It seems almost funny to remember that as recently as the 1980’s, hardly anyone outside the financial industry had any real interest in forecasting stock prices. An exception was one of my colleagues, a professor who actively managed his own portfolio long before the advent of Internet trading. His crowning achievement was predicting the October 1987 crash with far greater accuracy than almost all the experts. In the weeks following the crash, many stepped forward claiming to have seen it coming, but almost alone among them, my colleague had taken a major chunk of his money out of the market just weeks before it happened. In the risk-averse world of tenured academics, this gutsy move earned him instant superstar status.

These days, of course, you seldom meet anyone who is not an expert stock picker. A natural outgrowth of this phenomenon has recently begun to take form: our nation of stock pickers is rapidly turning into a nation of economic forecasters.

The mainstream media’s coverage of hard economic data used to be perfunctory: a spot of news about the direction of interest rates, or a calculation of how the dollar was holding up against the yen. Now these reports have grown bewilderingly detailed and complex. One recent morning, a cable-network news reader reported with a straight face that although the monthly trade deficit had shown a sharp decline in the quarter just ended, the movement should not be interpreted as a positive indicator because export figures contained a large commercial aircraft shipment that markets had known about for months. Another correspondent advised viewers that the rise in the wholesale price index should be discounted heavily, because much of it was attributable to movements in traditionally volatile energy components.

Every day, some government agency reports at least one major figure, and the financial-news channels cover it with the pageantry and suspense of the Academy Award nominations. A couple of weeks ago, the day-by-day fix went like this: Monday was Business Inventories, Tuesday was a double dose of Industrial Production and Capacity Utilization, Wednesday we got the Consumer Price Index, Housing Starts and Building Permits and Thursday was International Trade. Friday, we were permitted to rest.

I'm a university economist and the author of several books about how the economy works, and even I had to ask, who cares? Aside from people whose work is directly dependent on these figures, who would be interested in them? And what in the world can individual investors possibly learn from this endless torrent of information? If, say, we
find out that sales of existing homes in the Southwest were expected to rise 0.3 percent in September but actually rose only 0.25 percent, should we shift our portfolios to firms in the Pacific Northwest? Or divest them of stock in roofing-nail suppliers? Whatever we decide to do, it's a sure bet that the market has already beaten us to it. Economists disagree about many things, but one belief we share is that investors can almost never make financial headway by trading on the basis of numbers they hear about through the media.

That, however, has not stopped the number of financial-news outlets from proliferating still further in recent months. Countless new Web sites and cable channels and newsletters and e-mail services urge their services upon us. Indeed, the reporting of financial trivia now threatens to drown out all other news.

This information does serve an important function, just not the one it claims to serve. What it is, in fact, is a palliative to ease our anxiety about the eventual downturn. Old-school Wall Street cognoscenti have generally stuck to the view that the current boom will come to a spectacular end. As in 1929, we may wake up one morning to find all those paper billions up in smoke. But as the market has continued its ascent, swelling our faith in ourselves as master investors, fatalism has been tempered by the idea that a crash need not take down everyone. In a world in which investors make millions from trading stock in companies that may never earn a dime, official economic data provide a reassuring kind of white noise. They won't help the citizen-investor predict whether Amazon.com stock is a good buy, but they're pure and direct and unimpeachable: this is your government talking, this is the state of your country. More than that, the numbers make this tantalizing promise: If we just keep watching them, maybe we'll spot the downturn in time to bail out.

But if and when the crash does come, the number crunchers who manage to get out in time will confront a second challenge. They must decide when to get back in. And here the experience of my colleague who sold out just before the 1987 crash sounds a cautionary note. "I thought prices would continue to decline for at least the next year," he once told me with chagrin, "so I wasn't eager to get back in the market right away." But as often happens, prices began to recover almost immediately after the October downturn, and by the time my colleague finally got back into the market in mid-1988, prices were higher than when he'd sold. He has no illusions that he would have done any better if only those critical Capacity Utilization reports had been blasted over the airwaves back then.

Photo: (Tom Schierlitz) Chart: "Reading Greenspan: An Indicator" Mark Haines, anchor of CNBC's morning finance program "Squawk Box," on the rise and fall of the show's Briefcase Indicator: "The premise is that the thickness of Alan Greenspan's briefcase -- when he's leaving his office to meet with the Federal Reserve Board of Governors -- is an indicator of whether they plan to change interest rates. A full briefcase indicates that they are. 'It was right 17 out of the first 20 times, but has a built-in destruct mechanism, because Greenspan packs his briefcase. He can make it wrong or right. He has never
publicly acknowledged the Indicator, but we have reason to believe that he knows about it. We have to consider the fact that he wants us to stop doing it because the last two times the briefcase has been wrong, and that's disturbing."