Free Lunch

Constantinos Kardaras

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The concept of absence of opportunities for free lunches is one of the pillars in the economic theory of financial markets. This natural assumption has proved very fruitful and has lead to great mathematical, as well as economical, insights in Quantitative Finance. Formulating rigorously the exact definition of absence of opportunities for riskless profit turned out to be a highly non-trivial fact that troubled mathematicians and economists for at least two decades. The purpose of this note is to give a quick (and, necessarily, incomplete) account of the recent work aimed at providing a simple and intuitive no-free-lunch assumption that would suffice in formulating a version of the celebrated Fundamental Theorem of Asset Pricing.

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