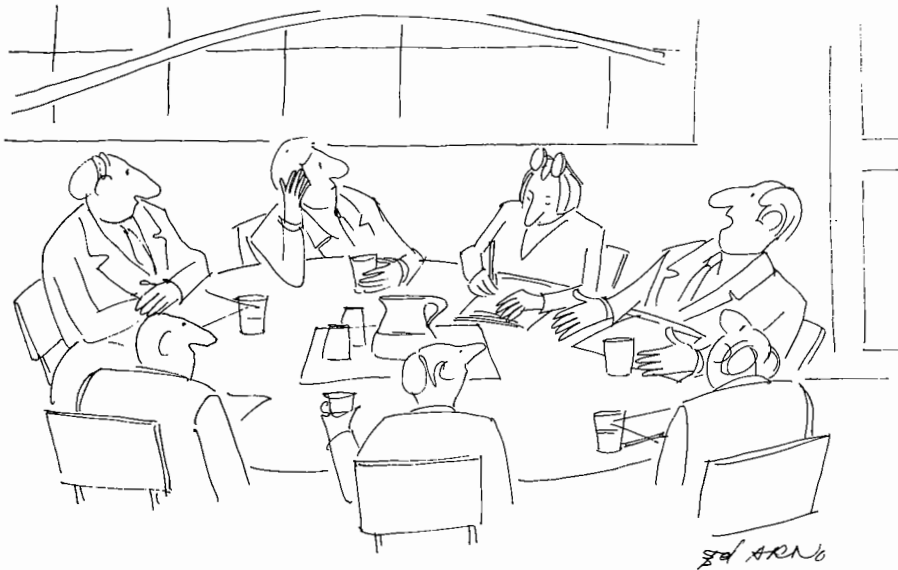
Why Listen To Oracles?

"Are Economic Forecasters Worth Listening To?" by Peter L. Bernstein and Theodore H. Silbert, in *Harvard Business Review* (Sept.-Oct. 1984), P.O. Box 3010, Woburn, Mass. 01888-9975.

If you like having egg on your face, economic forecasting may be the profession for you.

Despite its many spectacular failures, write Bernstein and Silbert, New York financial consultant and banker, respectively, the art of reading tea leaves is indispensable to business. An executive who makes no effort to anticipate the future will find himself out on the street selling apples. And simply extrapolating predictions from present conditions is a certain recipe for failure.

Even the expert *individual* forecasters, the authors concede, are



From the *New Yorker*: "The question before the board is this: Do we believe Milton Friedman, Alan Greenspan, or Jimmy the Greek?"

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bound to be wrong much of the time. A 1983 study by Stephen McNees and John Ries, both economists at the Federal Reserve Bank of Boston, showed that the most accurate forecaster in any one year had little hope of repeating his success the next. But, based on a study of 44 "blue-chip" forecasters' performances from 1977 through 1983, Bernstein and Silbert argue that an *average* of many auguries may be useful.

The group went wrong more than once. In 1978, for example, the "consensus" forecasts for both inflation and change in the gross national product (GNP) were far off the mark. But in general, the authors found, the average view was fairly accurate. During the entire seven-year period, the margin of error for estimates made in October of the next calendar year's GNP was only 1.1 percentage points. Moreover, the forecasters' accuracy improved as the target year approached.

The "blue-chip" average thus gave "a good sense of the character of the target year," the authors say. And absolute precision in such matters is irrelevant, they note. Executives do not care whether GNP will grow by 4.5 or 5.5 percent; they need only a sense of the overall prospects for their businesses. Without that sense, they might as well just start wishing on stars and knocking on wood.

The Future of Work

"The Changing Workplace" by Sar A. Levitan, in *Society* (Sept.-Oct. 1984), Box A, Rutgers—The State University, New Brunswick, N.J. 08903.

Revolutions in the American workplace are announced with numbing regularity. But according to Levitan, a George Washington University economist, Americans can look forward to "business as usual," at least for the next 10 years.

The likely impact of computers and robots, he contends, is often overstated. Even if some 250,000 robots (in Levitan's view, a high estimate) were on the job by 1995, they would replace only a fraction of the 129 million Americans who will then be working. And high technology carries a high price tag, Levitan notes. He doubts that corporations will be able to afford the heavy investments needed to "robotize" and computerize their operations quickly.

Moreover, labor costs should stay low enough to make the replacement of men and women by machines a relatively low business priority. By 1995, the number of 16- to 24-year-olds in the population will drop by seven million, to 28.5 million. But immigration, delayed retirements, and further increases in the number of working women should ensure a large labor pool and a relatively slow escalation of wages.

Still, Levitan foresees growing affluence for Americans, thanks largely to increases in the number of two-paycheck families. By 1995, women will constitute 47 percent of the work force (versus 43 percent today), and, assuming that today's birthrate of 1.8 children per couple remains stable, they will take fewer breaks to bear and raise children. At the same time, workers' educational attainments will probably continue to exceed the demands of the marketplace. Each year, nearly one million college