

Theil H. *Economic forecasts and policy*. Amsterdam, The Netherlands: North-Holland, (1958) 1961. 567 p.
[Netherlands School of Economics, Rotterdam, The Netherlands]

The book summarizes research results in different areas of econometrics: methodology, verification of forecasts, and applications to policy analysis. [The *SSCI*® indicates that this book has been cited in over 435 publications.]

Econometric Research in the Early 1950s

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Most of the research reported in *Economic Forecasts and Policy* was done at the Central Planning Bureau in The Hague, where I worked from 1952 to 1955. I did most of the writing at the University of Chicago, where I was a visiting professor in the academic year 1955-1956. After my return in September 1956, I founded the Econometric Institute at The Netherlands School of Economics (now Erasmus University) in Rotterdam. In the next several months, I finished the computations and completed the book; it came out in 1958. Looking again at the first few pages, I am intrigued by all those Dutch names: J.S. Cramer, H. Moerman, A. Russchen, and J. Tinbergen. This has certainly changed in later phases of my career; the names of my associates and colleagues have become mainly American, Israeli, and East Asian.

The origin of *Economic Forecasts and Policy* was an attempt to formulate a new econometric model for The Netherlands. When I accepted this assignment, I decided to pursue several different routes, viz., the evaluation of the predictive ability of model forecasts and of other types of forecasts (such as survey predictions), the use of forecasts for policy purposes, and econometric methodology. The book reports on these different topics and is, therefore, rather heterogeneous in content.

It turned out that many instructors used the book in their courses on econometric methodology. Since it was soon sold out, I used this opportunity to expand the econometric exposition in the second edition, which appeared in 1961. Additional forecast data became available in the next several years; rather than making an extensive revision in the form of a third edition, I decided to write a new book, *Applied Economic Forecasting*, which was published by North-Holland in 1966.¹ To some extent, my *Economics and Information Theory* is a further sequel to this line of research; it became a *Citation Classic* in 1980.²

The two other main themes of *Economic Forecasts and Policy* were also important in my subsequent research. Econometric methodology was the obvious topic in my *Principles of Econometrics*; it became a *Citation Classic* in 1989.³ The use of forecasts (and similar sources of less than perfect information) in decision making plays a major role in *Optimal Decision Rules for Government and Industry*, which was published by North-Holland in 1964.⁴ Last year Andrew J. Hughes Hallett published a survey article on this work and related earlier work by Tinbergen.⁵

1. Theil H. *Applied economic forecasting*. Amsterdam, The Netherlands: North-Holland, 1966. 474 p. (Cited 225 times.)
2. ———. *Economics and information theory*. Amsterdam, The Netherlands: North-Holland, 1967. 488 p. (Cited 540 times.) [See also: Theil H. Citation Classic. (Smelser N J, comp.) *Contemporary classics in the social and behavioral sciences*. Philadelphia: ISI Press, 1987. p. 309. Reprinted from: *Current Contents/Social & Behavioral Sciences* 12(16):14, 21 April 1980.]
3. ———. *Principles of econometrics*. New York: Wiley, 1971. 736 p. (Cited 1,520 times.) [See also: Theil H. Preprinting principles of econometrics. Citation Classic. *Current Contents/Arts & Humanities* 11(1):18, 2 January 1989 and *CC/Social & Behavioral Sciences* 21(1):18, 2 January 1989.]
4. ———. *Optimal decision rules for government and industry*. Amsterdam, The Netherlands: North-Holland, 1964. 364 p. (Cited 215 times.)
5. Hallett A J H. Econometrics and the theory of economic policy: the Tinbergen-Theil contributions 40 years on. *Oxford Econ. Pap.—New Ser.* 41:189-214, 1989.