Economic And Financial Decisions Under Risk Exercise Solution

As Artificial Intelligence (AI) seizes all aspects of human life, there is a fundamental shift in the way in which humans are thinking of and doing things. Ordinarily, humans have relied on economics and finance theories to make sense of, and predict concepts such as comparative advantage, long run economic growth, lack or distortion of information and failures, role of labour as a factor of production and the decision making process for the purpose of allocating resources among other theories. Of interest though is that literature has not attempted to utilize these advances in technology in order to modernize economic and finance theories that are fundamental in the decision making process for the purpose of allocating scarce resources among other things. With the simulated intelligence in machines, which allows machines to act like humans and to some extent even anticipate events better than humans, thanks to their ability to handle massive data sets, this book will use artificial intelligence to explain what these economic and finance theories mean in the context of the agent wanting to make a decision. The main feature of finance and economic theories is that they try to eliminate the effects of uncertainties by attempting to bring the future to the present. The fundamentals of this statement is deeply rooted in risk and risk management. In behavioural sciences, economics as a discipline has always provided a well-established foundation for understanding uncertainties and what this means for decision making. Finance and economics have done this through different models which attempt to predict the future. On its part, risk management attempts to hedge or mitigate these uncertainties in order for “the planner” to reach the favourable outcome. This book focuses on how AI is to redefine certain important economic and financial theories that are specifically used for the purpose of eliminating uncertainties so as to allow agents to make informed decisions. In effect, certain aspects of finance and economic theories cannot be understood in their entirety without the incorporation of AI.

Expected utility provides simple, testable properties of the optimum behavior that should be displayed by risk-averse individuals in risky decisions. Simultaneously, given the existence of paradoxes under the expected utility paradigm, expected utility can only be regarded as an approximation of actual behavior. A more realistic model is needed. This is particularly true when treating attitudes toward small probability events: the standard situation for insurable risks. Non-Expected Utility and Risk Management examines whether the existing results in insurance economics are robust to more general models of behavior under risk.

The authors take a detailed look at the economic competence and financial literacy of young adults especially of those who start an apprenticeship or who take up their studies at a university. Economic competence and financial literacy are of special interest within this group, because these young people are – mostly for the fi rst time in their lives – responsible for autonomously managing their own fi nancial affairs and deal with economic challenges.

This book provides a framework for thinking about economic instiutions such as firms. The basic idea is that institutions arise in situations where people write incomplete contracts and where the allocation of power or control is therefore important. Power and control are not standard concepts in economic theory. The book begins by pointing out that traditional approaches cannot explain on the one hand why all transactions do not take place in one huge firm and on the other handwhy firms matter at all. An incomplete contracting or property rights approach is then developed. It is argued that this approach can throw light on the boundaries of firms and on the meaning of asset ownership. In the remainder of the book, incomplete contacting ideas are applied to understandfirms' financial decisions, in particular, the nature of debt and equity (why equity has votes and creditors have foreclosure rights); the capital structure decisions of public companies; optimal bankruptcy procedure; and the allocation of voting rights across a company's shares. The book is written in a fairly non-technical style and includes many examples. It is aimed at advanced undergraduate and graduate students, academic and business economists, and lawyers as well as those with aninterest in corporate finance, privatization and regulation, and transitional issues in Eastern Europe, the former Soviet Union, and China. Little background knowledge is required, since the concepts are developed as the book progresses and the existing literature is fully reviewed.

The first and only encyclopedia to focus on the economic and financial behaviors of consumers, investors, and organizations, including an exploration of how people make good—and bad—economic decisions. • Contains an informative introductory essay that familiarizes students with the various aspects of behavioral economics • Provides a list of additional readings for those interested in learning more about the topic • Includes cross-references in each entry to help readers make connections between related topics • Defines key terms that are likely to be unfamiliar to those without advance knowledge of the subject • Helps readers identify and study particular entry categories through accompanying Topic Finders

European Equity Markets and Corporate Financial Decisions explores the current nature of corporate decisions faced by European financial managers, the highly interdependent financial and economic environment in which they function, and how that environment seeks complete integration with other financial and economic environments. The contributing authors provide a timely core of theoretical and empirical investigations on a set of European equity markets and corporate financial management decisions to give readers a deeper understanding of equity markets in Europe.

Financial management practices are likely to have a marked effect on the financial performance of a corporate enterprise. Therefore, sound financial decisions/practices can contribute towards meeting the desired objective of having profitable operations. This subject assumes paramount significance in view of the present dynamic and turbulent business environment, which has produced more intense competition and smaller profit margins across the world. In this context, the financial management practices of the corporates in India, a country with a vast potential for economic growth, can offer valuable insights. The present study explores whether there has been a major change in the financial performance (measured in terms of profitability) and financial policies/decisions of the sample companies over a fixed period (2000-2001 to 2010-2011), with a special focus on pre and post-recession analysis. It delves deeper into current research areas such as zero working capital, real options in capital budgeting, pecking order in capital structures, and clause 49 as reflected in the financial management decisions of sample companies, and provides a broader perspective by identifying trends (if any) in certain aspects of financial decision-making over the past two decades. A comprehensive study, covering all the major aspects of financial management practices, also contains an inter-sectoral study (among the sample companies) and develops an index of professionalism in financial management based on the practices of the sample companies. The book is primarily targeted at teachers/students of finance, management, commerce, accounting and related professional disciplines/fields. Practitioners/professionals will find it an invaluable text that helps guide them to better decision-making.

Bachelor Thesis from the year 2015 in the subject Economics - Finance, grade: 1,7, University of Applied Sciences Trier, course: Finance, language: English, abstract: The purpose of this paper is to examine, whether gender differences in financial behaviour are still evident nowadays. Commonly it is assumed that women tend to be more risk-averse while men are more risky and overconfident in regard to financial topics. These assumptions of gender-differences are investigated in this research. Further this paper explores the gender-based

differences in financial literacy as well as the gender disparities in obtaining information. A survey was conducted to gain information about the financial behaviour of undergraduate students from the Trier University of Applied Sciences. Results show that, in this sample, gender does not influence risk-taking behaviour, financial knowledge, or the way of obtaining information but only affects the degree of confidence.
Based on formal derivations of financial theory, this volume provides a rigorous exploration of individual's consumption and portfolio decisions under uncertainty. Features in-depth coverage of such topics as: concepts of risk aversion and stochastic dominance; mathematical properties of a portfolio frontier; distributional conditions for mutual fund separation; capital asset pricing models and arbitrage pricing models; general pricing rules for securities that pay off in more than one state of nature; the pricing of options; rational expectation models of risky asset prices; signaling models; how multiperiod dynamic economies can be modeled; a multiperiod economy with emphasis on valuation by arbitrage; econometric issues associated with testing capital asset pricing models.
Financial Economics, by Frank Fabozzi, Ted Neave, and Gaofu Zhou, presents an introduction to basic financial ideas through a strong grounding in microeconomic theory. This calculus based text explores the theoretical framework for analyzing the decisions by individuals and managers of firms, an area which is coming to both financial economics and microeconomics. It also explores the interplay of these decisions on the prices of financial assets. The authors provide rigorous coverage aimed at assisting the undergraduate and masters-level students to better understand the principles and practical application of financial economic theory. In addition, the book serves as a supplemental reference for doctoral students in economics and finance, as well as for practitioners who are interested in knowing more about the theory and intuition behind many coming practices in finance. In short, the book focuses on economic principles and on putting these principles to work in the various fields of finance - financial management, investment management, risk management, and asset and derivatives pricing.
There has been an increasing recognition that financial knowledge (i.e., literacy) is lacking across the population. Moreover, there is recognition that this lack of knowledge poses real problems as credit, mortgages, health insurance, retirement benefits, and savings and investment decisions become increasingly complex. Financial Decisions Across the Lifespan brings together the work of scholars from various disciplines (family and consumer sciences, economics, law, finance, sociology, and public policy) to provide a broad range of perspectives on financial knowledge, financial decisions, and policies. For consistency across the volume each chapter follows a similar format: (1) what individuals know or need to know (2) how what they know or need to know affects financial decisions and outcomes (3) ways in which policies or programs or financial innovations can enhance their knowledge, or decisions, or outcomes. Contributors will provide both new and existing research to create a valuable picture of the state of financial literacy and how it can be improved.
This second edition provides a rigorous yet accessible graduate-level introduction to financial economics. Since students often find the link between financial economics and equilibrium theory hard to grasp, less attention is given to purely financial topics, such as valuation of derivatives, and more emphasis is placed on making the connection with equilibrium theory explicit and clear. This book also provides a detailed study of two-date models because almost all of the key ideas in financial economics can be developed in the two-date setting. Substantial discussions and examples are included to make the ideas readily understandable. Several chapters in this new edition have been reordered and revised to deal with portfolio restrictions sequentially and more clearly, and an extended discussion on portfolio choice and optimal allocation of risk is available. The most important additions are new chapters on infinite-time security markets, exploring, among other topics, the possibility of price bubbles.

This dissertation focuses on the study of two main elements. First, I study the effect on financial decisions by local governments of different fiscal federalism arrangements at the supranational or federal level. In the first chapter, I develop a framework to analyze a risk sharing mechanism similar to the one employed among governments in the European Monetary Union, namely a bailout fund. This institutional setup produces strategic behavior and negative externalities in default and debt between countries. I develop a quantitative model of sovereign default with strategic interaction to estimate the welfare losses of these externalities. I contrast these with those generated by another risk sharing mechanism widely used among governments, fiscal centralization. Centralization tends to produce smaller welfare losses than a bailout fund. However, in both cases, the correction of the externalities would lead to Pareto improvements. The model rationalizes the detachment of sovereign credit risk from idiosyncratic macroeconomic variables. It suggests that in Europe, the link of this risk to global factors is related to the presence of the bailout fund and moral hazard. A correction of the latter would lead to a reduction of the correlation of sovereign yields and external macroeconomic variables. Finally, the model replicates the positive conditional correlation found in the data between yields on sovereign bonds of European countries and debt to GDP ratios of other countries in the monetary union. The second element of study of the dissertation, is the effect of taxes on the financial decisions of firms. In the second chapter, I develop a dynamic stochastic model of capital formation at the firm level, and use the asset price approach to study the incidence of a tax reform in Mexico in 2007 under which a tax on assets was eliminated and a tax on payments to factors of production was introduced. Under the latter, there is a higher degree of risk sharing between the government and firms. However, using simulated method of moments estimators I find that the rate that firms use to discount investment projects does not change with the reform. The reform leads to an increase in wages, capital formation and stock prices of capital intensive firms, while it implies a reduction in these variables for labor intensive firms. The effects of taxes on financial decision are also studied in the third chapter which was written jointly with Frédéric Panier and Francisco Pérez-González. We show that capital structure significantly responds to changing tax incentives. To identify the effect of taxes, we exploit the introduction of a novel tax provision (the notional interest deduction, or NID) as an arguably exogenous source of variation to the cost of using equity financing. The NID, introduced in Belgium in 2006, drastically reduces the tax-driven distortions that favor the use of debt financing by allowing firms to deduct from their taxable income a notional interest charge that is a function of equity. Our main findings are four. First, the NID led to a significant increase in the share of equity in the capital structure. Second, both incumbent and new firms increase their equity ratios after the introduction of the NID. Third, the largest responses to these changing tax incentives are found among large and new firms. Fourth, the increase in equity ratios is explained by higher equity levels and not by a reduction in other liabilities. The results are robust to using data from neighboring countries as a control group, as well as relying on a battery of tests aimed at isolating the effect of other potential confounding variables. Overall, the evidence demonstrates that tax policies designed to encourage the use of equity financing are likely to lead to more capitalized firms. In summary, the dissertation focuses on understanding the implications of different financial arrangements between the public sector and private and public agents. The recent financial crisis has showed that government decisions have important implications for risk allocation and financial decisions across other governments as well as the private sector. This dissertation sheds light on what these implications are. The complexity of the economic and financial relationships between the public and private sector led me to relate this dissertation to several fields such as Corporate Finance, Asset Pricing, Public Economics, Macroeconomics, and International Finance. Therefore, the techniques used across the document are very diverse: macroeconomic modelling, structural estimation, and reduced form empirical strategies. This heterogeneity across fields and techniques reflects my conviction that the intricacies of the discipline of Economics require a deepening in the interaction and understanding across fields.

This book reviews the latest research from psychology, neuroscience, and behavioral economics evaluating how people make financial choices in real-life circumstances. The volume is divided into three sections investigating financial decision making at the level of the brain, the level of an individual decision maker, and the level of the society, concluding with a discussion of the implications for further research. Among the topics discussed: Neural and hormonal bases of financial decision making Personality, cognitive abilities, emotions, and financial decisions Aging and financial decision making Coping methods for making financial choices under uncertainty Stock market crashes and market bubbles Psychological perspectives on borrowing, paying taxes, gambling, and charitable giving Psychological Perspectives on Financial Decision Making is a useful reference for researchers both in and outside of psychology, including decision-making experts, consumer psychologists, and behavioral economists.

The study of decision-making in foodservice is still a relatively new area of scholarly interest. The application of cost-benefit analysis and behavioral finance and economics in the foodservice context is rare. This volume, Financial Decision-Making in the Foodservice Industry: Economic Costs and Benefits,fills that gap and focuses on cost-benefit analysis, decision-making, behavioral finance, economic theories, and their application in foodservice and restaurant industry. The volume synthesizes these major themes by developing new theoretical foundations and presenting findings from the investigation of managerial practice. The authors cover an abundance of topical issues, including ethical obligations in foodservice, sustainability issues in the foodservice/restaurant industry, farm-to-school and local food expenditures in school foodservice settings, managerial traits and behavior in the foodservice industry, and more.

This collection of readings provides a solid grounding in the major practical business decisions that students and managers face in a global setting. The organization of the reader emphasizes general patterns of trade and investment flows, while examining in depth - the reasons for the internationalization of firms and the international dimension of various functional areas, including finance, accounting, marketing, and production.In six sections the readings take up changes in international ownership patterns, corporate strategy, international marketing issues, the basic financial decisions and taxation issues for a multinational firm, and political risk. Each section includes an introduction that outlines the basic ideas to be discussed, as well as questions, key terms, and suggestions for further reading.Robert Z. Aliber is Professor of International Economics and Finance at the Graduate School of Business at the University of Chicago. Reid W. Click is Assistant Professor of Economics in the Lemberg Program in International Economics and Finance at Brandeis University.

A comprehensive analysis of the macroeconomic and financialforces altering the economic landscape Financial decision-making requires one to anticipate how theirdecision will not only affect their business, but also the economicenvironment. Unfortunately, all too often, both private and publicsector decision-makers view their decisions as one-off responsesand fail to see their decisions within the context of an evolvingdecision-making framework. In Decision-Making in a Dynamic Economic Setting, JohnSilvia, Chief Economist of Wells Fargo and one of the top 5economic forecasters according to Bloomberg News and USAToday, skillfully puts this discipline in perspective. Details realistic, decision-making approaches and applicationsunder a broad set of economic scenarios Analyzes monetary policy and addresses the impact of financialregulations Examines business cycles and how to identify economic trends,how to deal with uncertainty and manage risk, the building blocksof growth, and strategies for innovation Decision-Making in a Dynamic Economic Setting details thereal-world application of economic principles and financialstrategy in

making better business decisions.
Great book! Mickäel has done a great job of explaining theinsights from over 50 groundbreaking psychological experiments. Youwill learn how to avoid many of the psychological mistakes made bymost investors. He teaches you to watch out for overconfidence andthe momentum bias to avoid large losses. He helps you to understandhow your social relationships can change your asset allocation riskprofile. Forearmed is forewarned. If you apply Mickäel'sinsights, you will improve your investment performance. Paul Stefansson Executive Director, UBS AG Why are investors sometimes their own worst enemies? As thiseminently readable book shows, all sorts of biases affectinvestors' judgments, ranging from sheer ignorance andemotions to overconfidence or aversions, from selected short-termmemory to undue generalizations. Building on the expandingliterature in behavioral economics, the experiments reported hereshed a useful, often funny, light on the implicit rules investorsuse to form their judgment and decisions. This book will definitelyhelp you make wiser investment decisions! Christian Koenig Director, Asian Center, ESSEC Business School Mickäel Mangot provides a fantastic tool that individuals aswell as financial advisors can immediately apply to theirportfolios. This book's success lies in its superblyeasy-to-use format: Mangot demystifies the technical terminology ofbehavioral finance by linking everyday behavior to the world ofinvesting. So while the human examples are enjoyable andinteresting (you'll chuckle when you recognize these traitsin yourself), he deftly explains how these very human biases lie atthe root of 57 simple but very damaging investment mistakes. Mostimportantly, each conclusion provides a concise, sensible summaryto help you correct—and improve—your investmentdecisions. Philippa Huckle CEO, The Philippa Huckle Group This is an insightful book that forces one to questionone's own financial behavior. 50 Psychological Experimentsfor Investors covers different topics such as savings, equityinvestment and property investment. The portrait of the investorpresented here is harsh but can be highly profitable for anyone whorecognizes that he or she is vulnerable to misjudgments andmisguided emotions. A must-read for any self-questioninginvestor. Jacques-Henri David Vice Chairman Global Banking, Deutsche Bank
Utility and risk analysis; Investment decisions under uncertainty; Portfolio analysis and capital market theory; Inflation and financial decision; Applications of risk analysis.
Most theories in economics and finance predict what people will do, given what they know about the world around them. But what do people know about their environments? The study of information choice seeks to answer this question, explaining why economic players know what they know--and how the information they have affects collective outcomes. Instead of assuming what people do or don't know, information choice asks what people would choose to know. Then it predicts what, given that information, they would choose to do. In this textbook, Laura Veldkamp introduces graduate students in economics and finance to this important new research. The book illustrates how information choice is used to answer questions in monetary economics, portfolio choice theory, business cycle theory, international finance, asset pricing, and other areas. It shows how to build and test applied theory models with information frictions. And it covers recent work on topics such as rational inattention, information markets, and strategic games with heterogeneous information. Illustrates how information choice is used to answer questions in monetary

economics, portfolio choice theory, business cycle theory, international finance, asset pricing, and other areas Teaches how to build and test applied theory models with information frictions Covers recent research on topics such as rational inattention, information markets, and strategic games with heterogeneous information

"The authors start with the fundamentals of risk measurement and risk aversion. They then apply these concepts to insurance decisions and portfolio choice in a one-period model. After examining these decisions in their one-period setting, they devote most of the book to a multiperiod context, which adds the long-term perspective most risk management analyses require. Each chapter concludes with a discussion of the relevant literature and a set of problems."--Jacket.

This handbook in two parts covers key topics of the theory of financial decision making. Some of the papers discuss real applications or case studies as well. There are a number of new papers that have never been published before especially in Part II.Part I is concerned with Decision Making Under Uncertainty. This includes subsections on Arbitrage, Utility Theory, Risk Aversion and Static Portfolio Theory, and Stochastic Dominance. Part II is concerned with Dynamic Modeling that is the transition for static decision making to multiperiod decision making. The analysis starts with Risk Measures and then discusses Dynamic Portfolio Theory, Tactical Asset Allocation and Asset-Liability Management Using Utility and Goal Based Consumption-Investment Decision Models.A comprehensive set of problems both computational and review and mind expanding with many unsolved problems are in an accompanying problems book. The handbook plus the book of problems form a very strong set of materials for PhD and Masters courses both as the main or as supplementary text in finance theory, financial decision making and portfolio theory. For researchers, it is a valuable resource being an up to date treatment of topics in the classic books on these topics by Johnathan Ingersoll in 1988, and William Ziemba and Raymond Vickson in 1975 (updated 2nd edition published in 2006).

A practical guide to adapting financial advice and investingto a post crisis world There's no room for "business as usual" in today's investmentmanagement environment. Following the recent financial crisis, bothretail and institutional investors are searching for new ways tooversee investment portfolios. How do you combine growth with a focus on wealth preservation? This book offers you afresh perspective on the changes in tools and strategies needed toeffectively achieve this goal. Financial Advice and Investment Decisions provides today'sinvestment professionals with the conceptual framework andpractical tools they need to successfully invest in and manage aninvestment portfolio with wealth preservation as a key concern.While there are many qualitative discussions, the authors presentstrong quantitative theory and practice in the form of smallconceptual models, simulation, and empirical research. A comprehensive guide to properly managing investments with afocus on matching security and growth goals with the needs of theinvestor Blends insights gleaned from portfolio management practicesused prior to the market mayhem of 2007-2009 with cutting-edgeacademic and professional investment research Includes innovative and wide-ranging treatment of subjects suchas augmented balance sheets, the efficiency of markets, saving,spending, and investing habits, and dealing with uncertainty Description of opportunities for improving the investingenvironment The recent financial crisis has opened our eyes to the need forimproving the way we invest. This book will put you in abetter position to excel in this new economic environment.

Managerial decisions are considerably influenced by taxes: e.g. the choice of location, buying or leasing decisions, or the proper mix of debt and equity in the company's capital structure increasingly demand qualified employees in an economic environment that is becoming more and more complex. Due to the worldwide economic integration and constant changes in tax legislation, companies are faced with new challenges – and the need for information and advice is growing accordingly. This book's goal is to identify and quantify possible tax effects on companies' investment strategies and financing policies. It does not focus on details of tax law, but instead seeks to address students and practitioners focusing on corporate finance, accounting, investment banking and strategy consulting.

Economic and Financial Decisions under RiskPrinceton University Press

Our path of economic development has generated a growing list of environmental problems including the disposal of nuclear waste, exhaustion of natural resources, loss of biodiversity, climate change, and polluted land, air, and water. All these environmental problems raise the crucial challenge of determining what we should and should not do for future generations. It is also central to other policy debates, including, for example, the appropriate level of public debt, investment in public infrastructure, investment in education, and the level of funding for pension benefits and for research and development. Today, the judge, the citizen, the politician, and the entrepreneur are concerned with the sustainability of our development. The objective of Pricing the Planet's Future is to provide a simple framework to organize the debate on what we should do for the future. A key element of analysis by economists is the discount rate--the minimum rate of return required from an investment project to make it desirable to implement. Christian Gollier outlines the basic theory of the discount rate and the various arguments that favor using a smaller discount rate for more distant cash flows. With principles that can be applied to many policy areas, Pricing the Planet's Future offers an ideal framework for dynamic problems and decision making.

From the field's leading authority, the most authoritative and comprehensive advanced-level textbook on asset pricing In Financial Decisions and Markets, John Campbell, one of the field’s most respected authorities, provides a broad graduate-level overview of asset pricing. He introduces students to leading theories of portfolio choice, their implications for asset prices, and empirical patterns of risk and return in financial markets. Campbell emphasizes the interplay of theory and evidence, as theorists respond to empirical puzzles by developing models with new testable implications. The book shows how models make predictions not only about asset prices but also about investors’ financial positions, and how they often draw on insights from behavioral economics. After a careful introduction to single-period models, Campbell develops multiperiod models with time-varying discount rates, reviews the leading approaches to consumption-based asset pricing, and integrates the study of equities and fixed-income securities. He discusses models with heterogeneous agents who use financial markets to share their risks, but also may speculate against one another on the basis of different beliefs or private information. Campbell takes a broad view of the field, linking asset pricing to related areas, including financial econometrics, household finance, and macroeconomics. The textbook works in discrete time throughout, and does not require stochastic calculus. Problems are provided at the end of each chapter to challenge students to develop their understanding of the main issues in financial economics. The most comprehensive and balanced textbook on asset pricing available, Financial Decisions and Markets is an essential resource for all graduate students and practitioners in finance and related fields. Integrated treatment of asset pricing theory and empirical evidence Emphasis on investors' decisions Broad view linking the field to financial econometrics, household finance, and macroeconomics Topics treated in discrete time, with no requirement for stochastic calculus Forthcoming solutions manual for problems available to professors

Troubled economic times are putting an extraordinary pressure on corporate managers, who have to make investment decisions under unprecedented uncertainty and risk. The aim of this book is to help managers to reflect upon the critical assumptions underlying the most relevant tools for valuation of corporate investments under uncertainty. It offers a wide range of working papers, journal articles and case studies which are the fruit of our recent experience in teaching, consulting and research. This book is ideally suited to both managers and MBA students who seek to improve their critical ability to make value decisions based on an array of relevant investment valuation tools.

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This Handbook is a unique and original contribution of over thirty chapters on behavioural economics, examining and addressing an important stream of research where the starting assumption is that decision-makers are for the most part relatively smart or rational. This particular approach is in contrast to a theme running through much contemporary work where individuals' behaviour is deemed irrational, biased, and error-prone, often due to how people are hardwired. In the smart people approach, where errors or biases occur and when social dilemmas arise, more often than not, improving the decision-making environment can repair these problems without hijacking or manipulating the preferences of decision-makers. This book covers a wide-range of themes from micro to macro, including various sub-disciplines within economics such as economic psychology, heuristics, fast and slow-thinking, neuroeconomics, experiments, the capabilities approach, institutional economics, methodology, nudging, ethics, and public policy.

Computational models and methods are central to the analysis of economic and financial decisions. Simulation and optimisation are widely used as tools of analysis, modelling and testing. The focus of this book is the development of computational methods and analytical models in financial engineering that rely on computation. The book contains eighteen chapters written by leading researchers in the area on portfolio optimization and option pricing; estimation and classification; banking; risk and macroeconomic modelling. It explores and brings together current research tools and will be of interest to researchers, analysts and practitioners in policy and investment decisions in economics and finance.

Argues that public finance--the study of the government's role in economics--should incorporate principles from behavior economics and other branches of psychology.

Have you ever wondered how one can save from taxi rides during surge pricing? Why you would shop more under sunny weather? What effects does a bankrupt neighbour have on residents living in the estate? How do people perceive risks during the coronavirus pandemic? Kiasunomics©2 explores these issues and more in a light-hearted and easy-to-understand manner, by showing the economic ramifications of individual choices through the lens of Teng, the protagonist of this book, and his family and friends. Based on research from the National University of Singapore, the book explains the influences and consequences of the decisions made by all of us, using simple economic logic.This sequel to , a finalist at the Singapore Book Awards 2018, fast forwards a couple of years and follows Teng in his mid-career as a taxi driver. Ferrying passengers for a living, Teng has to grapple with challenges arising from ride hailing services. As one of the breadwinners in a three-generation household, Teng's ability to make wise financial decisions in a fast-changing world becomes increasingly important in attaining his dream of moving his family up the socio-economic ladder.This book covers hot and timely topics, which include: falling prices of old Housing and Development Board flats, rising land prices, wealth disparity among households, the Central Provident Fund retirement policy, regulation of car population, ride hailing services, mobile payments, and the coronavirus pandemic. These are unravelled through the authors' application of research findings.The book brings to light the relevance of research, often seen as esoteric, on our daily life and decision making. It also bears on policy implications, particularly issues on transportation, health, housing, and retirement.

Since 2008, the financial sector has been the subject of extensive criticism. Much of this criticism has focused on the morality of the actors involved in the crisis and its extended aftermath. This book analyses the key moral and political philosophical issues of the crisis and relates them to the political economy of finance. It also examines to what extent the financial sector can or should be reformed. This book is unified by the view that the financial sector had been a self-serving and self-regulating elite consumed by greed, speculation and even lawlessness, with little sense of responsibility to the wider society or common good. In light of critical analysis by authors from a variety of backgrounds and persuasions, suggestions for reform and improvement are proposed, in some cases radical reform. By placing the world of finance under a microscope, this book analyses the assumptions that have led from hubris to disgrace as it provides suggestions for an improved society. Rooted in philosophical reflection, this book invites a critical reassessment of finance and its societal role in the 21st century. This book will be of interest to academics, politicians, central bankers and financial regulators who wish to improve the morality of finance.

In this volume, specialists from traditionally separate areas in economics and finance investigate issues at the conjunction of their fields. They argue that financial decisions of the firm can affect real economic activity—and this is true for enough firms and consumers to have significant aggregate economic effects. They demonstrate that important differences—asymmetries—in access to information between "borrowers" and "lenders" ("insiders" and "outsiders") in financial transactions affect investment decisions of firms and the organization of financial markets. The original research emphasizes the role of information problems in explaining empirically important links between internal finance and investment, as well as their role in accounting for observed variations in mechanisms for corporate control.

This book presents the state of the art in the relatively new field of dynamic economic modelling with regime switches.

The contributions, written by prominent scholars in the field, focus on dynamic decision problems with regime changes in underlying dynamics or objectives. Such changes can be externally driven or internally induced by decisions. Utilising the most advanced mathematical methods in optimal control and dynamic game theory, the authors address a broad range of topics, including capital accumulation, innovations, financial decisions, population economics, environmental and resource economics, institutional change and the dynamics of addiction. Given its scope, the book will appeal to all scholars interested in mathematical and quantitative economics.
An understanding of risk and how to deal with it is an essential part of modern economics. Whether liability litigation for pharmaceutical firms or an individual's having insufficient wealth to retire, risk is something that can be recognized, quantified, analyzed, treated--and incorporated into our decision-making processes. This book represents a concise summary of basic multiperiod decision-making under risk. Its detailed coverage of a broad range of topics is ideally suited for use in advanced undergraduate and introductory graduate courses either as a self-contained text, or the introductory chapters combined with a selection of later chapters can represent core reading in courses on macroeconomics, insurance, portfolio choice, or asset pricing. The authors start with the fundamentals of risk measurement and risk aversion. They then apply these concepts to insurance decisions and portfolio choice in a one-period model. After examining these decisions in their one-period setting, they devote most of the book to a multiperiod context, which adds the long-term perspective most risk management analyses require. Each chapter concludes with a discussion of the relevant literature and a set of problems. The book presents a thoroughly accessible introduction to risk, bridging the gap between the traditionally separate economics and finance literatures.