

The Leading Indicators: A Short History of the Numbers that Rule Our World
Zachary Karabell (2014)

Book's Argument: Karabell traces the evolution of leading economic indicators (e.g. GNP/GDP, CPI, unemployment rate), noting that each was designed to answer a specific question at a specific time in history. He discusses how the continued use of these indicators has changed – how they have become a shortcut devoid of context. He then advocates, through example, for “bespoke indicators” that use “big data” to provide a more accurate picture of economic conditions.

Key Takeaways: The author contends that the information revolution provides a way to make plans (buying a home, starting a company) independent of overarching figures such as GDP; that is, that local conditions provide the context from which to make decisions.

Best Quotes: “The statistical cognoscenti understood that as the economy evolves, measurements needed to evolve as well. Yes, the physical world hasn’t changed substantially in the past hundred years. But the political and economic systems have morphed dramatically, and arguably were (and are) changing even now at a more rapid clip than at any point in human history.”

“Simon Kuznets [who brought GNP to mainstream usage] understood early on that the fetish for simple, round numbers would be a major problem if these indicators started being used for social and political problems that they were never intended to solve.”

Why it's important: As we look across the Services for what “right” looks like, it is important to understand – and communicate – that while the broad tenets of “right” can help guide us, finite adjustments to training, education, and guided experience must be conducted at the individual Service level. These finite adjustments could be accomplished through the use of a Service-generated set of “bespoke indicators” that examine a command or individual.

