

# PARETO OPTIMALITY IN INCOMPLETE MARKETS

## Highlights:

- (1) Welfare Theorems in Incomplete Markets
- (2) Welfare Similarity between Complete and Incomplete Markets.
- (3) The First Welfare Theorem in Incomplete Markets.

ABSTRACT. In the present paper, we deduce that welfare properties in incomplete markets are preserved under the No-Arbitrage Condition. For this reason, we remind the notion of the effectively complete markets. We treat this notion in a manner that it refers to Pareto Optimal Allocations and not only in the Equilibrium Allocations in Incomplete markets. Moreover, we do not assume any differentiability conditions concerning the utility functions of the consumers-investors. This result is the analogue of the First Welfare Theorem of the classical Arrow-Debreu model in Incomplete Financial Markets.