Journal of Financial and Quantitative Analysis

SEPTEMBER 1966

The Generalized Rate of Return

H. Martin Weingartner

Federal Reserve Margin Requirements and the Stock Market

Jacob Cohen

Optimal Design of a Stochastic System with Dominating Fixed Costs

Satinder K. Mullick

The Demand for Money: Preliminary Evidence from Industrial Countries

George G. Kaufman and Cynthia M. Latta

Portfolio Income: A Test of a Formula Plan

Robert R. Dince

Monetary-Fiscal Policy and the Debt Burden

A. Benavie

WESTERN FINANCE ASSOCIATION

and the

Graduate School of Business Administration

UNIVERSITY OF WASHINGTON

JOURNAL OF FINANCIAL

AND QUANTITATIVE ANALYSIS

Stephen H. Archer, Managing Editor

Charles A. D'Ambrosio, Assistant Managing Editor

BOARD OF EDITORS

J. Fred Weston Mark Greene Ezra Solomon William Anderson

Stephen H. Archer

ASSOCIATE EDITORS

Finance

Don C. Bridenstine, San Diego
Eugene F. Brigham, UC, Los Angeles
Edward J. Chambers, Washington
J. Howard Craven, Federal Reserve,
San Francisco
Robert C. Goshay, UC, Berkeley
Joseph E. Haring, Occidental
Jacob Michaelsen, Santa Cruz
Alexander A. Robichek, Stanford
John P. Shelton, UC, Los Angeles

Quantitative

Charles P. Bonini, Stanford John S. Y. Chiu, Washington Austin C. Hoggatt, UC, Berkeley James R. Jackson, UC, Los Angeles Raymond J. Jessen, UC, Los Angeles William T. Newell, Washington Alfred N. Page, Washington William F. Sharpe, Washington

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A Joint Publication of
Western Finance Association and
the Graduate School of Business Administration
University of Washington

Managing Editor: Stephen H. Archer

(Copyright 1966 by the Graduate School of Business Administration, University of Washington)

The Journal of Financial and Quantitative Analysis is published quarterly (March, June, September, and December) by the Graduate School of Business Administration, University of Washington, Seattle, Washington, 98105.

The views and opinions expressed are those of the authors and do not necessarily reflect those of the Graduate School of Business Administration of the University or of the Western Finance Association.

Membership in the Western Finance Association is available at \$5.00 per year and includes the Journal subscription. Applications and information concerning membership should be addressed to Omer Carey, Western Finance Association, Washington State University, Pullman, Washington, 99163. Make checks payable to the Western Finance Association.

Subscriptions for individual nonmembers are \$5.00 per year; for firms or libraries the rate is \$6.00 per year. Single copies are \$2.00. Make checks payable to Journal of Financial and Quantitative Analysis, Lillian Ashworth, Editorial Associate, 105 Mackenzie Hall, University of Washington, Seattle, Washington, 98105. Manuscripts and editorial correspondence should be sent to the Managing Editor. Correspondence concerning advertising and book reviews should be sent to the Assistant Managing Editor, Journal of Financial and Quantitative Analysis, Graduate School of Business Administration, University of Washington, Seattle, Washington, 98105.

JOURNAL OF

FINANCIAL AND

QUANTITATIVE ANALYSIS

Volume 1, Number 3		September, 1966	
The Generalized Rate	e of Return		1
	H. Martin Weingartn	er	
Federal Reserve Mar Stock Market	gin Requirements and	the 3	0
	Jacob Cohen		
Optimal Design of a Fixed Costs	Stochastic System w	· · · · · · · · · · · · · · · · · · ·	5
•	Satinder K. Mullick		
The Demand for Money Industrial Coun	y: Preliminary Evid	ence from 7	5
	George G. Kaufman		
	Cynthia M. Latta		
Portfolio Income:	A Test of a Formula	Plan 9	0
	Robert R. Dince		
Monetary-Fiscal Pol:	lcy and the Debt Bur	den 10	8
	A. Benavie		

WESTERN FINANCE ASSOCIATION

Executive Committee

Kenneth L. Trefftzs, PRESIDENT Edward W. Reed, VICE PRESIDENT Omer L. Carey, SECRETARY-TREASURER Washington State University Ellis T. Dustin Stephen H. Archer Alexander A. Robichek Abner D. Goldstine

University of Southern California University of Oregon Fresno State College University of Washington Stanford University Chief Deputy Commissioner, Savings and Loan

Publications Committee

J. Fred Weston

Stephen H. Archer Don C. Bridenstine Jewell J. Rasmussen University of California, Los Angeles University of Washington San Diego State College University of Utah