

What the Experts Say About Market Efficiency:

"An "efficient" market is defined as a market where there are large numbers of rational, profit-maximizers actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants."

Eugene F. Fama, Chicago Finance Professor who coined the term EMH

"Clearly the price considered most likely by the market is the true current price; if the market judged otherwise, it would quote not this price, but another price higher or lower."

Louis Bachelier

"The efficient market hypothesis is disarmingly simple to state, has far-reaching consequences for academic pursuits and business practice and yet it is surprisingly resilient to empirical proof or refutation."

Andrew Lo, MIT finance professor

"I'm a passive investor. All stocks. I believe in efficient markets. I know nothing about stock picking. I don't trust anyone else to interpret the data better than myself so I don't believe the opportunities are there to beat the market."

Eugene F. Fama

"The implication of the Efficient Market Hypothesis for the investor is that it is almost impossible to "beat the market."

12th Grade Economic Textbook Author

"Market efficiency is a description of how prices in competitive markets respond to new information. The arrival of new information to a competitive market can be likened to the arrival of a lamb chop to a school of flesh-eating piranha, where investors are - plausibly enough - the piranha. The instant the lamb chop (information) hits the water, there is turmoil as the fish devour the meat...as investors buy and sell securities in response to the news, causing prices to change. Once prices adjust, all that is left of the information is the worthless bone."

Robert C. Higgins, Analysis for Financial Management (3rd Edition, 1992)