



SILVER LINING

A sceptically optimistic view of 2016

Given the events of 2015, it is easy to make pessimistic predictions about what 2016 has in store. However, it is not that simple, and a more nuanced approach to forecasting might be more productive.

Look into the crystal ball of 2016, and there is much to be worried about. The global economy is stumbling along. The conflict in Syria has created geopolitical shifts: the refugee crisis and the political repercussions in Europe; the rise of ISIS and fear of terrorism; the intolerance of Donald Trump and his supporters.

Closer to home, the volatility of the rand is partly a consequence of the internal power struggle within the ruling party: the removal of finance minister Nhlanhla Nene on 9 December 2015 followed by Pravin Gordhan replacing Nene's successor four days later was a case in point.

The medium-term effects of this strange episode in our political history are still unclear, but it is likely to have reminded SA's politicians, and those who vote for them, just how integrated SA is into the global economy, and that strong macroeconomic fundamentals and sound fiscal policy (or, at least, the perception thereof) matter.

The knee-jerk reactions of a powerful individual make predictions incredibly difficult. But even larger movements are often difficult to foresee. Who, at the start of 2015, could have imagined the #FeesMustFall would awake university campuses from their apathetic slumber? To paraphrase Danish physicist Niels Bohr, it seems like prediction is incredibly difficult, especially of the future.

Yet all through life we are required to think about the future. When we leave school and choose a career, we have to have some notion of what the future demand for our skills will be. When we buy a car or a home, marry or have children, our future income matters. Even retirement – when, where, how – is based on predictions of the future.

How should we proceed with the difficult business of making predictions? *Superforecasting*, a new book by Philip Tetlock and Dan Gardner, attempts to explain the art and science of prediction. Over several years, the authors ran a large experiment in which they collected and analysed predictions on questions such as "How many countries will report Ebola cases in the next few months?" by thousands of ordinary people. What emerged was a set of elite predictors – they call them superforecasters, around 2% of their sample – whose predictions were consistently more accurate than everyone else.

Surprisingly, these superforecasters are often not considered experts in the fields they were asked questions on. Instead, they shared similar characteristics: they understand the cognitive traps that the mind can play on us, what behavioural scientists call decision heuristics; they don't turn easier questions – will Alastair Coetzee be the next Springbok coach? – into more

difficult ones – what style of rugby should the Springboks play? – and they change their decisions as new information becomes available – "Forecasts aren't like lottery tickets that you buy and file away until the big draw." Superforecasters are intelligent but not off the charts. What makes them good is not who they are, but what they do: "research, careful thought and self-criticism, the gathering and synthesising of other perspectives, the granular judgements and relentless updating". In short, they are optimistic sceptics.

I interviewed a South African superforecaster who has been making predictions about the SA economy since the 1980s. Asked what makes him a successful forecaster, retiring professor Ben Smit of Stellenbosch University's Bureau of Economic Research, noted many similarities with what Tetlock and Gardner argued: a well-developed mental model of how things are interrelated, a good knowledge of statistical properties, a good imagination to envisage the future story and context, and a good team.

His view on SA's political outlook? Referring to the 1980s, Smit notes: "The fact that societies do adjust and can recover from unsustainable political frameworks and particular politicians were very well demonstrated by the South African experience. And this is also an important thought to hold on to given our current conditions in South Africa."

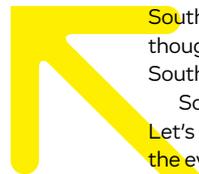
So, the world is in for a rough ride in 2016, right? Let's heed the superforecasters' lessons and consider the evidence. Despite negativity, countries as diverse as Ethiopia, India, the DRC, China and Bangladesh are growing at above 5% annually. Together, 41% of the world's people live in these five countries. In contrast, the economies of countries like Brazil, Russia, Argentina, Iran and Ukraine (7% of the world's population) contracted in 2015. Clearly, a more nuanced answer than a simple 'yes' or 'no' is needed.

And SA? Despite politicians' best attempts to do (what seems like) everything to undermine the growth of the economy – Medupi strikes, visa regulations, SAA bailouts and Nene-gate – we are still likely to attain positive growth. Many dangers lurk on the horizon, but prophets of doom have wrongly predicted a collapse every year since the recession. A superforecaster asked to predict SA in 2016 would instead be sceptically optimistic, remembering economic historian David Landis's words: "Educated eyes-open optimism pays; pessimism can only offer the empty consolation of sometimes being right." ■ editorial@finweek.co.za



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Johan Fourie is associate professor in Economics at Stellenbosch University.