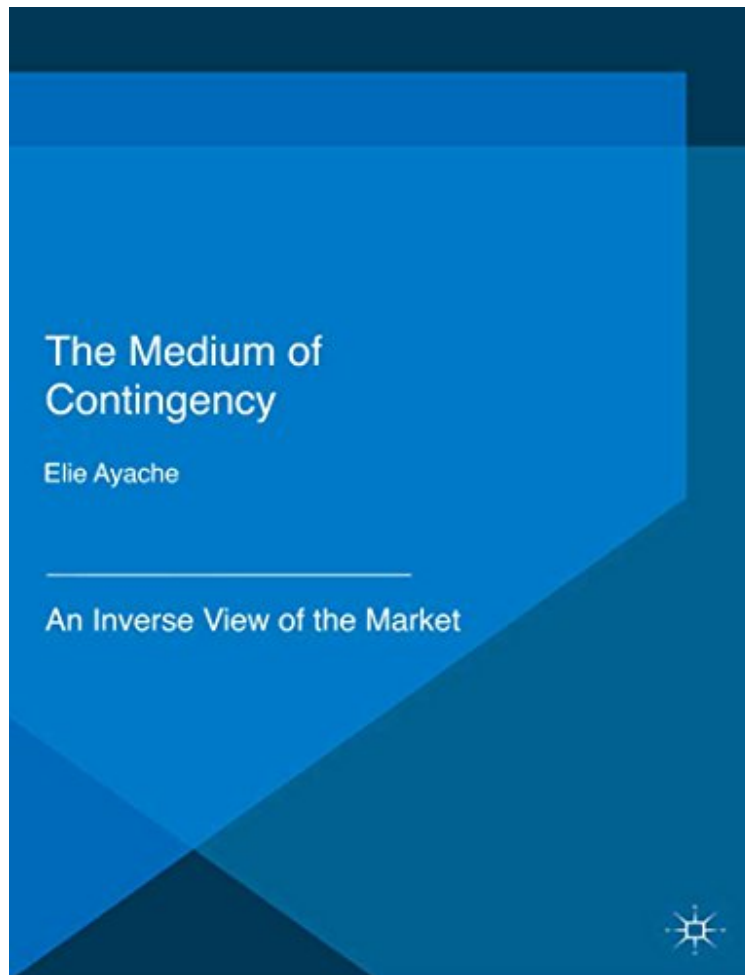


[Read and download] The Medium of Contingency: An Inverse View of the Market

The Medium of Contingency: An Inverse View of the Market

Elie Ayache

**Download PDF / ePub / DOC / audiobook / ebooks*



DOWNLOAD



READ ONLINE

#1623452 in eBooks 2016-06-15 2016-06-15 File Name: B01IK12Y3Q | File size: 53.Mb

Elie Ayache : The Medium of Contingency: An Inverse View of the Market before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Medium of Contingency: An Inverse View of the Market:

0 of 1 people found the following review helpful. we love you ayacheBy rationalitywe love you ayache, don't stop writing. - love Sanguine Empiricist on twitter(haven't read the book yet, intend to read it, just wanted to leave some words of encouragement)

In The Medium of Contingency Elie Ayache builds upon his ground-breaking book The Blank Swan, in exploring the intersection of philosophy and finance, introducing new notions of price and market. Inverting the received view, he now sees a creation of matter in both the market and its metaphysics, rather than pure speculation. Once recognized as the proper medium of contingency and disassociated from the probabilistic and statistical tools traditionally used to model it, the market can be thought as 'real', in a new sense of reality corresponding to the new sense of matter. To

bring this new and original perspective, *The Medium of Contingency* builds on probability theory as first formalized by von Mises and Kolmogorov, and later revisited by Shafer and Vovk. It utilises the author's extensive experience in derivatives pricing technology and software, as well as his work in the philosophy of contingency and contingent claims, to propose a new philosophical interpretation of Brownian motion and of the Black-Scholes-Merton formula. Then it completes the overturning of the traditional view of the market by arguing that there should be no difference, ultimately, between an underlying asset and the derivative written on it. This book does not aim to change the market but the way we must think of it. It is the author's conviction that there can be no philosophy of the market, and consequently no thinking of it, without a philosophy of contingent claims and of derivative pricing. The book provides the missing piece, which the philosophy of probability cannot provide alone. Its scope, however, extends beyond the strict critique of financial mathematics, as it also, and perhaps most importantly, delivers the author's definitive treatment of the philosophically prominent and recently much discussed notion of contingency.

'Elie Ayache sticks a long sharp and elegant philosophical knife deep into the heart of the currently fashionable statistical and probabilistic approach to finance and life.' Emanuel Derman, Professor of Finance, Columbia University. Author of *My Life as a Quant* (Wiley, 2007) and *Models. Behaving. Badly: Why Confusing Illusion with Reality Can Lead to Disaster, on Wall Street and in Life* (Free Press, 2012) 'This major new book builds on Elie Ayache's previous book, *The Blank Swan*. It offers a radical critique of the idea that contemporary derivative trading is based on statistical reasoning and probabilistic models. In making this case, Ayache offers a radical philosophical view of the market as just one instance of the radical nature of contingency in social life. This remarkable book will appeal to philosophers, social scientists and finance specialists equally.' Arjun Appadurai, Goddard Professor of Media, Culture and Communication, New York University. Author of *Banking on Words: The Failure of Language in the Age of Derivative Finance* (University of Chicago Press, 2015) 'Elie Ayache is a unique philosopher of probability and finance. For decades, he has worked at the ground floor of the world's derivatives markets, providing traders with the technology they need to create prices that financial theorists imagine emerging from some mysterious probabilistic process. And for decades he has sought the words that might help us all understand how the market creates both its realities and its illusions. In *The Blank Swan*, published in 2010, Ayache deconstructed the conception of the market as a stochastic process, explaining how its prices emerge not from probability but from contingency itself. Spectacular breakdowns can occur, he leads us to understand, not because the market gets the prices wrong (underestimating, say, the probability of a black swan) but because there are no prices save those the market creates. In this new and persuasive book, he returns to the fray with an analysis that aims higher and goes deeper. There is indeed a stochastic structure in the market, he now tells us, but this structure is not an underlying reality that drives the market. It itself is a creation of the market. This book delivers important and rewarding lessons for those who study probability, those who use it, and those who rely on it to understand our economic and financial world.' Glenn Shafer, Board of Governors Professor at the Rutgers Business School Newark and New Brunswick. Co-author (with Vladimir Vovk) of *Probability and Finance: It's Only a Game!* (Wiley, 2001) 'The market has largely been, despite its overwhelming importance, one of modern philosophy's unknown continents. Elie Ayache's forceful new work *The Medium of Contingency* is thus at once a provocation, an invitation, and an essential resource. It gives to philosophy all it needs to begin grappling with the pre-eminent reality of the market, and thus to do its duty.' Jon Roffe, Vice-Chancellor's Postdoctoral Fellow, Philosophy, University of New South Wales. Author of *Abstract Market Theory* (Palgrave, 2015) From the Back Cover In *The Medium of Contingency* Elie Ayache builds upon his ground-breaking book *The Blank Swan*, in exploring the intersection of philosophy and finance, introducing new notions of price and market. Inverting the received view, he now sees a creation of matter in both the market and its metaphysics, rather than pure speculation. Once recognized as the proper medium of contingency and disassociated from the probabilistic and statistical tools traditionally used to model it, the market can be thought as 'real', in a new sense of reality corresponding to the new sense of matter. To bring this new and original perspective, *The Medium of Contingency* builds on probability theory as first formalized by von Mises and Kolmogorov, and later revisited by Shafer and Vovk. It utilises the author's extensive experience in derivatives pricing technology and software, as well as his work in the philosophy of contingency and contingent claims, to propose a new philosophical interpretation of Brownian motion and of the Black-Scholes-Merton formula. Then it completes the overturning of the traditional view of the market by arguing that there should be no difference, ultimately, between an underlying asset and the derivative written on it. This book does not aim to change the market but the way we must think of it. It is the author's conviction that there can be no philosophy of the market, and consequently no thinking of it, without a philosophy of contingent claims and of derivative pricing. The book provides the missing piece, which the philosophy of probability cannot provide alone. Its scope, however, extends beyond the strict critique of financial mathematics, as it also, and perhaps most importantly, delivers the author's definitive treatment of the philosophically prominent and recently much discussed notion of contingency.

About the Author ELIE AYACHE was born in Lebanon in 1966. Trained as an engineer at l'École Polytechnique of Paris, he pursued a career of option market-maker on the floor of MATIF (1987-1990) and LIFFE (1990-1995). He then turned to the philosophy of probability (DEA at la Sorbonne) and to derivative

pricing and co-founded ITO 33, a financial software company, in 1999. Today, ITO 33 is the leading specialist in the pricing of convertible bonds, in the equity-to-credit problem, and more generally, in the calibration and recalibration of volatility surfaces. Elie has published many articles on the philosophy of contingent claims, as well as *The Blank Swan: The End of Probability*.