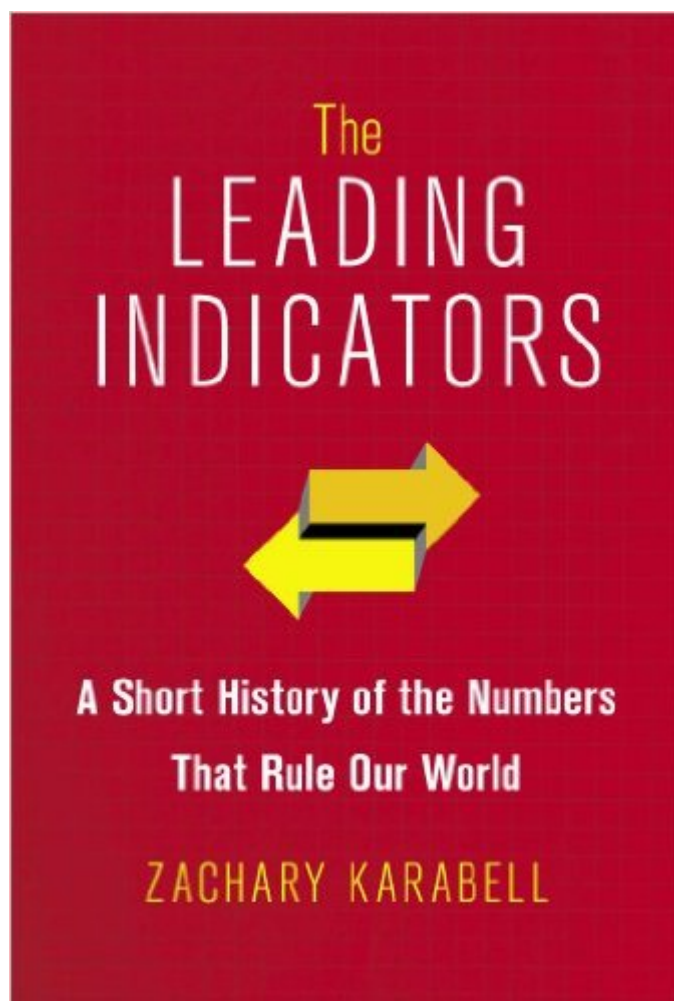


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The Leading Indicators: A Short History Of The Numbers That Rule Our World



Synopsis

How did we come by the "leading indicators" we place such stock in? We allocate trillions of dollars and make public policy and personal decisions based upon them, but what do they really tell us? We are bombarded every day with numbers that tell us how we are doing, whether the economy is growing or shrinking, whether the future looks bright or dim. Gross national product, balance of trade, unemployment, inflation, and consumer confidence guide our actions, yet few of us know where these numbers come from, what they mean, or why they rule our world. In *Leading Indicators*, Zachary Karabell tells the fascinating history of these indicators. They were invented in the mid-twentieth century to address the urgent challenges of the Great Depression, World War II, and the Cold War. They were rough measures "designed to give clarity in a data-parched world that was made up of centralized, industrial nations" yet we still rely on them today. We live in a world shaped by information technology and the borderless flow of capital and goods. When we follow a 1950s road map for a twenty-first-century world, we shouldn't be surprised if we get lost. What is urgently needed, Karabell makes clear, is not that we invent a new set of numbers but that we tap into the thriving data revolution, which offers unparalleled access to the information we need. Companies should not base their business plans on GDP projections; individuals should not decide whether to buy a home or get a degree based on the national unemployment rate. If you want to buy a home, look for a job, start a company, or run a business, you should find your own indicators. National housing figures don't matter; local ones do. You can find them at the click of a button. Personal, made-to-order indicators will meet our needs today, and the revolution is well underway. We need only to join it.

Book Information

Hardcover: 304 pages

Publisher: Simon & Schuster; First Edition edition (February 11, 2014)

Language: English

ISBN-10: 1451651201

ISBN-13: 978-1451651201

Product Dimensions: 6.1 x 1.1 x 9 inches

Shipping Weight: 1.1 pounds

Average Customer Review: 4.0 out of 5 stars [See all reviews](#) (38 customer reviews)

Best Sellers Rank: #249,540 in Books (See Top 100 in Books) #119 in [Books > Business & Money > Economics > Econometrics](#) #253 in [Books > Business & Money > Education &](#)

Customer Reviews

Zachary Karabell's "The Leading Indicators" is a disappointment. The author provides a detailed history of the origin and use of today's leading economic indicators, such as GDP and the national unemployment rate, only to alert us that there are limits to single measures of national performance and that such statistics can be misused. Is there anybody alive that doesn't already know this? I doubt we need to know who first started questioning what it means to be "unemployed," and where those early statistics came from, to understand the author's concerns about the use and misuse of summary statistics. It seems Mr. Karabell's purpose is to warn us that aggregate statistics say little about individual cases. For example, in discussing the unemployment rate he tells us that within the labor pool there are identifiable subcategories with distinct age, gender, racial, educational and regional features. So between the arbitrary criteria for who gets counted and the distillation of the data into a single number, the end result can be misleading. But before you get your hopes up for alternative indicators, check the following two paragraphs from the author's final chapter: Example 1: "What, then, is to be done? It would be satisfying to unveil a new framework and to outline a new set of statistics that would better serve our present needs. That would have the virtue of simplicity, and it would be easy to digest. Instead of GDP, let's have a version of gross national contentment. Instead of the unemployment rate, let's have the employment-education ratio. Problems with our current numbers? Well, then, let's invent new ones." (p246) Example 2: "No one number will suffice.

When I was in college, the more liberal artsy among us tended to fulfill the science requirement for graduation through either "Physics for Poets" or "Rocks for Jocks". This book would be a good textbook for "Econometrics for Poets.". It is short, utterly non-technical and not particularly demanding on the brain. I finished it in two settings, which is unusual for a book about economic statistics. The author has clearly chosen to write at a level that the general reader with no prior background can access, and there is definitely a niche for that kind of exposition. He obviously knows much about the subject but at the same time is capable of dumbing it down enough to fulfill his objective. As such, it is a very good nontechnical introduction to the topic for someone who is seeking one. Chapter 1 is an introduction to the compilation of census statistics through a brief summary of the Domesday Book produced to document England at the time of the Norman Conquest. Chapter 2 is a short history of the development of the unemployment rate and the Bureau of Labor Statistics in the progressive era. Chapters 3 and 4 comprise a short history of the creation

of national income, gross national product and gross domestic product metrics told mainly by focusing on Simon Kuznets. Chapter 5 is a short history of consumer sentiment statistics. Chapter 6 is a short history of the creation of inflation measurements. In each chapter the author briefly mentions some of the issues associated with the metric -- hedonic adjustments in relation to inflation; part-time and under-employment for unemployment; and activities ignored in computing GDP, for some examples.

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