

# An Examination of Heterogeneous Beliefs with a Short-Sale Constraint in a Dynamic Economy

[Get access >](#)

*Review of Finance*, Volume 12, Issue 2, 2008, Pages 323–364,

<https://doi.org/10.1093/rof/rfm036>

**Published:** 22 March 2008

## Abstract

We study the effects of a market-wide short-sale constraint in a dynamic economy with heterogeneous beliefs. Imposing the constraint reduces the stock price if the optimistic investors' intertemporal elasticity of substitution (IES) is less than one and increases the stock price if the optimist's IES is greater than one. In calibrated examples, the optimist's market price of risk falls and the interest rate rises when the constraint binds. Imposing the constraint leads to a higher stock volatility if the optimist's IES is less than one and a lower stock volatility if the IES is greater than one.

© Oxford University Press 2008

**JEL:** D51 - Exchange and Production Economies, G11 - Portfolio Choice; Investment Decisions, G12 - Asset Pricing; Trading volume; Bond Interest Rates, G14 - Information and Market Efficiency; Event Studies; Insider Trading

**Subject:** Behavioral Asset Pricing, Theoretical Asset Pricing

**Issue Section:** Articles

You do not currently have access to this article.

## Sign in

 [Get help with access](#)


**Personal account**

**Institutional access**

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

Register

 Sign in through your institution

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

### **Institutional account management**

[Sign in as administrator](#)

## Purchase

---

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

An Examination of Heterogeneous Beliefs with a Short-Sale Constraint in a Dynamic Economy\* - 24 Hours access

EUR €38.00

GBP £33.00

USD \$41.00

## Rental



This article is also available for rental through DeepDyve.