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Mechanisms leading to equilibrium in economy with financial market

K. Arrow and G. Debreu formulated and proved sufficient conditions for the existence of a price vector at which the aggregate supply is equal to the aggregate demand, providing equilibrium in the Walras sense. The above result, became the foundation for general equilibrium theory. J. Schumpeter was the first to introduce the concept of the economic development determined by innovation. In his theory, the significant role played the economic mechanism, understood as the set of rules and regularities explaining the social and economic life.

This research links general equilibrium theory, theory of economic development and mechanism design theory. The aim of the paper is to model some kinds of mechanisms in the Hurwicz sense which lead to equilibrium in the competitive economy with financial market and private ownership. The mechanisms considered are caused by innovative and non-innovative changes introduced within economic development, which is coherent with Schumpeter theory. Qualitative properties of presented mechanisms are also examined.