

What is investment science?

Category : Scientific Investment Best Practices Articles

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Summary: Investment science clarifies what is known about best investment practices by using objective academic sources. It sheds light on important investment subjects that remain uncertain. While the term, 'scientific' is not commonly used about investing, The Skilled Investor believes it is highly appropriate. Over the past fifty years, investing has been transformed from an academic backwater into a well-established and scientific economic discipline. (See: [What else should you read about investing?](#)) Advances in digital computing and networking technologies have enabled highly competitive real-time global securities markets to develop. As modern global securities markets have evolved, vast amounts of historical market data have been collected. These same technologies have also permitted the development, testing, and verification of scientific investment theories using these data. For its underpinnings, investment science draws upon economics, econometrics, probability, statistics, and the behavioral sciences. Academics have developed and tested increasingly sophisticated financial theories about optimal investment practices. Better theories, more detailed and more widely available investment databases, increasingly sophisticated statistical modeling techniques, and ever more powerful computational devices have allowed academics and analytical professionals to push the science of investing forward. The good news is that scientific investment information exists in bountiful quantities. Academics communicate among themselves and with investment professionals using research papers published on their websites and in financial journals. Unfortunately for individual investors, this wealth of academic investment knowledge is dispersed, unorganized, and obscure. Scientific investment papers that could be useful to individual investors are written in complex, technical language that other academics and professional specialists comprehend. Understanding these papers may require a knowledge of economics, econometrics, mathematics including probability and statistics, survey research and data analysis, simulation and forecasting techniques, markets and market intermediaries, corporate finance, and other business topics. While individual investors are often highly educated and may be experts in their chosen careers, they rarely have an in-depth understanding of this particular mix of academic disciplines. Moreover, even if they did, individual investors are busy with their careers and families. Most have very limited time, interest, and energy left over to wade into this complex and unorganized sea of investment research. The Skilled Investor helps to solve this problem by finding, analyzing, summarizing, and commenting on selected scientific investment papers that can be relevant to the rational decisions of individual investors.

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