
 [Download This Paper \(Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1&type=2) Add Paper to My LibraryShare:    

The CAPM and Beta in an Imperfect Market

5 Pages

Posted: 7 Apr 2003

Ramon P. DeGennaro (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=17288)

University of Tennessee, Knoxville - Department of Finance

Sangphill Kim (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=340860)

University of Massachusetts Lowell - Department of Finance

 [There are 2 versions of this paper](#)

Abstract


The General Capital Asset Pricing Model (GCAPM) incorporates certain market imperfections (see Levy, 1978 and 1980). Levy concludes that in GCAPM equilibrium, all investors do not necessarily hold the market portfolio and that a security's own variance is priced. We show that financial intermediaries, responding to potential abnormal profits, relax an important GCAPM constraint. The introduction of intermediaries into the GCAPM leads to results not unlike those of the CAPM itself. If an asset's own variance affects its price, we conclude that this feature provides a major reason for the existence of financial intermediaries.

Keywords: Arbitrage, Pricing Kernel, Market Efficiency Hypothesis, Rational Learning, Option Valuation, Risk-Neutral Density, GCAPM, CAPM, intermediaries, market portfolio, systematic risk

JEL Classification: G1, G2, D5, E2, M5

[Suggested Citation](#) >

[Show Contact Information](#) >

 [Download This Paper \(Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID372780_code030228670.pdf?abstractid=372780&mirid=1&type=2)

4 References

1. Haim Levy
Equilibrium in an Imperfect Market: A Constraint on the Number of Securities in the Portfolio
American Economic Review , volume 68 , p. 643 - 658 Posted: 1978-09
2. The CAPM and Beta in an Imperfect Market
The Journal of Portfolio Management , p. 5 - 11 Posted: 1980
Crossref (<https://doi.org/10.3905/jpm.1980.408735>)
3. Robert Merton
On the Mathematics and Economic Assumptions of Continuous Time Models Posted: 1977-10
4. William F Sharpe
Discussion of Irwin Friend, Randolph Westerfield, and Michael Granito
Journal of Finance , volume 33 , p. 903 - 917 Posted: 1978-06

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)[Accept all cookies](#)

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS	2,032
ABSTRACT VIEWS	7,659
RANK	15,984

2 Citations

4 References

PlumX Metrics



https://plu.mx/ssrn/a/?ssrn_id=372780
Related eJournals

Risk Management eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492472)

Follow ⓘ

Capital Markets: Asset Pricing & Valuation eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1508951)

Follow ⓘ

[View more >](#)

Recommended Papers

Why Does High Inflation Raise Inflation Uncertainty? (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=226711&rec=1&srcabs=372780&pos=1)
By Laurence Ball (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=81928)

Another Perspective on the Effects of Inflation Uncertainty (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=262182&rec=1&srcabs=372780&pos=2)
By John Elder (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=180470)

Evolving U.S. Monetary Policy and the Decline of Inflation Predictability (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1020094&rec=1&srcabs=372780&pos=3)
By Luca Benati (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=802546) and Paolo Surico (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=276169)

[View more >](#)

Feedback

[Submit a Paper >](https://hq.ssrn.com/submission.cfm) (<https://hq.ssrn.com/submission.cfm>)

SSRN Quick Links

SSRN Rankings

 (<https://www.facebook.com/SSRNcommunity/>)

 ([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

 (<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2024 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the relevant licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)