

Information: Hard and Soft

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Abstract

Information, which can arrive in multiple forms, is a fundamental component of all financial transactions and markets. We define hard and soft information and describe the relative advantages of each. Hard information is quantitative, is easy to store, and can be transmitted in impersonal ways. Its information content is independent of its collection. As technology changes, the way we collect, process, and communicate information, it changes the structure of markets, the design of financial intermediaries, and the incentives to use or misuse information. We survey the literature to understand how information type influences the continued evolution of financial markets and institutions.

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