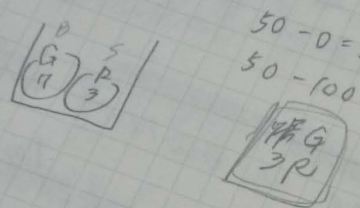


Do you want to "Buy" or "Sell" are crucial for NO.1 Economic Growth ~

Buy  $+50$   
 $V=50$   
 Sell  $50 - V = \text{Value}$   
 $50 - 0 = 50$   
 $50 - 100 = -50$



$V=100$   
 $96\%$   
 $100 - 100 = 0$   
 $99 = 0$



- 1.  $P=50$  Buy  $V=50$  Sell  $50-V$
- 2.  $P_0=70$  Buy
- 3.  $P_3=84$  Buy
- 4.  $P_4=93$  Sell
- 5.  $P_5=84$  Sell

What do we learn from our "experiment" aggregate dispersed information when this is done correctly, we say that market is informationally efficient

Financial Systems are Crucial for Economic Growth.

we learned?

Financial markets aggregate dispersed information when this is done correctly, we say that the financial market is informationally efficient

When this is not the case, we talk about price mis-alignment, Bubbles and crises are two extreme examples of price misalignment

Information efficiency ← Important

- o Functions of the financial system
  - A. Channelling household saving to corporate sector
  - B. Allocation of resources