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Decision making and planning under low levels of predictability

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Title:	DECISION MAKING AND PLANNING UNDER LOW LEVELS OF PREDICTABILITY
Year:	2009
Author:	Makridakis, Spyros ; Tallem, Nassim
Abstract:	<p>This special section aims to demonstrate the limited predictability and high level of uncertainty in practically all important areas of our lives, and the implications of this. It summarizes the huge body of solid empirical evidence accumulated over the past several decades that proves the disastrous consequences of inaccurate forecasts in areas ranging from the economy and business to floods and medicine. The big problem is, however, that the great majority of people, decision and policy makers alike, still believe not only that accurate forecasting is possible, but also that uncertainty can be reliably assessed. Reality, however, shows otherwise, as this special section proves. This paper discusses forecasting accuracy and uncertainty, and distinguishes three distinct types of predictions: those relying on patterns for forecasting, those utilizing relationships as their basis, and those for which human judgment is the major determinant of the forecast. In addition, the major problems and challenges facing forecasters and the reasons why uncertainty cannot be assessed reliably are discussed using four large data sets. There is also a summary of the eleven papers included in this special section, as well as some concluding remarks emphasizing the need to be rational and realistic about our expectations and avoid the common delusions related to forecasting.</p>