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The Efficient Market Hypothesis and Its Critics

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Abstract

Revolutions often spawn counterrevolutions and the efficient market hypothesis in finance is no exception. The intellectual dominance of the efficient-market revolution has more been challenged by economists who stress psychological and behavioral elements of stock-price determination and by econometricians who argue that stock returns are, to a considerable extent, predictable. This survey examines the attacks on the efficient market hypothesis and the relationship between predictability and efficiency. I conclude that our stock markets are more efficient and less predictable

than many recent academic papers would have us believe.

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