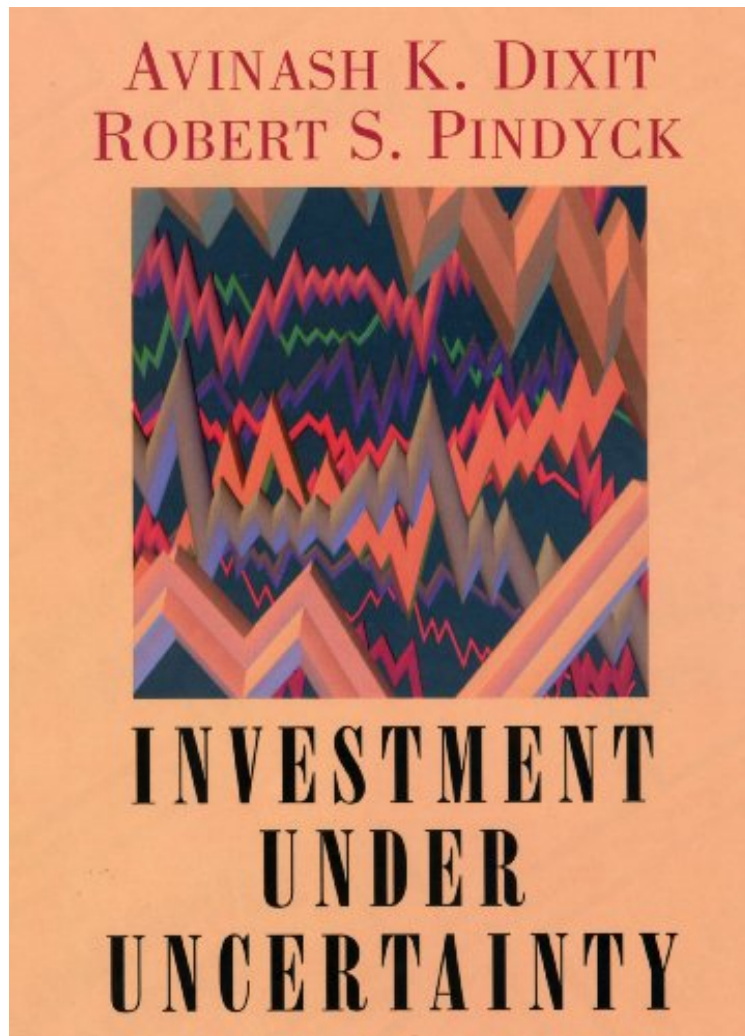


Investment under Uncertainty

Robert K. Dixit, Robert S. Pindyck

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Robert K. Dixit, Robert S. Pindyck : Investment under Uncertainty before purchasing it in order to gauge whether or not it would be worth my time, and all praised Investment under Uncertainty:

7 of 7 people found the following review helpful. Fabulous Text on Real Options By C. Ang Let me start off by saying that this is an excellent book. The authors are very clear writers and the text is easy to follow. I think there are two types of readers that can benefit from reading this book. First, anyone that wants to learn about real options, especially the theory behind it should read this book. Dixit and Pindyck do a wonderful job explaining the different options embedded in real projects. Second, anyone that wants to learn how to use dynamic programming or contingent claims analysis to solve real options problems should read this book. In my opinion, Dixit and Pindyck have the best explanation of what to expect and how to solve the common specifications found in real options problems. They show problems that make use of different stochastic processes, such as geometric Brownian motions, mean reverting

processes, or Poisson jump processes, and show how some of these can be solved analytically. Other books do not delve into a lot of detail on finding analytical solutions to the problems and merely assume that readers would be able to figure out their calculations. In addition, there is a short section (might even have been an appendix) that briefly discusses how numerical solutions work. After reading a number of real options texts available in the market, I am glad that I still took the time to read this book. This is probably the most important real options book out there. Although I think every one interested in real options should read this, I think the ones that are particularly interested in more applied real options are better served by a book like Copeland and Antikarov's Real Options book and Copeland's Valuation book. These books are more geared towards solving valuation problems using binomial trees, which for practical purposes would most likely be the approach used (as most real world problems would probably need numerical solutions anyway). 1 of 1 people found the following review helpful. Well written book on real options theory. By Chris This book is a great introduction to real options and optimization with Brownian motion constraints. The book is well written. I started reading this as a senior in undergrad, and it's almost self-contained. Great textbook - I highly recommend it. I wish Dixit and Pindyck wrote more textbooks in economics. 0 of 0 people found the following review helpful. Five Stars. By Tommy Must-read for anyone investing in anything!

How should firms decide whether and when to invest in new capital equipment, additions to their workforce, or the development of new products? Why have traditional economic models of investment failed to explain the behavior of investment spending in the United States and other countries? In this book, Avinash Dixit and Robert Pindyck provide the first detailed exposition of a new theoretical approach to the capital investment decisions of firms, stressing the irreversibility of most investment decisions, and the ongoing uncertainty of the economic environment in which these decisions are made. In so doing, they answer important questions about investment decisions and the behavior of investment spending. This new approach to investment recognizes the option value of waiting for better (but never complete) information. It exploits an analogy with the theory of options in financial markets, which permits a much richer dynamic framework than was possible with the traditional theory of investment. The authors present the new theory in a clear and systematic way, and consolidate, synthesize, and extend the various strands of research that have come out of the theory. Their book shows the importance of the theory for understanding investment behavior of firms; develops the implications of this theory for industry dynamics and for government policy concerning investment; and shows how the theory can be applied to specific industries and to a wide variety of business problems.

From the Inside Flap "[The authors'] approach has powerful implications for investors in marketable assets as well. No investment professional or CFO can afford to ignore this brilliant new book." --Peter L. Bernstein, author of *Capital Ideas: The Improbable Origins of Modern Wall Street* "Avinash Dixit and Robert Pindyck have successfully applied to capital budgeting the ideas and techniques of option pricing that have so enriched our understanding of financial markets." --Merton H. Miller, Nobel Laureate in Economics

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About the Author Avinash K. Dixit is John J. F. Sherrerd '52 University Professor of Economics at Princeton University. His most recent book is *Thinking Strategically*, with Barry Nalebuff (Norton). Robert S. Pindyck is Mitsubishi Bank Professor of Economics at the Sloan School of Management, MIT. His books include *Econometric Models and Economic Forecasts*, with Daniel L. Rubinfeld (McGraw-Hill).