

Asymmetric Information and Economic Development

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Asymmetric information is a concept used in economics that portrays the influence of information in decision making for the economic man. Decision making in economics is made by individuals; nonetheless, there are different factors that influenced those decisions and that at a long term what those decisions that were considered individual based will eventually affect a greater economic environment. On this paper, I will analyze how information asymmetry affects economic development. First, I will discuss about information theory and its importance on economics, then how asymmetric information might affect decision making on individuals and how on a long term it might affect economic development. I will analyze how asymmetric information has impacted the disparity between developed and developing countries from the Second Industrial Revolution and how World War II helped to close the gap. Also, I will analyze what has been the approach of rapid emerging economies have taken in order to consolidate themselves in the global market and how asymmetric information have actually impacted them. Major methods used on this research is literature analysis of prominent economists. This project's goal is to understand how access to information is important and necessary for society to be able to develop and achieve economic prosperity.