

Predicting The Future. Should We Learn From Astrology Or Astronomy?

By Marlan W. Downey

A technical meeting of the Queensland Branch of the Petroleum Exploration Society of Australia heard a talk by Marlan W. Downey, Esso Distinguished Lecturer 1998 titled: Predicting the future. Should we learn from astrology or astronomy?

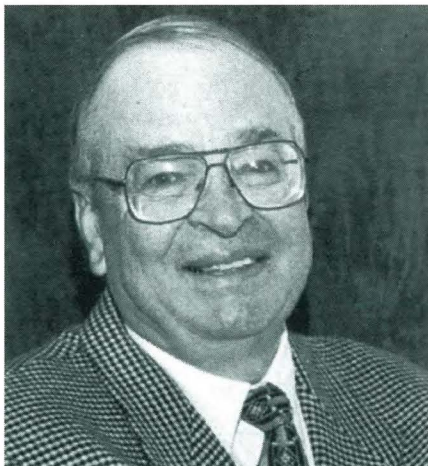
Abstract

The oil and gas business requires a lengthy time from choice of investment until successful return on those investments. Long-term investments require consideration of future outcomes. Such analysis represents a prediction of the future, future prices, future costs, future production volumes, future taxes or political risks. Selecting the best investments for growth and future profits requires that the investor understands the uncertainties of predicting the future.

Many have tried to predict the future. Few have had any success. No one consistently has shown accuracy in predicting the future. If it is important to predict the future, why do we do it so poorly? Are we listening to the wrong people? (Do we have the wrong astrologer?) Is our methodology incorrect? (Is our science at fault?)

During the presentation Marlan Downey discussed some general axioms on predicting the future:

1. Future events can be predicted in a rigorous manner only if they represent expected outcomes of physical laws;
2. Future events can be predicted with some statistical confidence if they represent a modest extrapolation of consistent history into the future;



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3. The further into the future one predicts, the less reliable history-based predictions should be; predictions become less certain as more parameters influence the event;
4. Predictions must be less certain as more precision is required; and
5. Predictions of singular future complex events are merely guesses, no matter how they may be swaddled in statistical mumbo jumbo.

In managing business for the long term, we must understand that the future will never be exactly as we planned or hoped. By maintaining options and flexibility, we can buffer ourselves from the consequences of an always-uncertain future.