

Monday seminar in mathematics and mathematics education at UiA

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Note special date and room: Thursday, 9. September 2010, 14.15-15.00, Room B3-008, Campus Kristiansand

TITLE: Mathematics and Finance: The Black-Scholes option pricing formula and beyond

ABSTRACT: The recent financial crisis has caused a discussion about the role of mathematics and mathematicians in modern finance. In some ways this is a completely new situation for us mathematicians: We were used to being accused of doing completely useless research, purely academic and without any relevance to our society. Now suddenly we are accused of being too efficient - even dangerous - in our financial modeling activities!

It has been said that one of the causes of the crisis has been "an unjustified reliance on sophisticated mathematical methods" among practitioners.

So it is natural to ask: What are these sophisticated mathematical methods?

In this talk we will try to illustrate some of them by first looking at the basic idea of the famous Black-Scholes option pricing formula from 1973 (Nobel Prize 1997) and then at more recent research developments.