Department of Applied Mathematics and Statistics
The Johns Hopkins University

SEMINAR

James Case
Consultant
Baltimore, MD

December 4, 2003
304 Whitehead Hall
Refreshments: 3:30 p.m.
Seminar: 4:00 p.m.

CONTROVERSIES SURROUNDING THE EFFICIENT MARKETS HYPOTHESIS

Abstract

The so-called "Efficient Market Hypothesis" (EMH) asserts that financial markets promptly and accurately factor all relevant and publicly available information into the prices at which listed assets trade. It follows that those prices constitute the best possible estimates—given currently available information—of the corresponding asset values. A generation ago, the EMH was all but universally accepted in academic circles. Today, that is no longer the case. I will summarize the more telling arguments against it, and present a model refuting at least one of the ones still advanced in its behalf.