Stochastic Dominance: Investment Decision Making under Uncertainty

Haim Levy
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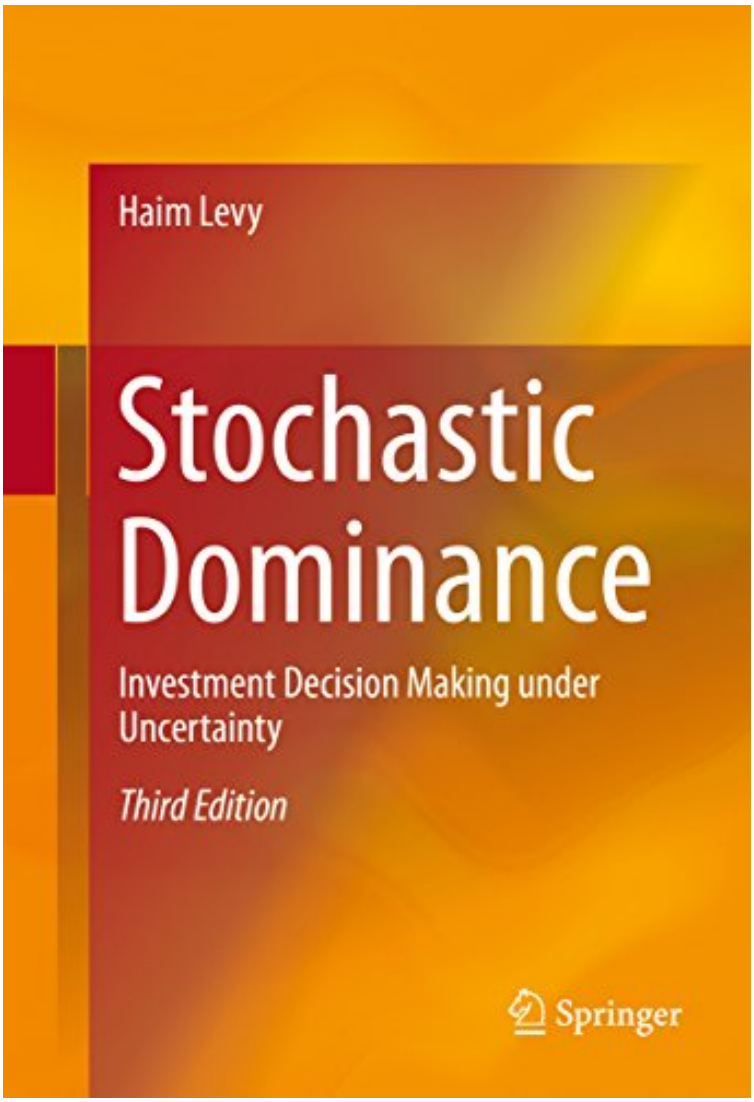

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Haim Levy : Stochastic Dominance: Investment Decision Making under Uncertainty before purchasing it in order to gage whether or not it would be worth my time, and all praised Stochastic Dominance: Investment Decision Making under Uncertainty:

1 of 1 people found the following review helpful. Best resource on Stochastic DominanceBy Emran HussainA very clear explanation on Stochastic Dominance. I read many articles on Stochastic Dominance, but could not clear some concepts until I read this book. The reason I am excited about this book is that, it provides Examples with numbers and shows steps for solving problems, which is very rare to find nowadays in a PhD level book. I was looking for

examples on how to calculate stochastic dominance for discrete Random Variables, and this book just amazed me with Examples for discrete Random Variables. This book has a dedicated chapter for Algorithms. Only disappointment that I can say about this book is the chapter on "Almost Stochastic Dominance". Same like first several chapters, I had high expectations that there would be examples on calculating 'Almost Stochastic Dominance' showing all the steps with real numbers. But I did not find that. Anyway, I expect that the next version will contain that. Overall, it is the only easily-accessible book I have found that organized knowledge of stochastic dominance in a very interesting way.

This fully updated third edition is devoted to the analysis of various Stochastic Dominance (SD) decision rules. It discusses the pros and cons of each of the alternate SD rules, the application of these rules to various research areas like statistics, agriculture, medicine, measuring income inequality and the poverty level in various countries, and of course, to investment decision-making under uncertainty. The book features changes and additions to the various chapters, and also includes two completely new chapters. One deals with asymptotic SD and the relation between FSD and the maximum geometric mean (MGM) rule (or the maximum growth portfolio). The other new chapter discusses bivariate SD rules where the individualrsquo;s utility is determined not only by his own wealth, but also by his standing relative to his peer group. Stochastic Dominance: Investment Decision Making under Uncertainty, 3rd Ed. covers the following basic issues: the SD approach, asymptotic SD rules, the mean-variance (MV) approach, as well as the non-expected utility approach. The non-expected utility approach focuses on Regret Theory (RT) and mainly on prospect theory (PT) and its modified version, cumulative prospect theory (CPT) which assumes S-shape preferences. In addition to these issues the book suggests a new stochastic dominance rule called the Markowitz stochastic dominance (MSD) rule corresponding to all reverse-S-shape preferences. It also discusses the concept of the multivariate expected utility and analyzed in more detail the bivariate expected utility case.From the reviews of the second edition:"This book is an economics book about stochastic dominance. hellip; is certainly a valuable reference for graduate students interested in decision making under uncertainty. It investigates and compares different approaches and presents many examples. Moreover, empirical studies and experimental results play an important role in this book, which makes it interesting to read." (Nicole Bauml;uerle, Mathematical Reviews, Issue 2007 d)

From the Back CoverThis updated 3rd edition is devoted to the analysis of various Stochastic Dominance (SD) decision rules. It discusses the pros and cons of each of the alternate SD rules, the application of these rules to various research areas like statistics, agriculture, medicine, measuring income inequality and the poverty level in various countries, and of course, to investment decision-making under uncertainty. The book features changes and additions to the chapters, and also includes two completely new chapters. One deals with asymptotic SD and the relation between FSD and the maximum geometric mean (MGM) rule (or the maximum growth portfolio). The other new chapter discusses bivariate SD rules where the individualrsquo;s utility is determined not only by his own wealth, but also by his standing relative to his peer group.The book covers the following basic issues: the SD approach, asymptotic SD rules, the mean-variance (MV) approach, as well as the non-expected utility approach. The non-expected utility approach focuses on Regret Theory (RT) and mainly on prospect theory (PT) and its modified version, cumulative prospect theory (CPT) which assumes S-shape preferences. In addition to these issues the book suggests a new stochastic dominance rule called the Markowitz stochastic dominance (MSD) rule corresponding to all reverse-S-shape preferences. It also discusses the concept of the multivariate expected utility and analyzed in more detail the bivariate expected utility case.ldquo;In this book, Prof. Levy presents his in-depth insights on a wide range of SD-related topics such as the MV approach, almost MV rule, CAPM statistics, the bivariate and multivariate expected utility, and diversification. He also formulates the SD rules in terms of distribution quantiles so that he can extend the SD theories to analyze riskless assets, discuss some open problems in SD, and illustrate the applications of SD in different areas. As such, researchers who would like to understand the SD theories systematically will find this book a valuable reference while practitioners will learn a lot on how SD theories can be applied in real life problems.rdquo; -Wong Wing Keung, Hong Kong Baptist Universityldquo;This book is a standard reference for scholars and practitioners in finance and economics. Recent years have witnessed important progress in theory and methods for applying Haim Levyrsquo;s brain child to portfolio management and asset pricing. I am thrilled by the brilliant synthesis and perspectives offered in this book. Standing on Haimrsquo;s shoulders, the reader will discover a wealth of new academic and commercial applications. A must-read.rdquo; -Thierry Post, Koccedil; UniversityAbout the AuthorProf. Levy was born in Jerusalem in 1939. He received his PhD from the Hebrew University in 1969 and in 1976 was promoted to full professorship. He developed a new field of financial economics called Stochastic Dominance, and developed economic models for risk-management, especially risk-reduction in investment, by means of international diversification and mergers and acquisitions. He served as economic advisor to the Bank of Israel; the Israeli Ministry of Finance; Ministry of Industry, Trade and Labor; and Ministry of National Infrastructures, among other government offices. His many awards include the Hebrew University's Prize for Excellence in Research for 1996. The two 1990 Nobel Prize winners in Economics stated that to a large extent their work draws on Prof. Levy's

pioneering writings.