

Chapter 37

A company's share price on 1st March is €2.50. The company releases a statement saying that one of the products it manufactures has been removed from sale following the release of an article in a medical journal which associates the product with an increased risk of cancer in young children.

1. Explain what you would expect to happen to the share price of the company as a result of this new information.
2. Is it morally corrupt to use the efficiency of markets to trade contracts in disasters and terrorist events?
3. Why is high quality information so important to the efficient working of markets?
4. Should economics base more of its assumptions on behavioural psychology rather than on rational behaviour?