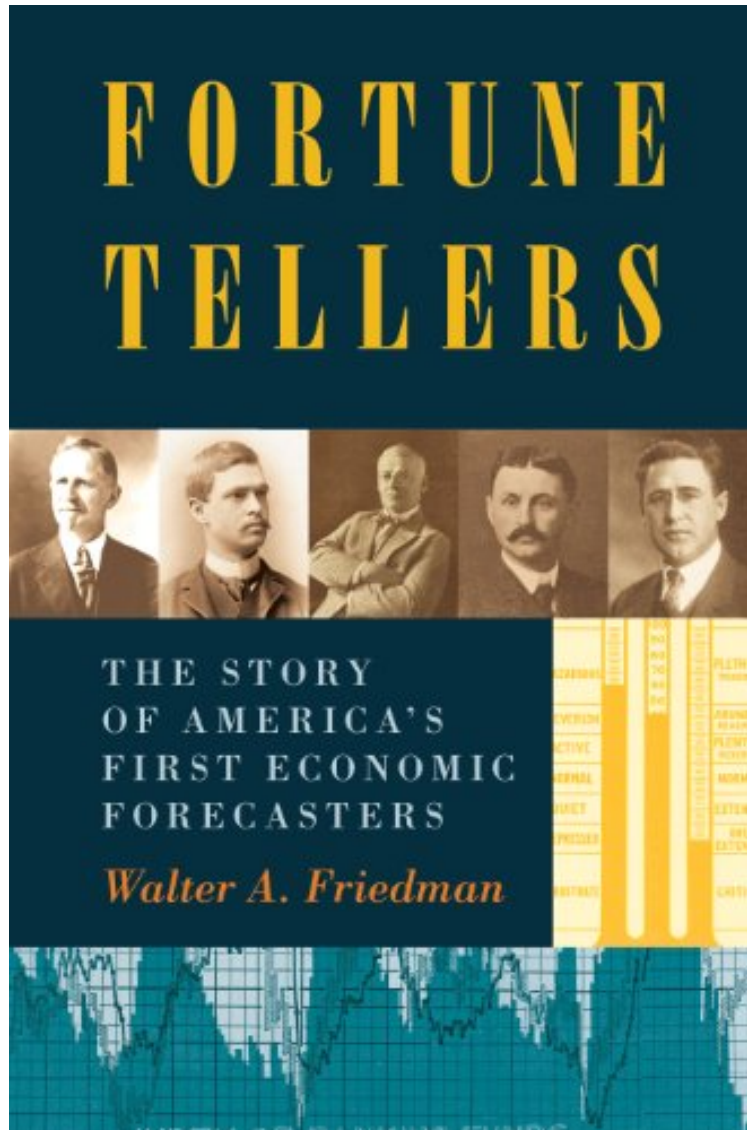


(Ebook pdf) Fortune Tellers: The Story of America's First Economic Forecasters

# Fortune Tellers: The Story of America's First Economic Forecasters

Walter Friedman

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**Walter Friedman : Fortune Tellers: The Story of America's First Economic Forecasters** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Fortune Tellers: The Story of America's First Economic Forecasters:

2 of 2 people found the following review helpful. Great Read (If this is your kind of thing)By CournotThis is a fascinating study of the early economic forecasters. It includes both non-academic practitioners (Babson, Moody) and several prominent academics from the early part of the 20th century (Bullock, Fisher, Mitchell). The author provides

brief sketches of personal lives, but mainly focuses on how these individuals tried to improve their forecasting methods. I found especially interesting his discussion of how economic theory did or did not guide the advances being made -- a controversy that continues to this day. The book also has nice graphics of some of the early forecasters' methods. Clearly this is not a book for everyone since it takes a peculiar nature to be interested in the development of economic data. But if the subject has a hint of interest to you, this is a great read.

1 of 1 people found the following review helpful. I appreciate this book. By Leung Wing Yu I appreciate this book as it gives a well-researched account of how economic forecasting emerged as a profession in the early decades of the twentieth century. Each of the founders (e.g. Babson, Fisher, Moody) is given a full chapter. The author is able to capture the essence of their methods as well as their hidden assumptions, even tracing back to their philosophical roots (e.g. induction versus deduction). Their vested interests are also revealed. For example, they tended to be too optimistic so as to appease their clients. In addition, it also describes the personal life of these forecasters, making the book interesting to read. Actually I finished it in just one week. Finally, at the end of the book, the author compares history with today's world after the global financial crisis, and I find the discussion enlightening. My only complaint is that it's too short, only up to 1930s. The development of this profession since then should also be interesting. How I wish this is the subject for his next book.

5 of 6 people found the following review helpful. If you must forecast, forecast often. By El Viejo Topo A book like this could easily be a slog, even if you happen to be interested in the subject. The fact that it's actually fun to read is a bonus. How can someone make the lives of early economic forecasters enjoyable and instructive, let alone understandable, with no Greek letters, profane-sounding jargon (ARCH-GARCH-VAR) and other econ stuff? It couldn't have been easy, so place Walter Friedman in the tradition of some of the best business history writers (I'm thinking specifically of John Brooks, but there are others) who make this stuff come alive. There are brief sketches of some major figures, such as Babson, Fischer, Persons, Moody and W.C. Mitchell, that are surprisingly revealing and informative. They were mostly an entrepreneurial lot, part wizard, part salesman, and three of them were probably driven by a consciousness of mortality that their brush with tuberculosis engendered. The best of the lot--to judge by "results" was Babson, a kind of crackpot who nevertheless seems to have been wrestling with some idea of potential output, even if he had the accuracy of the proverbial stopped watch: right by accident twice a day. Irving Fischer, known to many of us as the author of the Dow 36,000 of his day--quite unfair in view of his monumental contributions to many areas of economic theory--and author of what Samuelson judged to be the best doctoral dissertation in the history of economics failed the great American question: If you're so smart, how come you're not rich? He died not quite broke, but almost. And then there are the others, all interesting in their way. I was especially struck by the appreciation of WC Mitchell, whose monumental book I bought at a library sale, and will now muster the courage to read strictly on Friedman's recommendation. There's so much here. None of the forecasters called the Crash of 29, other than, ha, ha, Babson. There was considerable unease about the role of forecasts in shaping expectations, and, hence, in producing self-fulfilling prophecies, or, ironically, in heading off the expected event altogether. Some worried openly about the warping of the forecasters' incentives by commercial considerations, and Harvard (yes, Harvard) seems to have done the right thing by severing connection with its Forecasting Service altogether. Much consideration went into the idea of whether markets could, in fact, be predicted at all by the kind of technical analysis some of the experts practiced. Others, not quite on the basis of efficient market theory, doubted the enterprise was even feasible. My biggest surprise was to learn of Hoover's association with Mitchell, and his determination to make capitalism less vulnerable by making it more predictable and, hence, more efficient. This involved the involvement of the public sector to an extent that would horrify some modern economists--it bothered one or two politicians and economists even then. I always thought Hoover was just a sort of laissez faire guy, but not so. There's a real effort to link forecasting to moral reform, prohibition (!), and other grand cultural issues of the time. That will broaden the appeal of the book considerably for those who think that economics is all about something they derisively call "models." In fact, I suspect the book is clearly enough written and presented in such a way as to make it accessible to advanced undergraduate students, let alone people bored with differential equations. I suspect even an "intelligent layman" would find this a good read, if they still read economics at all after the fiasco of 2008. But mostly, I really wish some professional economists would read this. The history of economic thought is moribund in the discipline, and that's a real shame. How many of us could benefit by learning that we're often reinventing the wheel, often making the same mistakes our grandparents did, and suffering the same consequences. We may have computers and infinitely more sophisticated techniques, but our judgment is frequently as blinkered as that exercised by the protagonists of this little drama. Maybe, just maybe, economists could stop making fools of themselves if they took the time to read what people like Walter Friedman have written. He gets an "A," and it's a real one.

The period leading up to the Great Depression witnessed the rise of the economic forecasters, pioneers who sought to use the tools of science to predict the future, with the aim of profiting from their forecasts. This book chronicles the lives and careers of the men who defined this first wave of economic fortune tellers, men such as Roger Babson, Irving Fisher, John Moody, C. J. Bullock, and Warren Persons. They competed to sell their distinctive methods of prediction to investors and businesses, and thrived in the boom years that followed World War I. Yet, almost to a man, they

failed to predict the devastating crash of 1929. Walter Friedman paints vivid portraits of entrepreneurs who shared a belief that the rational world of numbers and reason could tame--or at least foresee--the irrational gyrations of the market. Despite their failures, this first generation of economic forecasters helped to make the prediction of economic trends a central economic activity, and shed light on the mechanics of financial markets by providing a range of statistics and information about individual firms. They also raised questions that are still relevant today. What is science and what is merely guesswork in forecasting? What motivates people to buy forecasts? Does the act of forecasting set in motion unforeseen events that can counteract the forecast made? Masterful and compelling, *Fortune Tellers* highlights the risk and uncertainty that are inherent to capitalism itself.

Winner of the 2015 Hagley Prize in Business History, Hagley Museum and Library and Business History Conference "[C]arefully wrought."--James Grant, *Wall Street Journal*"The book is a great read, based as it is around the personalities of these early forecasters. . . . I can see a terrific movie in the 'forecasting wars' of the 1920s as these larger-than-life, quintessentially can-do Americans competed with each other to call the stock market, win followers and make a fortune."--Diane Coyle, *Enlightened Economist* blog"*Fortune Tellers* is a marvel too. It is scholarship of the highest quality, without shortcuts or gimmicks. We may not be able to trust the forecasters, but when it comes to their stories we are in excellent hands."--Pietra Rivoli, *Financial Times*"Friedman's well-crafted work is highly recommended to students of economics and others interested in the history of economic forecasting."--*Library Journal*"[*Fortune Tellers*] . . . reminds readers that the economy remains too complex for anyone to consistently make reliable predictions about it."--Alan Wallace, *Pittsburgh Tribune*- "In *Fortune Tellers*, Walter Friedman shows not only where our contemporary forecasting ecosystem came from, but also its considerable influence on present-day economic thought and practice."--Michael Lind, *Pacific Standard*"The book is fun reading, but what makes it especially interesting for any regular consumer of modern economic forecasts is how little today's forecasters have improved on the methods of the 1910s and 1920s."--Justin Fox, *Harvard Business* blog"In a series of short biographical narratives of the first men to take up forecasting as a profession, Friedman shows how economic predictions became an integral part of the way businessmen and government officials made decisions, and how the foundations were laid for the kind of sophisticated economic modeling that we now rely on."--James Surowiecki, *Democracy*"Historian Friedman examines how forecasting economic performance became professionalized in the early 20th century. He adeptly and insightfully uses a biographical approach, with five case studies selected because of their contemporary significance and because each analyst understood the logic of capitalism differently and took a different approach to forecasting."--*Choice*"*Fortune Tellers* is an engaging account of the beginnings of the vibrant industry of American economic forecasting."--George A. Schade, *Financial History*"The value of Friedman's book isn't just in the brief biographies . . . but also in Friedman's insights and asides about the business, financial and political context of the time. Friedman doesn't mention it, but few readers will miss the implicit comparison to today."--Randolph Walerius, *Roll Call*"There is no better way to gain an understanding of how economic forecasting began than reading Walter A. Friedman's new book *Fortune Tellers*. . . . It shines a light on the entrepreneurs like Roger Babson and John Moody who created the economic forecasting field a century ago and transformed it into successful businesses."--James McCusker, *Everett Herald*"[C]aptivating story. . . . Compelling."--Michael A. Martorelli, *Financial Analysts Journal*"Prof. Friedman . . . writes smoothly and wisely."--*Books Delights*"The author has done a most remarkable job in bringing together these ideas and histories in a graceful and fascinating book."--E. Roy Weintraub, *Journal of American History*"This is beyond doubt a fascinating and enjoyable book."--Geoffrey Wood, *Central Banking Journal*"Friedman's fascinating study . . . makes a major contribution towards the history of forecasting in the USA. Friedman's case studies present competing but ultimately convergent paths to modern forecasting, highlighting a history which comprised what he identifies as five world views of the future."--Roger Middleton, *European Journal of History of Economic Thought*"Friedman notes some long-lasting contributions of these pioneers and credits them with inspiring succeeding generations of forecasters who may or may not have raised the art to a science. Readers who struggle with that question will appreciate this entertaining look at the predecessors of the analysts whose views they probably seek almost every day."--M.A.M., *Financial Analysts Journal*"This is one of the best books that I have read over the last number of years. It is very readable and, like all good books, exceptionally thought-provoking. Economic and business historians, economists, and anyone who has an interest in the history of economic thought will benefit from reading this book. Students, policy-makers, and investors would also benefit from reading it because it highlights the complexity of capitalism, how difficult it is to understand the capitalist system, and the foolishness of placing too much weight on economic forecasts. Bottom line: buy, read, and digest this book. Let me finish my review with a forecast based solely on intuition: *Fortune Tellers* will become a classic."--John D. Turner, *Economic History* "Friedman's business-history approach goes well beyond the history of economic and scientific thought. His collection of portraits has a lot to say for our current times, now that the dictionary of the 1930s (depression, deflation, mass unemployment) has resurfaced everywhere but particularly in the richest countries in the world."--Francesco Daveri, *Journal of Economics*"In his book Friedman has been able to cast a substantial contribution to the history of economics in an entertaining, very readable approach."--Roman Kouml;ster, *History of*

Economics Ideas "The book deserves to be widely read."--Roger E. Backhouse, *Technology Culture* "A fascinating story of the early economic forecasting in the United States. . . . A pleasure to read and the narrative is both informative and insightful. I highly recommend it to both economists and non-economists."--Aris Spanos, *Journal of the History of Economic Thought*

From the Back Cover "Timely, trenchant, and entertaining, Walter Friedman's *Fortune Tellers* is a captivating history of modern economic forecasting. With graceful prose and penetrating insight, Friedman shows how scientific pretension and cultural persuasion gave birth to a new industry. Through their frustrated attempts to predict the future, Friedman's cast of oracles, gurus, entrepreneurs, and academics finally began to shape it. This is a fascinating tale about doubt and certainty in modern economic life."--Jonathan Levy, author of *Freaks of Fortune: The Emerging World of Capitalism and Risk in America* "Economic forecasters attempt to reduce the dimensions of the unknowable, for private profit and the public good. *Fortune Tellers* is the story of America's first professional forecasters. It explains their methods, quirks, limited successes, and major failures in the Great Depression. Friedman's cast of characters--Babson, Moody, several Ivy League professors, and Herbert Hoover--is a fascinating crew of would-be soothsayers. This is intellectual and business history at its best."--Richard Sylla, *New York University* "Who knew that the pioneers of economic forecasting in America were such an eclectic, eccentric, entrepreneurial bunch? In profiling the likes of Roger Babson, John Moody, and Irving Fisher, historian Walter Friedman makes vividly clear their noble motives, occasionally hucksterish tendencies, and sometimes downright bizarre thinking. In the process, he elegantly sketches their different theories for charting the economy's future."--Walter Kiechel III, author of *The Lords of Strategy* "Fortune Tellers tells the remarkable story of the first generation of economic forecasters in the United States. Like Robert Heilbroner's *Worldly Philosophers*, it combines biographical vignettes with intellectual history in an engaging narrative that documents the perilous relationship between professional expertise, economic theory, and cultural norms."--Richard R. John, author of *Network Nation: Inventing American Telecommunications* "Fortune Tellers is a deeply researched account of the rise and fall of economic forecasting in early twentieth-century America. Profiling a colorful cast of characters, Friedman deftly documents the careers--and the hubris--of the men who sought to impose predictability and certainty on the modern economy. This is a fascinating, timely book, one with many lessons for our own age of uncertainty."--Stephen Mihm, author of *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States*

About the Author Walter A. Friedman is a historian at Harvard Business School and the author of *Birth of a Salesman: The Transformation of Selling in America*.