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1 function [result] = SOSDIntegralTestv3(DOMINANT,DOMINATED)
2 % Tests for second-order stochastic dominance assuming uniform distribution
3 % over vector elements
4 % Algorithm Adapted from Levy, H. (2006). Stochastic Dominance: Investment Decision
5 % Making Under Uncertainty (Second Edition). Springer. New York, NY.
6 % Pages 180-182.
7 % result = 1 implies suspected DOMINANT distribution is in fact SOSD over DOMINATED
8 % result = 0 implies suspected DOMINANT distribution is not SOSD over DOMINATED
9
10 len1 = length(DOMINANT);
11 len2 = length(DOMINATED);
12 if len1 ~= len2
13     error('Lengths do not match!');
14 end
15
16 DOMINANTSORT = sortrows(DOMINANT,1);
17 DOMINATEDSORT = sortrows(DOMINATED,1);
18 work = zeros(len1,2);
19
20 flag1 = 1; % stays 1 if cumulative of suspected dominated >= cumulative of suspected dominant
21 flag2 = 0; % stays 0 unless cumulative of suspected dominated > cumulative suspected dominant for some value
22 for ind = 1:len1 % Check to see if suspected dominant distribution satisfies SOSD integral condition
23     % relative to the suspected dominated distribution
24     if ind == 1
25         work(ind,1) = DOMINANTSORT(ind,1);
26         work(ind,2) = DOMINATEDSORT(ind,1);
27     else
28         work(ind,1) = DOMINANTSORT(ind,1) + work(ind - 1,1);
29         work(ind,2) = DOMINATEDSORT(ind,1) + work(ind - 1,2);
30     end
31     if work(ind,1) < work(ind,2)
32         flag1 = 0; % Not SOSD because suspected dominant distribution has higher cumulative value than suspected
33                     dominated
34     end
35     if work(ind,1) > work(ind,2)
36         flag2 = 1; % To be SOSD the suspected dominated distribution must have higher cumulative
37                     % distribution than suspected dominant distribution for at least one value
38     end
39 end
40 result = flag1 * flag2;

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