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Aggregate risk in a competitive economy with a completed financial market

The aim of the paper is an axiomatic analysis of the relationship between a real or financial innovation and risk. The results have the form of theorems with rigorous proofs and provide the ideas on the possibility of aggregating risk leading to its minimization, in a two-period equilibrium economy with the financial market of bonds and equity contracts. We show, among others, that in the considered economy with innovations and completed financial market, under the assumption that every consumer is risk-averse as well as the total endowments are not the sources of risk, there is a Pareto optimal allocation in which the plan of every consumer is risk free.