

# JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

JANUARY 1971

WILLIAM H. JEAN

The Extension of Portfolio Analysis to Three or More Parameters

NILS H. HAKANSSON

Capital Growth and the Mean-Variance Approach to Portfolio Selection

BASIL A. KALYMON

Estimation Risk in the Portfolio Selection Model

JAGDISH HANDA

An Empirical Study of Financial Intermediation in Canada

DONALD R. FRASER and PETER S. ROSE

More on Banking Structure and Performance: The Evidence from Texas

JACK R. VERNON

Separation of Ownership and Control and Profit Rates, the Evidence from Banking: Comment

WILLIAM BREEN and RICHARD JACKSON

An Efficient Algorithm for Solving Large-Scale Portfolio Problems

HAIM LEVY and MARSHALL SARNAT

A Note on Portfolio Selection and Investors' Wealth

YORAM PELES

A Note on Risk and the Theory of Asset Value

WILLIAM H. JEAN

Terminal Value or Present Value in Capital Budgeting Programs

JAMES C. VAN HORNE

A Note on Biases in Capital Budgeting Introduced by Inflation

SURESH P. SETHI

A Note on a Planning Horizon Model of Cash Management

RAYMOND STRANGWAYS and BRUCE YANDLE, JR.

Effect of State Usury Laws on Housing Starts in 1966

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	Ezra Solomon, Stanford
Fred P. Morrisey, UC, Berkeley	J. Fred Weston, UCLA
Edward W. Reed, 1st National Bank of Oregon	

ASSOCIATE EDITORS

William W. Alberts, Washington	Raymond J. Jessen, UC, Los Angeles
Marshall E. Blume, Pennsylvania	Henry A. Latané, North Carolina
Charles P. Bonini, Stanford	John C. McDonald, Stanford
Richard S. Bower, Dartmouth	Jacob B. Michaelsen, UC, Santa Cruz
William Breen, Northwestern	Stewart C. Myers, MIT
Myles Delano, Michigan State	Alfred N. Page, Washington
Thomas R. Dyckman, Cornell	Richard Roll, Carnegie-Mellon
Robert C. Goshay, UC, Berkeley	R. Haney Scott, Washington
Nils H. Hakansson, UC, Berkeley	William F. Sharpe, Stanford
Robert S. Hamada, Chicago	Keith V. Smith, UC, Los Angeles
Frederick S. Hammer, Integrated Systems	Roger B. Upson, Minnesota
Mark Hanna, Georgia	James Van Horne, Stanford
Austin C. Hoggatt, UC, Berkeley	Paul Wells, Illinois
James R. Jackson, UC, Los Angeles	Richard R. West, Cornell
Frank C. Jen, SUNY, Buffalo	Robert L. Winkler, Indiana
Michael C. Jensen, Rochester	Donald Woods, UC, Los Angeles

Copyright 1971 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 VI, Number 1, January, 1971

---

The Extension of Portfolio Analysis to Three or More Parameters . . . . .	505
<i>William H. Jean</i>	
Capital Growth and the Mean-Variance Approach to Portfolio Selection . . . . .	517
<i>Nils H. Hakansson</i>	
Estimation Risk in the Portfolio Selection Model . . . . .	559
<i>Basil A. Kalymon</i>	
An Empirical Study of Financial Intermediation in Canada . . . . .	583
<i>Jagdish Handa</i>	
More on Banking Structure and Performance: The Evidence from Texas . . . . .	601
<i>Donald R. Fraser and Peter S. Rose</i>	
<b>COMMUNICATIONS</b>	
Separation of Ownership and Control and Profit Rates, the Evidence from Banking: Comment . . . . .	615
<i>Jack R. Vernon</i>	
An Efficient Algorithm for Solving Large-Scale Portfolio Problems . . . . .	627
<i>William Breen and Richard Jackson</i>	
A Note on Portfolio Selection and Investors' Wealth. . . . .	639
<i>Haim Levy and Marshall Sarnat</i>	
A Note on Risk and the Theory of Asset Value . . . . .	643
<i>Yoram Peles</i>	
Terminal Value or Present Value in Capital Budgeting Programs . . . . .	649
<i>William H. Jean</i>	

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS (Cont'd)

A Note on Biases in Capital Budgeting Introduced by Inflation . . . . .	653
<i>James C. Van Horne</i>	
A Note on a Planning Horizon Model of Cash Management . . . . .	659
<i>Suresh P. Sethi</i>	
Effect of State Usury Laws on Housing Starts in 1966 . . . . .	665
<i>Raymond Strangways and Bruce Yandle, Jr.</i>	
ANNOUNCEMENTS. . . . .	671