

## ACADEMIC SEMINAR

# Generalized Almost Stochastic Dominance

Almost stochastic dominance allows small violations of stochastic dominance rules to avoid situations where most decision makers prefer one alternative to another but stochastic dominance cannot rank them. While the idea behind almost stochastic dominance is quite promising, it has not caught on in practice. Implementation issues and inconsistencies between integral conditions and their associated utility classes contribute to this situation. We develop generalized almost second-degree stochastic dominance and almost second-degree risk in terms of the appropriate utility classes and their corresponding integral conditions, and extend these concepts to higher degrees. We address implementation issues and show that generalized almost stochastic dominance inherits the appealing properties of stochastic dominance. Finally, we develop convex generalized almost stochastic dominance to deal with risk-prone preferences. Generalized almost stochastic dominance could be useful in decision analysis, in empirical research (e.g., in finance), and in theoretical analyses of applied situations.



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Prof Tzeng is the Chair Professor of the Department of Finance National Taiwan University. He earned his Ph.D. in Risk Management, Insurance, and Actuarial Science from Temple University in 1996 and then joined the Department of Finance National Taiwan University. Prof Tzeng's expertise is in the area of risk management and insurance. His research has appeared in publications such as Management Science, Journal of Risk and Insurance and Journal of Banking and Finance Prof Tzeng is an associate editor for Journal of Risk and Insurance, Risk Management and Insurance Review, APRIA Journal, and Journal of Risk Finance.

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