Information Theory in Economics and Investment

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Abstract—

I. INTRODUCTION

Big results in information theory applied to economics and investing. Hopefully a look at open problems.

II. INFORMATION THEORY IN ECONOMICS

A. Rational Inattention - Modeling behavior in the absence of perfect information

Discuss rational inattention (especially in the context of typical models of behavior in economics).

Also discuss results and newer papers.

B. Robustness

Similar motivation to rational inattention.

Again discuss results and newer papers.

C. Credit Risk Modeling

Info theory used to develop AIC - used in all sorts of model validation.

One paper also uses AIC to look at the predictability of the stock market historically.

III. INFORMATION THEORY IN INVESTMENT

Lots and lots of papers by Cover on this stuff.

A. Value of Information

B. Influence of Side Information in Investment

C. Cost of Achieving the Best Portfolio in Hindsight

running refs list: [10], [2], [6], [1], [7], [5], [9], [11], [3], [4], [8]

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