JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

07X Published online by Cambridge University Press

December 1970 A SPECIAL ISSUE DEVOTED TO BUSINESS FINANCE

SURESH P. SETHI and GERALD L. THOMPSON Applications of Mathematical Control Theory to Finance: Modeling Simple Dynamic Cash Balance Problems

ROBERT H. LITZENBERGER and ALAN P. BUDD Corporate Investment Criteria and the Valuation of Risk Assets

DILEEP MEHTA

Optimal Credit Policy Selection: A Dynamic Approach

NORMAN L. CHERVANY

A Simulation Analysis of Causal Relationships within the Cash Flow Process

RICHARD S. BOWER and JOHN M. SCHEIDELL Operationalism in Finance and Economics

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION UNIVERSITY OF WASHINGTON SEATTLE, WASHINGTON 98105

EDITORIAL STAFF

Charles A. D'Ambrosio, Managing Editor Charles W. Haley, Associate Managing Editor Leslye Brueggeman, Editorial Assistant

BOARD OF EDITORS

Charles A. D'Ambrosio, Washington Fred P. Morrisey, UC, Berkeley Edward W. Reed, 1st National Bank of Oregon Ezra Solomon, Stanford
J. Fred Weston, UCLA

ASSOCIATE EDITORS

William W. Alberts, Washington Marshall E. Blume, Pennsylvania Charles P. Bonini, Stanford Richard S. Bower, Dartmouth William Breen, Northwestern Myles Delano, Michigan State Thomas R. Dyckman, Cornell Robert C. Goshay, UC, Berkeley Nils H. Hakansson, UC, Berkeley Robert S. Hamada, Chicago Frederick S. Hammer, Integrated Systems Mark Hanna, Georgia Austin C. Hoggatt, UC, Berkeley James R. Jackson, UC, Los Angeles Frank C. Jen, SUNY, Buffalo Michael C. Jensen, Rochester

Raymond J. Jessen, UC, Los Angeles Henry A. Latané, North Carolina John C. McDonald, Stanford Jacob B. Michaelsen, UC, Santa Cruz Stewart C. Myers, MIT Alfred N. Page, Washington Richard Roll, Carnegie-Mellon R. Haney Scott, Washington William F. Sharpe, Stanford Keith V. Smith, UC, Los Angeles Roger B. Upson, Minnesota James Van Horne, Stanford Paul Wells, Illinois Richard R. West, Cornell Robert L. Winkler, Indiana Donald Woods, UC, Los Angeles

Copyright 1970 by the Graduate School of Business Administration, University of Washington.

The Journal of Financial and Quantitative Analysis is published in January, March, June, September, and December by the Graduate School of Business Administration, Seattle, Washington 98105, in conjunction with the Western Finance Association. Second-class postage paid at Seattle, Washington 98105.

The December issue is a special issue devoted to one topic of interest to the JFQA's readership. The January issue contains selected papers, discussants' comments, and the Proceedings of the Western Finance Association meetings.

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 of Washington or of the Western Finance Association.

For individuals, the annual subscription rate to the JFQA is \$10.00; for firms or libraries, the annual rate is \$15.00. Single copies are \$2.50, except the special issues, the price of which is \$3.00. Manuscripts and editorial correspondence should be sent to the Managing Editor. Advertising inquiries and books for review should be addressed to the Associate Managing Editor.

Correspondence pertaining to the Western Finance Association should be sent to Professor Thomas E. Stitzel, School of Business, Oregon State University, Corvallis, Oregon 97331.

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

Volume V, Numbers 4 and 5, December 1970
Applications of Mathematical Control Theory to Finance: Modeling Simple Dynamic Cash Balance Problems'
Suresh P. Sethi and Gerald L. Thompson
Corporate Investment Criteria and the Valuation of Risk Assets
Robert H. Litzenberger and Alan P. Budd
Optimal Crecit Policy Selection: A Dynamic Approach
Dileep Mehta
A Simulation Analysis of Causal Relationships within the Cash Flow Process
Norman L. Chervany
Operationalism in Finance and Economics
Richard S. Bower and John M. Scheidell
Announcements