

Learning objectives

Chapter 37

Having read through this chapter you should be able to:

- Explain the principle of the Efficient Market Hypothesis
- Provide an overview of the role of information in the operation of efficient markets
- Explain the role of risk in efficient markets
- Explain how statistical and mathematical models were used to price risk
- Explain how collateralised debt obligations (CDOs) work
- Show how a lack of understanding of information can lead to a break down of efficient markets
- Provide an outline of the role of behavioural economics in market analysis
- Provide an outline of the role of central banks in the wake of the financial crisis and some of the criticisms levelled against them
- Explain the role and purpose of quantitative easing
- Provide an outline of the role of regulation and the main criticisms of regulators in the financial crisis
- Provide a summary of the main issues facing policy makers in reforming global regulation.