

## FORECASTERS SHOULD BE SOCIAL SCIENTISTS

John Stimson, William Paterson College  
Ardyth Stimson, Kean College

The techniques of forecasting are thought of as econometric. Because of this historical development we tend to use economic variables in our forecasting models. The recently interrupted period of sustained growth has led us to mistakenly believe that societal forecasting could be accomplished without leaving the closed system of the economy. Forecasting has been defined as predicting the appropriate growth rate and economic growth has been seen as the driving wheel.

Recently, the end of population growth and the post-60's reassessment have redirected attention toward social values and goals and the collective behaviors that change them. There is a growing suspicion that many causative variables may lie outside the economic system. We hope to reinforce this mood by discussing the relevance of a few sociological variables in determining the economy. We will maintain that social definitions of value priorities are always at the base of economic movements. (That economy is after all a sub-system of society).

The authors are sociologists who recently returned to the campus after a lengthy association with economic and security market forecasting.<sup>1</sup> Our employment was not the beginning of a trend. We were originally included in the forecasting team as computer managers, not sociologists. If our sociological training was mentioned it was as a curiosity. As our stay lengthened the econometricians found ways to use our peculiar abilities to help them understand social change. That is the trend, economists are recognizing that social facts determine economic facts, but their reaction is not to consult sociologists, but to become "sociologists" themselves. This trend has been greatly accelerated by the recent failure of forecasting.

This note should not be interpreted as a criticism of quantification. Econometric techniques have made remarkable advances. The goal is to force attention back to the variables that these techniques are manipulating.<sup>2</sup>

Economists have not yet, and will never be able to, prepare adequate forecasts alone, because the basic causal variables they seek are decisions based on estimates of the expectations of consumers, managers, financiers and potential parents. Economists think they can handle such decisions inside a rational-utility mode, but, these decisions are not rational, they are arbitrary. They are based on changing priorities and values. It is difficult to rationaly model a social process when the values of goals keep changing. It is impossible to model such a process effectively unless one recognizes the arbitrary nature of social definitions of priorities.

We will return to "irrational" considerations. Let us now review some variables recognized as powerful influences on possible economic futures.

Demography is the area in which it is expected that there be an overlap of sociological

and economic usage. We doubt, however, that sociologists know just how wide that overlap is. The Conference Board has published A Guide to Consumer Markets, (Axel, 1973) since 1960. The statistics collected there are at least as sociological as economic; (earnings, labor force participation, and life style preferences). The first 73 pages, the largest portion of the book, describe population time series. At least by this measure, then, demography is the most studied area of consumer behavior.

Demographics are so extensively studied because they provide the only long term, structured, indicator of future growth of the society. This potential growth of the consumer pool and labor force provides the context for economic work. This is the first entry point through which most forecasters become acquainted with society. They discover that population growth is not inevitable, nor does it behave totally rationally in the timing of its lapses and growth surges.

Unless you have directly experienced it you cannot imagine the theoretical dedication to growth that exists in most business or government planning. The recent end of the baby boom is important not just because it presages possible downturns; it is more important because it took away the only context of planning. Any interpretation of, or alternative to, zero population growth is listened to with interest. Sociologists now have an opportunity to provide other variables or contexts that could become basic forecasting tools.

A second illustration is the accelerating feedback relationship between Woman's Liberation and the economic structure. Let one semi-plausible scenario represent many other possibilities. Some sociologists have discussed the possible instability of the Black family in terms of the shifting relative importance of male and female roles when women find it easier to find work. Admittedly, it is an area that is little understood, but could the Black family be the precursor of the post-liberation family? There would be numerous attendant economic and societal changes if a substantial proportion of families found the woman to be the most reliable breadwinner.

A concept that sociologists should have developed in supernumerary income (Axel, 1973: 144). This variable measures the long term secular growth of affluence, by aggregating the amount of income in excess of \$15,000 flowing to each family unit. For example, in 1955, 5.6 per cent of U.S. families had supernumerary income, by 1965, 14.6 per cent, and in 1975 it is estimated that 33.5 per cent of families will have "affluent" income. Where this income will be directed is a sociological, life-style, question. Whether or not supernumerary income will continue to grow, and which segment of the population will receive the extra income, and what they are likely to use it for, are also sociological questions. Economists will not be able to under-

stand or predict these changes without assistance.

It has recently been forcibly demonstrated that consumers' decisions to spend or save create business cycle turning points and determine the difference between recession or depression. Economists, however, generally consider consumers to be followers of the economy. That is, they feel consumers tend to change their opinions after other indicators have turned. Their concentration on prediction makes economists occasionally look at the indications instead of the real underlying process. Because the present indicators are unstable, and appear non-rational, economists tend to downgrade the causal weight of consumers' attitudes because they appear to lag behind other predictors. There is no doubt, however, that consumer demand determines the system. The reason other parts of the economy turn first and react more rapidly is because they are trying to anticipate demand. The answer is real social indicators.

This unrecognized centrality of consumer attitudes provides at least two major opportunities for social scientists. First, and most obvious, the measurement of consumer moods is still primitive. The surveys that are regularly carried out are simple, and oriented toward prediction of specific purchases. Application of the societal perspective, especially through disaggregation of "consumers" into a meaningful typology, that might straighten out overlapping irrationalities could be productive.

Secondly, attempts to work out the social-psychological interdependencies between the various levels of consumer decisions and their anticipations by producer decisions, must be understood. We live in a competitively and semi-informally planned economy. The producer of consumer, or government, goods must correctly guess demand--but so must all of his suppliers, and their suppliers, for a dislocation of the economy to be avoided. The complexity and interconnectedness of the system of overlapping decisions is clearly demonstrated by use of input-output economics. An input-output table can show the interdependence of the economy's industries. It is a remarkable advance in systematic analysis. One is able to follow the consumer dollar paid for an automobile through the whole economy and see which industry used up which portion, steel, iron, coal, railroads, or electronics, etc.

Looked at with a sociologist's bias the input-output table demonstrates the difficulty of producers consistently guessing what their various consumers will need in one, two, or three years. Each consumer, whether he is a professional purchasing agent or not, is subject to the existing moods of the country, as they are filtered through his life-style. The total process is confused and volatile. Any study that sociologists could contribute to regularize it would make for a more stable planning system.

A more complicated example of the interconnection of societal and economic forces can be seen in recent studies of the effects of housing programs.<sup>3</sup> Very little support has been found for the proposition that government should ever again try to improve social conditions by

building new housing. It also seems that the decisions of where and when to start new construction have really been made for economic reasons, (i.e., to stimulate employment or finance). These new studies uncover a picture of massive economic programs that are supported only by the societal notion that a man's home is his castle and that a man or his family can't be effective without a respectable castle. How are changing definitions going to effect housing programs in the future? Is this powerful economic stimulant going to be withdrawn? Will it only be defined as valuable outside of cities? Will the fact that programs seem to have no ameliorative effect have any impact at all? The potential results require a mix of sociological and economic forecasting skills.

We have been listing justifications for social scientists other than economists claiming that the basic processes that are dealt with in economic predictions are really in their data-territory. One final reminder that consumers decisions are dependent on major societal value shifts. One economist was quoted recently in the N.Y. Times as wondering if, in ten years, today's dog food producers would be canning food for pets or pets for food. This specific remark may have been partly inspired by a temporary feeling of insecurity, but it also emphasizes that specific attitudes support a major industry that feeds certain animals to other animals. This set of attitudes is no less idiosyncratic than the values that determine the style of America's economy. Americans spend very high proportions of their dollar on autos and the welfare of others. There are reactions underway to both these preferences. The strength of the reaction will determine future life styles, and therefore, economic structures.

#### FOOTNOTES

<sup>1</sup>We have recently formulated a program of ways in which sociologists can help in forecasting, and the outline of a course that could prepare them for this job. "Sociologists should be put to work as forecasters" American Sociologist 1976:49-56.

<sup>2</sup>We apologize because the style of what follows deliberately approaches economists in a combative fashion. It is only because we have found that other social scientists feel some unwarranted insecurity when they face the edifice of modern econometrics. One should not be concerned. Most economists do not understand it either.

<sup>3</sup>Mitchell, Robert E. "Sociological Research on the Myths of Housing" Social Problems 1974: 259-79.