

Weather Information and Financial Information

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To briefly remove myself from constant flow of news on the financial crisis, I attended a talk on environmental policy at [our school](#). The speaker was Vice Admiral Conrad C. Lautenbacher, Jr., who is the administrator of [NOAA \(National Oceanic and Atmospheric Administration\)](#). NOAA collects various data and information on weather, climate, ocean resources, and other environmental information, and disseminates those to the public. At one point of the talk, in explaining why the government should be in the business of collecting such information, Admiral Lautenbacher said:

“You don’t want to have Hurricane information provided by Enron.”

(I am relying on my memory, so the quote may not be exact.)

Then, it occurred to me this is actually what we do in collecting and providing financial information. We rely on rating agencies, analysts at financial institutions, and other private financial information providers to collect and publicize important information about health of financial institutions and financial industry. These entities may not have the right incentives to provide unbiased information.

Of course, collecting data and forecasting financial events is much more difficult than forecasting weather or the movement of a hurricane. We do not have to worry about a hurricane strategically changing its course, but we need to consider strategic uncertainty that players face in the financial system. But, would an unbiased institution that concentrates on collecting and disseminating financial information help?

I guess my attempt to think about something other than financial system and regulation was unsuccessful.