

Opening the Black Box

Forecasting a Fiscally-Constrained
Highway Program

The Forecaster's Challenge

- "May you live in interesting times..."
- Structural Deficits in Federal Highway Trust Fund starting in FFY2009
- Sub-prime Mortgages and the Housing Market
- Oil prices
- Hurricanes
- The Cubs in 1st place in September

The Forecaster's Toolbox

- Standard items
 - Entrails
 - ~~X~~ animal rights issues
 - Tea leaves
 - ~~X~~ quality of imports
 - Tarot cards
 - ~~X~~ deforestation

The Forecaster's Toolbox

- Non-standard items
 - Casting dice
 - Econometric Models

What Makes a Good Model?

- Assumptions
 - Cannot evaluate projections without being aware of the assumptions behind them
- Purpose
 - Only helpful if used as intended

Fiscally-Constrained Model

- Assumptions
 - Federal aid
 - State aid
 - Non-highway use of highway resources

Fiscally-Constrained Model

- Purpose

- If we accept the assumptions, where will that put us?
- Not forecasting specific legislative actions
- Not trying to predict the future
- Only forecast I will make is that, if I am still alive 35 years from now, I will be 87 years old (and hopefully not still making forecasts...