Chapter 1   Getting started

Forecasting has fascinated people for thousands of years, sometimes being considered a sign of divine inspiration, and sometimes being seen as a criminal activity. The Jewish prophet Isaiah wrote in about 700 BC

> *Tell us what the future holds, so we may know that you are gods.*
> (Isaiah 41:23)

One hundred years later, in ancient Babylon, forecasters would foretell the future based on the distribution of maggots in a rotten sheep's liver. By 300 BC, people wanting forecasts would journey to Delphi in Greece to consult the Oracle, who would provide her predictions while intoxicated by ethylene vapours. Forecasters had a tougher time under the emperor Constantine, who issued a decree in AD357 forbidding anyone "to consult a soothsayer, a mathematician, or a forecaster . . . May curiosity to foretell the future be silenced forever." A similar ban on forecasting occurred in England in 1736 when it became an offence to defraud by charging money for predictions. The punishment was three months' imprisonment with hard labour!

The varying fortunes of forecasters arise because good forecasts can seem almost magical, while bad forecasts may be dangerous. Consider the following famous predictions about computing.

- *I think there is a world market for maybe five computers.* (Chairman of IBM, 1943)
- *Computers in the future may weigh no more than 1.5 tons.* (Popular Mechanics, 1949)
- *There is no reason anyone would want a computer in their home.* (President, DEC, 1977)

The last of these was made only three years before IBM produced the first personal computer. Not surprisingly, you can no longer buy a DEC computer. Forecasting is obviously a difficult activity, and businesses that do it well have a big advantage over those whose forecasts fail.

In this book, we will explore the most reliable methods for producing forecasts. The emphasis will be on methods that are replicable and testable, and have been shown to work.