Journal of Financial and Quantitative Analysis

JUNE 1968

Continuous Financial Processes

R. F. Beckwith

A Chance-Constrained Approach to Urban

Renewal Decisions

James C. T. Mao and

Roger L. Wright

Using Investment Portfolios to Change Risk

Harold Bierman, Jr.

The Deferred Call Provision and Corporate

Bond Yields

Frank C. Jen and

James E. Wert

Stock Evaluation Theory: Classification,

Reconciliation, and General Model William R. Sloane and

Arnold Reisman

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

Fred P. Morrisey
J. Fred Weston

Edward W. Reed Ezra Solomon

Stephen H. Archer

ASSOCIATE EDITORS

Finance

William W. Alberts, Washington
Marshall E. Blume, Pennsylvania
Myles Delano, Michigan State
Robert C. Goshay, UC, Berkeley
Frederick S. Hammer, FDIC
James C. T. Mao, British Columbia
Jacob Michaelsen, Santa Cruz
Richard Roll, Carnegie-Mellon
R. Haney Scott, Washington
Keith V. Smith, UC, Los Angeles
James Van Horne, Stanford
Paul Wells, Illinois

Quantitative Methods

Charles P. Bonini, Stanford
Thomas R. Dyckman, Cornell
Austin C. Hoggatt, UC, Berkeley
James R. Jackson, UC, Los Angeles
Raymond J. Jessen, UC, Los Angeles
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 1968 by the Graduate School of Business Administration, University of Washington)

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 Virginia McKemie-Belt, Western Finance Association, California State College at Long Beach, Long Beach, California 90804. 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 Assistant, 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.

The Journal of Financial and Quantitative Analysis is published quarterly in March, June, September, and December, under the sponsorship of the Western Finance Association and the Graduate School of Business Administration at the University of Washington, Seattle, Washington.

Graduate School of Business Administration

Kermit O. Hanson, Dean Charles N. Henning, Director of Publications Lillian Ashworth, Editorial Assistant Ruth Hase, Subscription Manager

WESTERN FINANCE ASSOCIATION

Executive Committee

Robert A. Carr, PRESIDENT
Burton Kolb, VICE PRESIDENT
Virginia McKemie-Belt,
SECRETARY-TREASURER
Stephen H. Archer
Albert Dehner
Walter Hoadley
Edward W. Reed
Edwin C. Robbins

California State College, Fresno
University of Colorado
California State College
 at Long Beach
University of Washington
Portland State College
Bank of America
University of Oregon
University of Southern California

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

JOURNAL OF

FINANCIAL AND

QUANTITATIVE ANALYSIS

Volume III, Number 2	June 1968	
Continuous Financial Processes R. E. Beckwith		113
K. E. BECKWICH		113
A Chance-Constrained Approach to Urban Renewal Decisions		
James C. T. Mao and Roger L. Wright		135
Using Investment Portfolios to Change Risk		
Harold Bierman, Jr.		151
The Deferred Call Provision and Corporate Bond Yields		
Frank C. Jen and James E. Wert		157
Stock Evaluation Theory: Classification, Reconciliation, and General Model		
William R. Sloane and Arnold Reisman		171
A Note on the Liquidity and Stabilization Effects of Savings Deposits		
Ronald W. Conley		205
Determinants of Underwriters' Spreads on Tax-Exempt Bond Issues: Comment		
Morris Mendelson		215
The Valuation of Stock Options: Comment		
A. James Boness		225
Reply to Comments of A. James Boness		
Harold Bierman, Jr.		227
1968 Annual Meeting ProgramWestern		229