

**Invited Talk:**

**Hiroshi Yoshikawa** (Rissho University)

***“Stock Prices and the Real Economy: The Different Meaning of Efficiency”***

**Abstracts:**

This paper explores the relationship between stock prices and the real economy. The standard neoclassical approach - so called consumption-based asset pricing model - attempts to explain it based on the assumption of the representative agent. It takes stock prices determined by the intertemporal consumption/saving decisions of the Ramsey consumer. The basic message is that financial market always contributes to efficient resource allocation. The ultimate version is the Arrow/Debreu model of complete capital market. We argue that this neoclassical view is wrong, and that there is in fact the fundamental difference in the meaning of efficiency in financial markets and the real economy. Our approach is based on seminal works of Masanao Aoki (1996, 2002), and draws on Aoki and Yoshikawa (2007).