ERRATUM TO:

Foreword

Harry Markowitz

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The foreword was published without the following critical paragraph:

Sharpe (1964) and Merton (1990) versus Jacobs, Levy and Markowitz (2004, 2010)

Sharpe (1964) and Lintner (1965) present an "equilibrium" model. They say that, given certain assumptions, "in equilibrium" such-and-such will be true. Their model may be interpreted as a single-period or a static steady-state model. On the other hand, Merton (1990) and his many followers present continuous-time models in which price is assumed to follow one or another stochastic process, assumed *a priori*. In contrast to both of these types of models—the static and the continuous-time dynamic—the model presented by Jacobs, Levy and Markowitz (2004, 2010) is an asynchronous discrete event simulation in which time advances, usually in irregular jumps, to the next most imminent event. Prices are endogenous, resulting from the interaction of thousands of investors and their traders following various investment and trading rules.

Harry Markowitz

References

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Sharpe, W.F. (1964) “Capital Asset Prices: A Theory of Market Equilibrium Under Conditions of Risk.” *The Journal of Finance* 9(3):425-42.

The online version of the original chapter can be found under
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