Ivan Boldyrev (Radboud University, Nijmegen)

“Kenneth J. Arrow on Finance: A History”

Abstract

Until recently, the standard historical narratives on the development of financial economics overlooked a fundamental contribution made by Arrow (1953). My paper aims at filling this gap. It tells the story of the emergence of Arrow’s general equilibrium model of contingent commodities, which suggested the fundamental notion of modern finance, 'Arrow securities' (paying one monetary unit contingent upon a certain future event and nothing otherwise); it also tries to make sense of Arrow’s contribution both in its historical context and for the subsequent development of finance. In particular, it reconstructs the vision of the world underlying this model and accounts for the links Arrow’s model created between economic theory and finance.