

## Portfolio Theory: As I Still See It

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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-return analysis, and whether some form of risk-return analysis should be used in fact; (b) hypotheses about actual financial behavior, as opposed to idealized rational 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 asset pricing models do not get paid for bearing risk.

**Keyword(s):** capital asset pricing model (/search?value1=%22capital+asset+pricing+model%22&option1=pub\_keyword), Friedman-Savage (/search?value1=%22Friedman-Savage%22&option1=pub\_keyword), MPT (/search?value1=%22MPT%22&option1=pub\_keyword), prospect theory (/search?value1=%22prospect+theory%22&option1=pub\_keyword), stochastic dominance (/search?value1=%22stochastic+dominance%22&option1=pub\_keyword)

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