Summary Article: **Stephen A. Ross Creator of the arbitrage pricing theory**

from *QFinance: The Ultimate Resource*

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>1965</td>
<td>Received BS in physics from CalTech.</td>
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<td>1970</td>
<td>Received PhD in economics from Harvard University.</td>
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<tr>
<td>1976</td>
<td>Appointed professor of economics and finance at Yale School of Management.</td>
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<td>1979</td>
<td>Developed the Cox–Ross–Rubinstein model.</td>
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<tr>
<td>1985</td>
<td>Developed the Cox–Ingersoll–Ross model.</td>
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<td>1988</td>
<td>Publication of <em>Corporate Finance</em>.</td>
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<td>1991</td>
<td>Publication of <em>Fundamentals of Corporate Finance</em>.</td>
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<tr>
<td>1996</td>
<td>Received the Financial Engineer of the Year award from the International Association of Financial Engineers.</td>
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<td>1996</td>
<td>Publication of <em>Essentials of Corporate Finance</em>.</td>
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<td>2005</td>
<td>Publication of <em>Neoclassical Finance</em>.</td>
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<td>2006</td>
<td>Received the CME-MSRI Prize in Innovative Quantitative Application.</td>
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<td>2007</td>
<td>Won the Jean-Jacques Laffont Prize from the Toulouse School of Economics.</td>
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**LIFE AND CAREER**

Stephen Ross is Professor of Financial Economics at the MIT Sloan School of Management, and Chairman of the Investment Advisory Board of IVC International Compensation Valuation Inc. He is also Principal and CIO of Ross Institutional Investors, LLC. After gaining a PhD in Economics from Harvard, he went on teach at the Wharton School and Yale School of Management, before joining MIT. He has founded several investment services firms, acted as a consultant to a number of investment banks and corporations, and served as an adviser to government departments such as the US Treasury, the Commerce Department, and the Internal Revenue Service. He is a former director of Freddie Mac, a Fellow of the Econometric Society, and is a past president of the American Finance Association. He has been the recipient of numerous prizes and awards, including the IAFE Financial Engineer of the Year.
KEY THINKING

- Stephen Ross has initiated several important theories, and models in financial economics. He has published more than 100 articles, and one of the classic textbooks on corporate finance.

- He is best known for creating the arbitrage pricing theory, a general theory of asset pricing which argues that the expected return of a financial asset can be modeled as a linear function of various factors, and market indices.

- He was an initiator of the concept of risk-neutral pricing, and the binomial model for pricing derivatives.

IN PERSPECTIVE

- Stephen Ross developed the influential arbitrage pricing theory, an alternative pricing model to the capital asset pricing model (CAPM).

- Unlike CAPM, the arbitrage pricing theory may specify returns as a linear function of more than a single factor.

- He also helped develop the influential Cox–Ross–Rubinstein model, a binomial options pricing model he worked on with John Cox and Mark Rubinstein.

- This model provides a numerical method for the valuation of options, which incorporates a discrete-time model, and a risk-neutrality assumption.

- The financial models he has worked on, including term-structure models and option pricing models, have become standard practice for pricing on the financial markets.

- In 1985, he contributed to the creation of the Cox–Ingersoll–Ross model for interest-rate dynamics, now a central tenet of neoclassical finance.

- This model is a one-factor model that describes the evolution of interest rates, as ascribing movements to market risk alone.

- He gave the inaugural lecture of the Princeton Lectures in Finance in 2001, defending neoclassical finance, including the concepts of efficiency and rationality in the markets.

MORE INFO

Books:


Ross, Stephen A.; Westerfield, Randolph W.; Jordan, Bradford D.. Essentials of Corporate

https://search.credoreference.com/content/topic/ross_stephen_a_1965
Finance. Chicago, IL: Irwin, 1996. Distils corporate finance down to its essential features, examining the main concepts and principles for a wide audience.

See Also:

John C. Cox

“You can't operate a company by fear, because the way to eliminate fear is to avoid criticism. And the way to avoid criticism is to do nothing.”

Stephen A. Ross

APA

Chicago

Harvard

MLA


https://search.credoreference.com/content/topic/ross_stephen_a_1965

