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ANNUAL REVIEW OF FINANCIAL ECONOMICS (/CONTENT/JOURNALS/FINANCIAL) Volume 2, 2010 (/content/journals/financial/2/1)

Portfolio Theory: As I Still See It

Harry M. Markowitz (/search?value1=Harry+M.+Markowitz&option1=author&noRedirect=true&sortField=prism_publicationDate&sortDescending=true).

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This essay summarizes my views on (a) the foundations of portfolio theory and its applications to current issues, such as the choice of criteria for practical risk-ret urn analysis, and whether some form of risk-return analysis should be used in fact; (b) hypotheses about actual financial behavior, as opposed to idealized ration al behavior, including two proofs of the fact that expected-utility maximizers would never prefer a multiple-prize lottery to all single-prize lotteries, as asserted in one of my 1952 papers; and (c) a simple proof of the theorem (which was initially greeted with some skepticism, especially by referees) that investors in capital as set pricing models do not get paid for bearing risk.

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