

A TALE OF FOUR TIME HORIZONS

(Adding value to econometrics)

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How can a Futurist add value to the work of Econometricians?

1. What is it that Econometricians do?
2. How can Futurists add to this work?
3. Four examples of different time horizons.

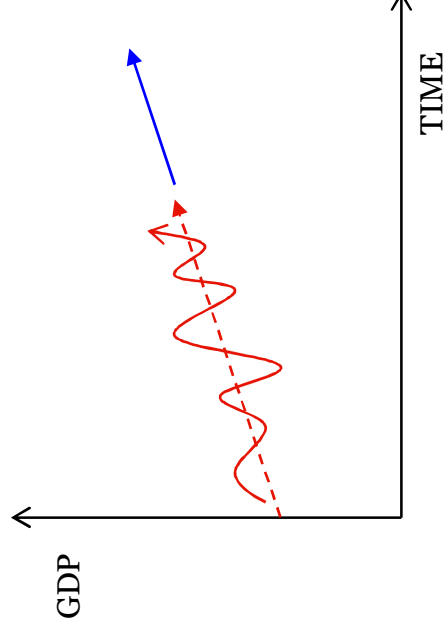


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What do Econometricians do?

They construct models ...

$$\text{GDP}_i = \alpha + \beta C_i + \gamma I_{i-1} + \delta G_i \pm \zeta F_i + \varepsilon$$



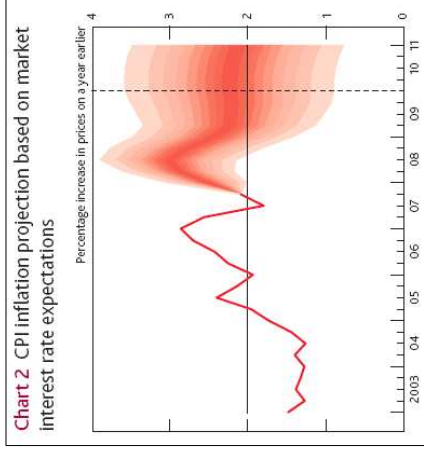
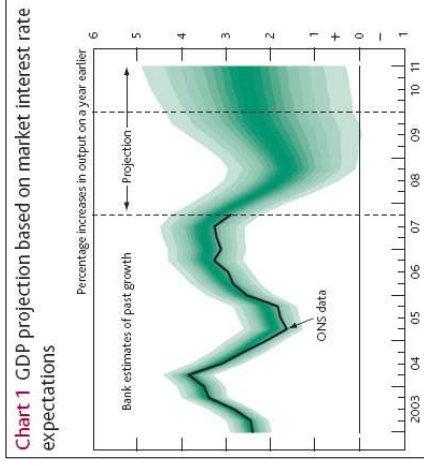
... that allow us to explain the past and to predict the future.



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What do Econometricians do?

However, these models have very limited predictive capacity.



Source: Bank of England Inflation Report, February 2008



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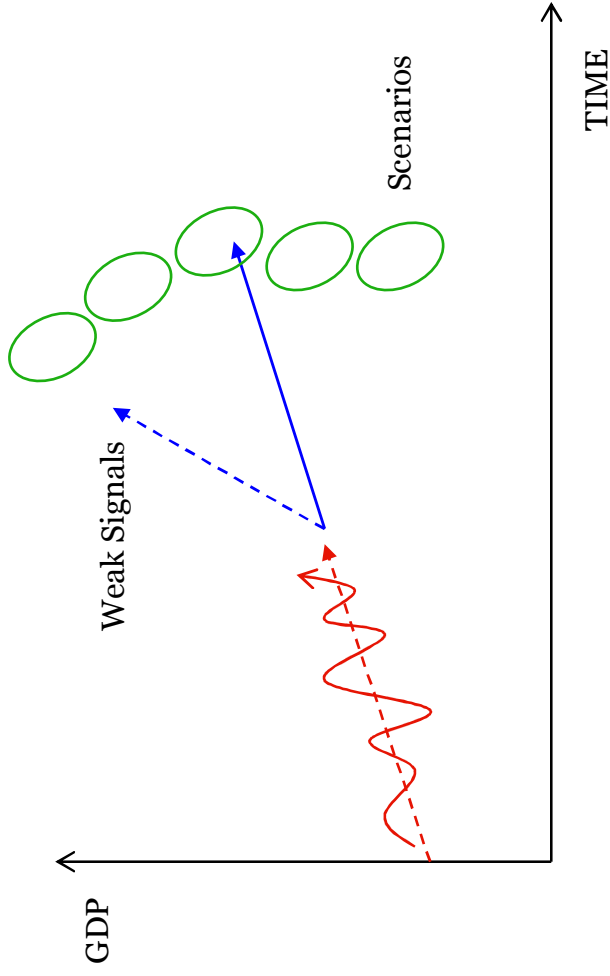


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How can Futurists add to this work?

Futurists can help to lift the Economists Curse.

(Of Ceteris Paribus)



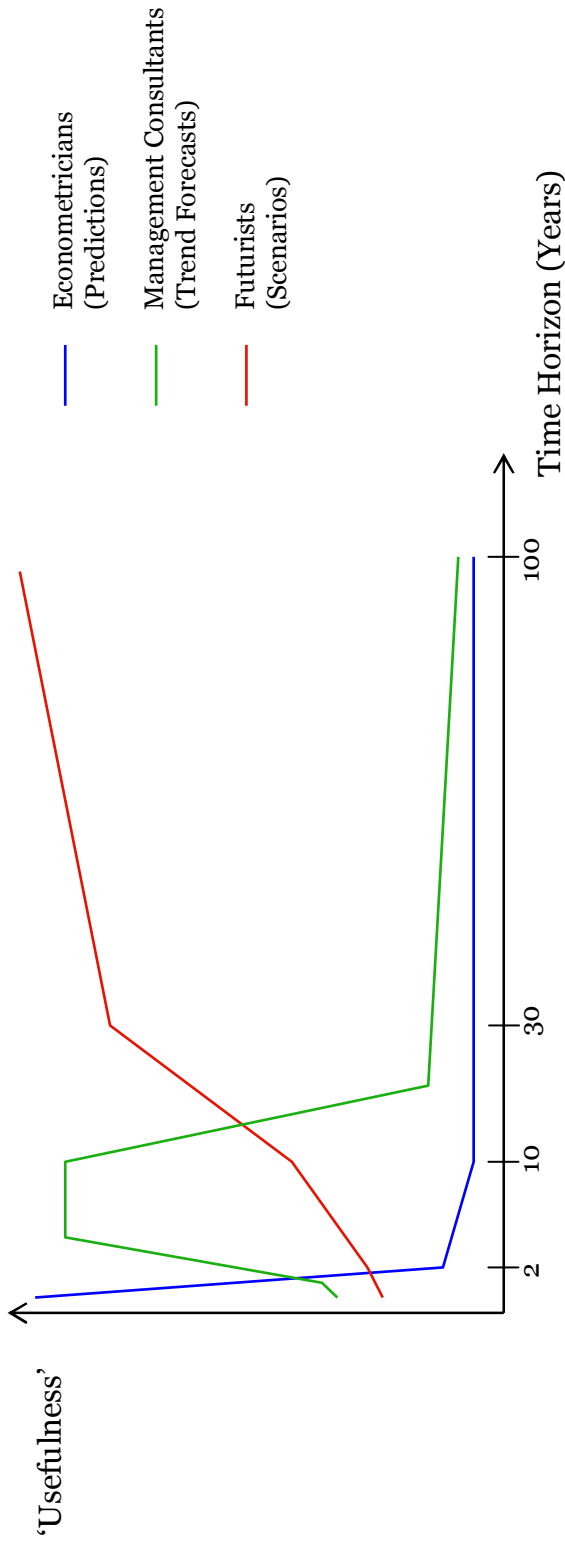
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How can Futurists add to this work?

Futurists complement the work of Econometricians.



We like to think in terms of time horizons.



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Time Horizon 1: The very near term (2 years).

Futurists can point to disruptions to the model:

$$GDP_i = \alpha + \beta C_i + \gamma I_{i-1} + \delta G_i + \zeta F_i + \varepsilon$$

1. Are the parameters correct? ————
2. Are we measuring the right components? ————
3. Is the 'error message' telling us something? ————



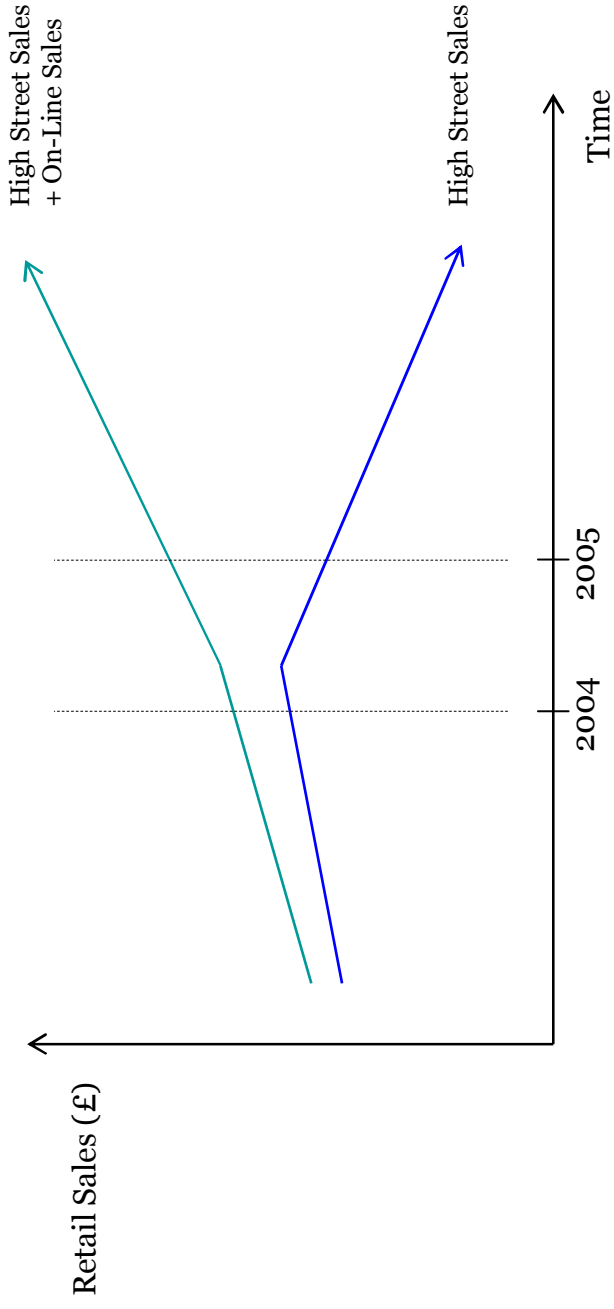
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Time Horizon 1: The very near term (2 years).

An example: The first 'Internet Christmas' in the UK.



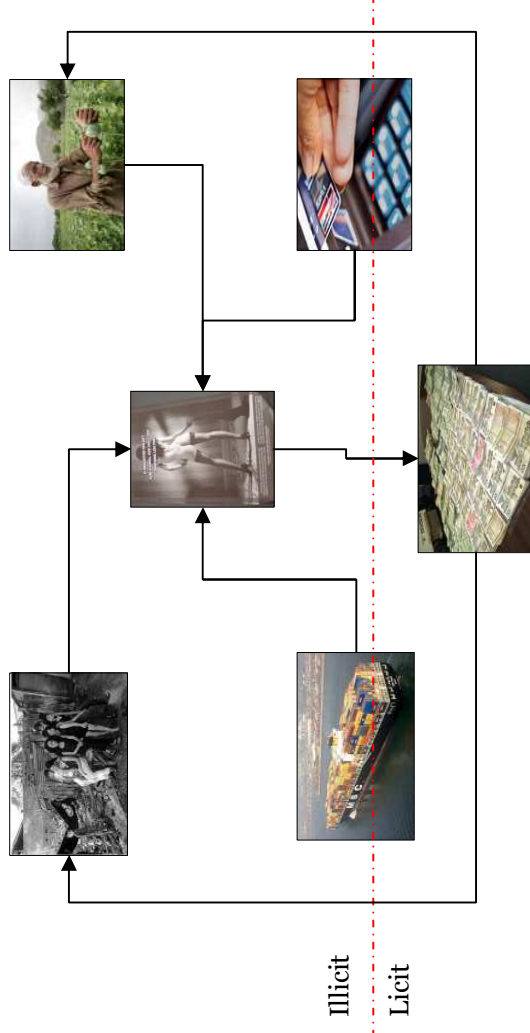
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Time Horizon 2: The near term (10 years).

Futurists can help to develop 'fuzzy' models of causality ...



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Time Horizon 2: The near term (10 years).

... and then look for trends to validate or falsify these causal hypotheses.

Volume of world exports
(\$US₂₀₀₀ billions).

1967	213.61
1977	432.26
1987	717.90
1997	1,548.74
2007	2,986.43



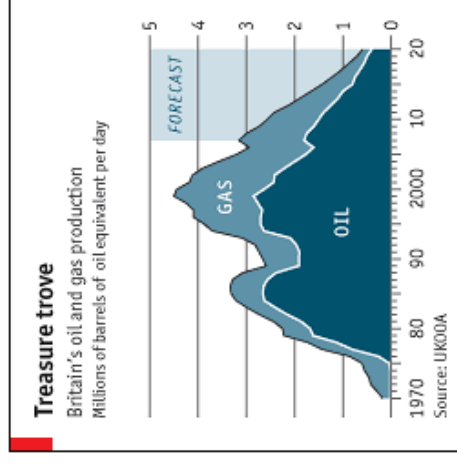
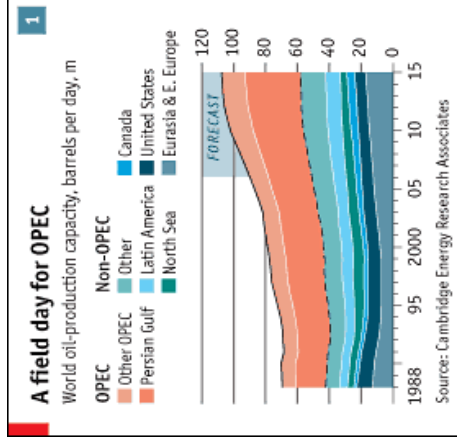
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Time Horizon 3: The long term (30 years).

Futurists can help develop models of possible alternative futures ...



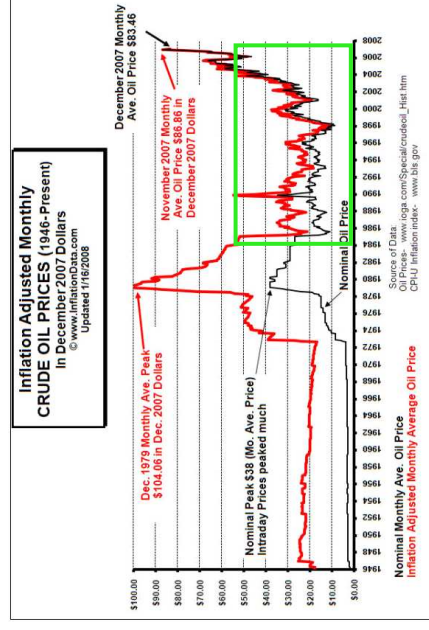
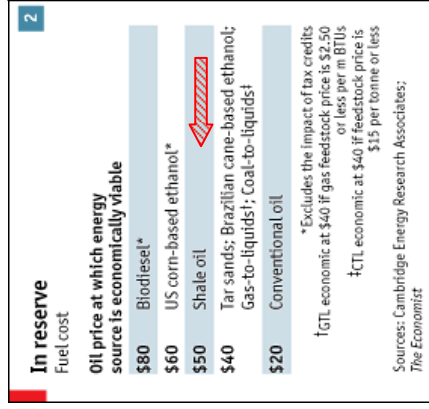
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Time Horizon 3: The long term (30 years).

... into which current investment decisions are made.



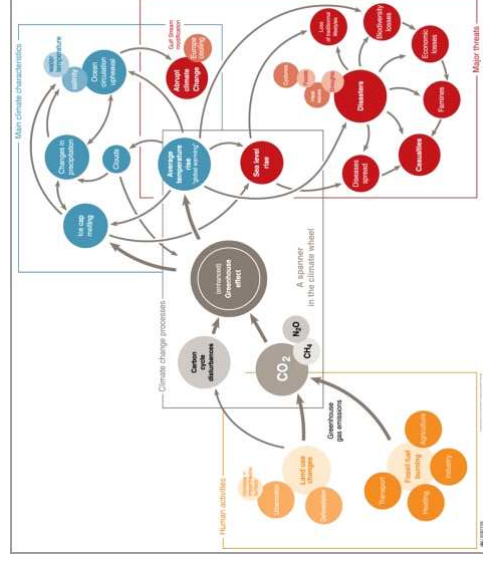
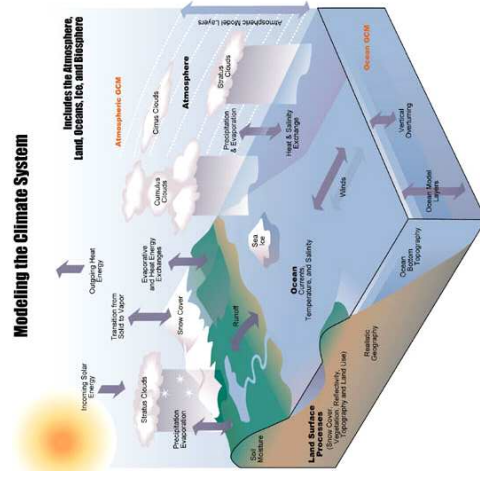
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Time Horizon 4: The very long term (100 years).

Futurists can ask really broad questions ...



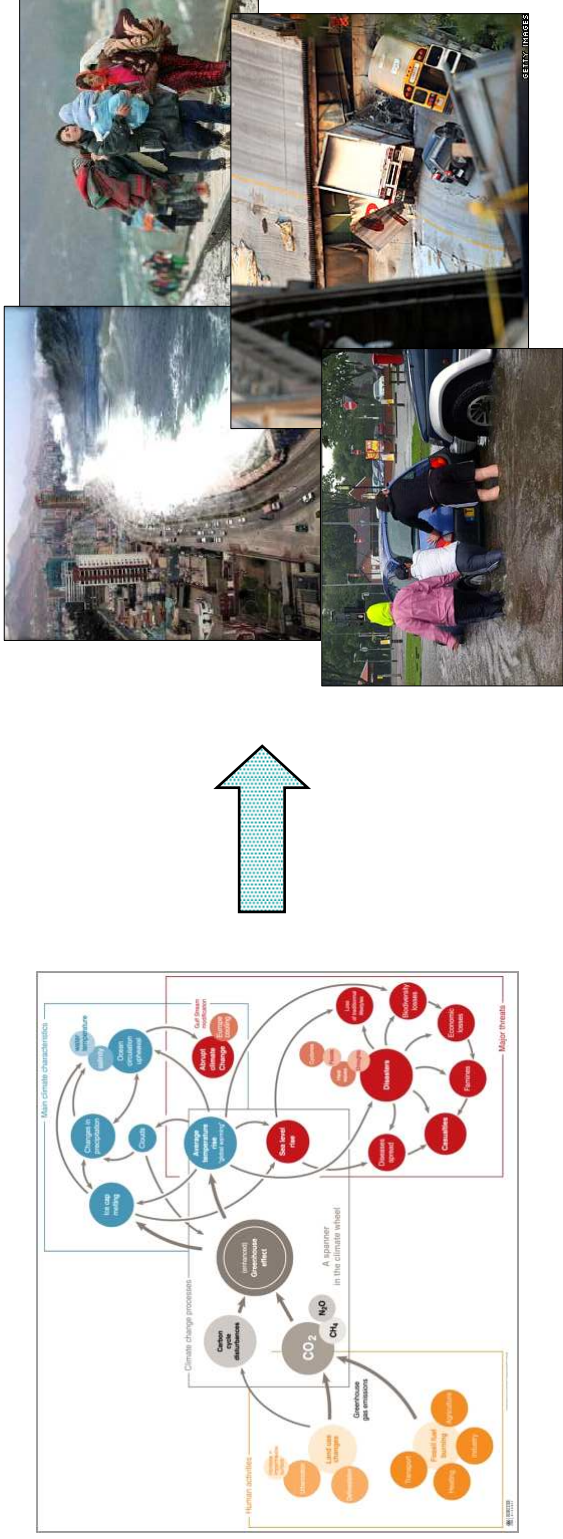
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Time Horizon 4: The very long term (100 years).

... that require really broad answers about the very long term ...



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Time Horizon 4: The very long term (100 years).

... that influence our behaviour today.



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In summary, a Futurist can add value to the work of Econometricians by:

1. Pointing to discontinuities in econometric models.
2. Considering competing alternative futures.
3. Helping to develop complex models.
4. Considering non-quantifiable data.
5. Accepting that all future predictions contain a possibility of error.



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