

ADVANCES IN THE USE OF STOCHASTIC DOMINANCE IN
ASSET PRICING

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ADVANCES IN THE USE OF STOCHASTIC DOMINANCE IN ASSET PRICING

Ontwikkelingen in het gebruik van stochastische dominantie voor de
prijsvorming van effecten.

PROEFSCHRIFT

ter verkrijging van de graad van doctor aan de
Erasmus Universiteit Rotterdam
op gezag van de rector magnificus

Prof.dr. S.W.J. Lamberts

en volgens besluit van het College voor Promoties.

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geboren te Enschede



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Preface

A PhD thesis is normally the result of several years of hard work and dedicated research. This one was no different, yet I can't say that the entire 4½ years since I started on the Stochastic Dominance project have been spent on writing papers – there was the MPhil, the teaching, organizing conferences and all kinds of other jobs. Yet the most tangible product of this all remains this thesis; and as with any thesis, this book couldn't have been written without a great many helping hands and minds. Some acknowledgements and thanks are in order:

Were it not for Thierry Post's generous offer to pursue a PhD based on his (then recently accepted) SD publication, this thesis wouldn't have been written. The same goes for his support and ideas over the years after that.

Of course, many other persons deserve to be mentioned as well, and despite my best efforts I feel that the list may still be incomplete. There are the ones that helped me sharpen my research, like Haim Levy and an anonymous referee for the JFQA. Jaap Spronk, for his help and cheerful moods while organising the EFD and EWGFM conferences. The colleagues from the Finance Department, for help large and small: Nico, Winfried, Martijn, Han, Marc, Wouter, Laurens, Dave, Betty, Ursula, H el ene and Trudy. The colleagues from the AIO-floor (sadly relocated to the 9th, the view from the 16th was better): Pim, Guido, Haris, Arjan, Mari elle, Sandra, Fransesco, Michiel, Diana, Silvia, Josse, Haikun, and many others. A special mention goes to Ward van den Berg, with whom I shared an office for almost 3 years, not to mention countless discussions, mainly about politics and food. I apologise for replacing him as the most politically right-wing AIO on the floor.

Last in order, but foremost in importance, I thank my parents. There is no amount of gratitude that can ever be enough to thank them for their continuous support. There's no place like home, regardless of where it's located. Dedicating this book to you is the least I could do.

As I write these words, the thesis is nearing completion and a period ends. If it will mark much of a difference can be doubted: Plus  a change, plus c'est la m eme chose. The work – research, teaching, the conferences - will continue. I'd consider it a blessing if my good fortune in these stays equally good.

Philippe Versijp,

Rotterdam, January 2007.

To my Parents,

And in memory of my grandfather, Jan Pardoel,

Requiem aeternam dona eis, Domine, et lux perpetua luceat eis.

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