

CHOICES, LUCK AND FORECASTING

Address to 'the Friendly Conference' hosted by The Friends' School

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by

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Your Excellency Professor Kate Warner, Professor Paddy Nixon, Mark Horstman, Principal Nelson File, staff and students of The Friends' School

Thank you for doing me the honour of inviting me to speak at this year's 'Friendly Conference', which as Sarah Walker has told me is around the theme of 'Back to the Future'.

This is of course an allusion to the 1985 film of that name starring Michael J Fox, in which his character, a teenager named Marty McFly, is sent 30 years back in time to 1955, where he meets his future parents in high school and inadvertently attracts his mother's interest. Marty has somehow to get his parents to fall in love with each other, and then get back to 1985 again in order to avoid making logical nonsense of his own life story.

As commercially successful films usually do nowadays, the original *Back to the Future* spawned a number of sequels. I mention that because the first of these, *Back to the Future Part II*, took Marty McFly forward in time to 2015. So it's especially appropriate that you have chosen that theme this year.

Ms Walker asked me to contribute to this theme by talking about 'forecasting', which is something that most people who are not economists think is what economists spend most of their time doing - which as an economist I have to say is actually *not* true. And most people who are not economists also think that economists are not particularly good at it - which as an economist I can say *is* true. No less an authority than Her Majesty the Queen (Your Excellency's boss) felt moved to ask, whilst opening a new building at the London School of Economics in November 2008, why economists hadn't seen the financial crisis of 2007-08 coming.

Actually, as the physicist Neils Bohr, who won the Nobel Prize for Physics in 1922, is supposed to have said, "forecasting is very difficult - especially when it's about the future" - although that saying is also widely attributed to Yogi Berra, a famous American baseball player and coach, who became almost as well known for his mangled expressions as he did for his skill as a catcher. For example he also said, "you've got to be very careful if you don't know where you're going, because you might not get there".

Anyway, whether it was Neils Bohr or Yogi Berra who said it, forecasting the future *is* difficult.

These days Google makes it easy to assemble a list of forecasts or predictions that proved embarrassingly wrong.

On the 13th January 1920, an editorial in the *New York Times* proclaimed that "a rocket will never be able to leave the earth's atmosphere". The paper offered a retraction on 17th July 1969, as the spaceship Apollo 11 made its way to the Moon.

Albert Einstein said, in 1932, "there is not the slightest indication that nuclear energy will every be obtained". 13 years later, the United States Air Force dropped two atomic bombs on Japan.

Thomas Watson, the CEO of IBM, which once upon a time was the largest manufacturer of computers in the world, was supposed to have said, in 1943, "I think there is a world market for maybe five computers".

More recently, in April 2007 the then CEO of Microsoft, Steve Ballmer, said "there's no chance that the iPhone is going to get any significant market share".

Sometimes it doesn't take that long for bold, confident predictions to be proved wrong.

In 1962, an executive at the Decca Recording Company explained, when declining to sign a contract with a group of four young musicians from England, "We don't like their sound, and guitar music is on the way out anyway". The four young men were The Beatles.

Since I spent a good deal of last week with my head buried in the Federal Budget, I can't help recalling that in his 2011-12 Budget Speech Wayne Swan said, "we are on track for a budget surplus in 2012-13, on time, as promised." The budget actually recorded a deficit of \$19 billion in 2012-13. In January 2013 Joe Hockey said, "we'll deliver a budget surplus in our first year and every year after that". The budget deficit in Joe Hockey's first year as Treasurer was \$48.5 billion; in his second year, it is now expected to be \$41 billion; and in his third year, it is expected to be \$35 billion. Joe Hockey now doesn't expect there to be a budget surplus until the 2019-20 financial year - by which time many of you will have finished university.

So, yes, forecasting *is* difficult.

But I hope that at least some of you will have noticed that most of the 'famously bad forecasts' that I quoted were predictions that something *wouldn't* happen, or *couldn't* be done.

And so perhaps the lesson we should draw from these examples is *not* that forecasts often turn out to be wrong - true though that is - but rather that we should be prepared to take skeptically claims that something can't happen, or can't be done - irrespective of whether that 'something' is a Good Thing or a Bad Thing.

More specifically, when someone tells us that we shouldn't pursue a goal or an ideal that we hold dear, because it "can't be done", we shouldn't be put off simply because that person appears to be some kind of authority or expert.

Each of the three Kennedy brothers - President John F. Kennedy, Senator Robert Kennedy, and Senator Edward Kennedy - at different times said, "some people see things as they are, and ask why? I dream of things that never were, and ask why not?".

Like most things the Kennedys are remembered for saying, this was actually said by someone else - in this case, by George Bernard Shaw, of whom you may know as the author of *Pygmalion*, on which the musical *My Fair Lady* was based.

But it is a noble and worthy sentiment.

We do not, either as individuals or as a society, have passively to accept whatever fate serves up to us.

Many of the world's great religions attribute individual or communal suffering - whether it be from poverty, injustice, pestilence, war or some other cause - to "God's will".

Although I do believe in a God, I think that's a cop-out.

The God that I believe in, I believe gave us the gifts of a mind, and a will.

I believe that the choices we make, as individuals and as communities, states and nations, *do* affect and *can* change what happens to us - for better or worse.

We may not be Masters of our own Destinies - but nor do we have to be passive, silent bystanders.

The choices you make, this year and in coming years - about the amount of effort you put into your studies, or into your chosen sporting and other extracurricular activities, about who you 'hang out with' and what you do while in their company, and about what you do when you think no-one is watching you - will affect how your life turns out.

The choices we make, about which causes we support, about what things we oppose, about what we say and do about the things we support and the things we oppose, will shape the way in which our societies evolve.

I believe that we can all make better choices, as individuals and as societies, if we have some idea both of what the future might look like, and of how it could be different, or better, depending on the choices that we make.

That's why we all have to make forecasts about the future - or adapt the forecasts which are made by other people - even though we ought to know that those forecasts could turn out to be wrong.

Having said that I believe that we can shape our future by the choices that we make, I also want to say that those choices can never *entirely* shape our future.

Our future will of course be influenced by the choices made by others - including our parents, our neighbours, our employers, our governments, and by other people's governments.

It will also inevitably be influenced to some degree by chance, or by luck.

That's something that successful people, in particular, often forget.

When people are really good at something, they often tend to attribute their success entirely to their own efforts - lots of study, lots of practice, hard work, training, a willingness to take some risk, and so on.

They may well have done all of those things - success rarely comes without at least some effort - but it is usually not the result of those things alone.

I've reflected on this quite a bit as I have learned more about my own life.

I am the result of a chance encounter on the 26th April 1957 between a woman who had four weeks earlier left her husband and two young children, and was living with her parents in a flat near Heathrow Airport on the western outskirts of London, and a younger man who was training to be a pilot with what eventually became British Airways, who was living with three other trainee pilots in the flat immediately below.

There was a chance that I might not have been born at all. Certainly, my biological mother enquired about the options open to her before I was. I could have been brought up by her. I'm glad I wasn't, because she was not what anyone could have called a 'good mother', including by the children she subsequently had with her second husband, nor by the two she had with her first.

Fortunately, I didn't know any of this detail, until about three years ago.

I was instead lucky enough to have been adopted by a young Australian couple who had left Australia the day after they got married in January 1951 and who - very much 'against the flow' of those years - went to live in England. At some stage during the 1950s they discovered that they couldn't have children the way that most people do, and so instead ended up adopting four kids, of whom I was one.

They loved the four of us, they gave us a home, in 1966 they brought us to Tasmania, they gave all of us an education, up to university level.

My luck didn't stop there.

In 1988, while in the United States on a business trip, I was lucky enough to meet someone in a bar in Washington DC, who just under two years later became my wife, and we have just last month celebrated our 25th wedding anniversary.

As luck, if that's the right word, would have it, it turned out that we couldn't have children in the way that most people do either.

So we were again lucky to be able to adopt two beautiful children from China, one of whom is now in Year 7 at this School.

I've also been lucky enough to have chosen an occupation that - although I didn't know it when I chose it - turns out to have been more financially lucrative than many others. As I've said on other occasions, economists don't save people's lives, like doctors and nurses; we don't invent new devices, or discover new technologies that free people from drudgery, like scientists; and we don't leave things that future generations will look at or listen to, and admire, like artists, musicians and artists.

But we - or at least some of us - get rather better paid.

So one final belief that I want to share with you is that those of us who benefit from good luck have additional obligations - and that among those obligations is one to make good, well-informed choices.

All of you are beneficiaries of at least some good luck. You are growing up in a country which is now the 10th richest in the world measured by per capita income, which has the 2nd highest level of human development in the world as measured by the United Nations, and which hasn't had a recession for almost a quarter of a century. You are growing up in a State which, though in a purely economic sense the poorest in this rich country, is nonetheless one which offers greater beauty and safety than any other. And of course you are attending a school which offers you more opportunities than most others to which your parents could have chosen to send you.

So you have an obligation to think about your own future, your community's future, your country's future and the future of the world - and to make informed choices about how you will create and shape those futures.

I hope what you will hear today will help you make better choices.