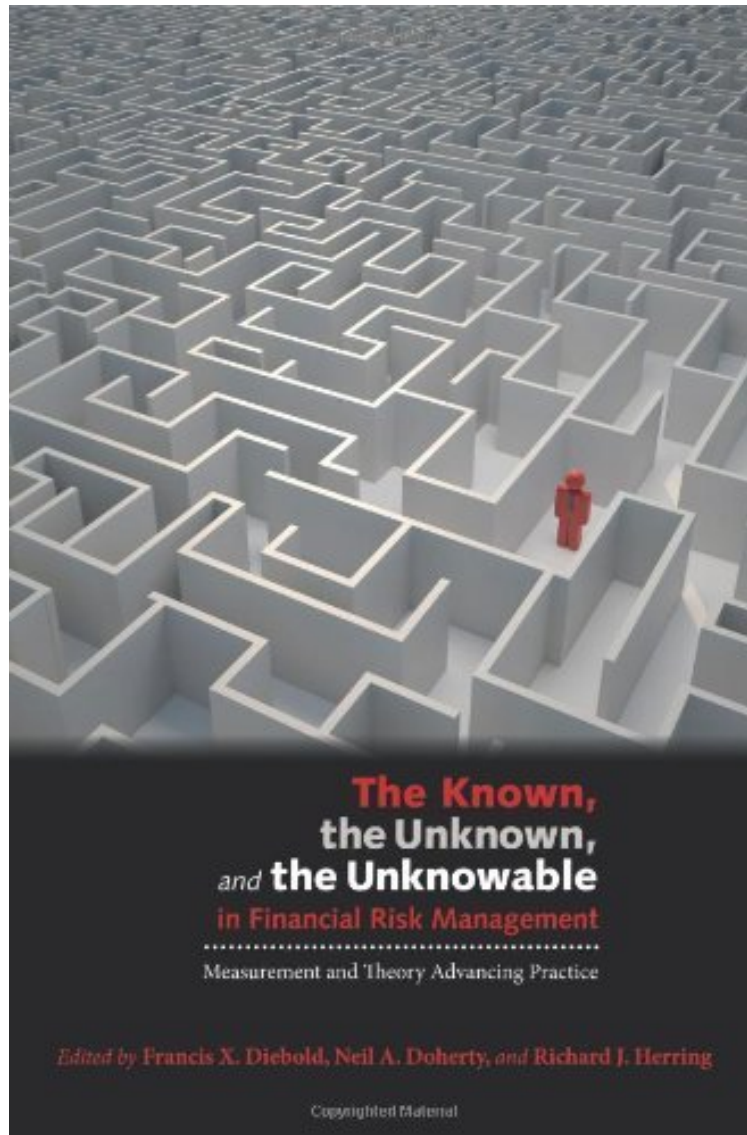


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The Known, the Unknown, and the Unknowable in Financial Risk Management: Measurement and Theory Advancing Practice

Neil A. Doherty Edited by Francis X. Diebold, Richard J. Herring

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Neil A. Doherty Edited by Francis X. Diebold, Richard J. Herring : The Known, the Unknown, and the Unknowable in Financial Risk Management: Measurement and Theory Advancing Practice before purchasing it in order to gage whether or not it would be worth my time, and all praised The Known, the Unknown, and the Unknowable in Financial Risk Management: Measurement and Theory Advancing Practice:

2 of 3 people found the following review helpful. An excellent review of the current Financial SystemBy Vincent

Bernard Codrington Each chapter is written by a different author and so has a different spin and emphasis. The same framework of Known, Unknown, and Unknowable was used with varying levels of success and analytical rigour. I FOUND CHAPTER 11 MANAGING increased capital markets intensity very insightful, useful. Indeed the concept of ICI was new to me and made more sense than the anecdotal approaches to explaining the current crisis in the International Financial System. If one understands this chapter one would have received half the value of this book. I think this book is essential reading for anyone interested in understanding how the new monetary and financial system works. The KuU philosophy can be applied to the hard sciences (physics, chemistry, biology) as well as psychology, politics and religion. I highly recommend this book.

A clear understanding of what we know, don't know, and can't know should guide any reasonable approach to managing financial risk, yet the most widely used measure in finance today--Value at Risk, or VaR--reduces these risks to a single number, creating a false sense of security among risk managers, executives, and regulators. This book introduces a more realistic and holistic framework called KuU --the Known, the unknown, and the unknowable--that enables one to conceptualize the different kinds of financial risks and design effective strategies for managing them. Bringing together contributions by leaders in finance and economics, this book pushes toward robustifying policies, portfolios, contracts, and organizations to a wide variety of KuU risks. Along the way, the strengths and limitations of "quantitative" risk management are revealed. In addition to the editors, the contributors are Ashok Bardhan, Dan Borge, Charles N. Bralver, Riccardo Colacito, Robert H. Edelstein, Robert F. Engle, Charles A. E. Goodhart, Clive W. J. Granger, Paul R. Kleindorfer, Donald L. Kohn, Howard Kunreuther, Andrew Kuritzkes, Robert H. Litzenberger, Benoit B. Mandelbrot, David M. Modest, Alex Muermann, Mark V. Pauly, Til Schuermann, Kenneth E. Scott, Nassim Nicholas Taleb, and Richard J. Zeckhauser. Introduces a new risk-management paradigm Features contributions by leaders in finance and economics Demonstrates how "killer risks" are often more economic than statistical, and crucially linked to incentives Shows how to invest and design policies amid financial uncertainty