

## Title of the talk: The economic value of forecasts.

**Abstract.** In many economic models, the decision maker has the option of purchasing a signal that provides him with information about the state of the world before he takes any actions. The value of such a signal varies considerably with its informational content i.e. with the amount of information it contains. The current literature on the value of information focuses on the following extremes: perfect – fully informative-signals and “useless” completely uninformative signals. In the case of the former, we have a large empirical literature that estimates the value of perfect signals in specific applications. In the case of the latter, we have the “it never pays to buy information in small amounts” principle coined by Stiglitz in his Nobel Prize acceptance speech. In this talk, we start by precisely defining what we mean by the “informational content” of a signal. We then examine the value of the signal as its informational content varies throughout the entire spectrum - from zero informational content (corresponding to an uninformative signal), all the way to the maximum possible informational content (corresponding to a fully informative signal). This global view of the value of the signal allows us to answer the following questions: How general is the Stiglitz principle? Does the value of the signal always increase with its informational content? Does the marginal value of a signal always decrease with its informational content? We then use a number of examples to demonstrate how the answers to these questions matter greatly in signal markets.