### JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A JOINT PUBLICATION

OF THE

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

AND THE

WESTERN FINANCE ASSOCIATION

## EDITORIAL STAFF

Graduate School of Business Administration University of Washington Charles W. Haley, Managing Editor Lynn Lewicki, Editorial Associate

#### ASSOCIATE EDITORS

Richard H. Bernhard, North Carolina State	Alan Kraus, Washington
Marshall E. Blume, Brussels, European	John G. McDonald, Stanford
Institute for Advanced Studies in Management	Jacob B. Michaelsen, UC, Santa Cruz
Richard S. Bower, Dartmouth	Stewart C. Myers, MIT
William Breen, Northwestern	Alfred N. Page, Washington
Michael J. Brennan, UBC	George E. Pinches, Missouri
Thomas R. Dyckman, Cornell	Roger B. Upson, Minnesota
Peter A. Frost, Washington	James Van Horne, Stanford
Robert S. Hamada, Chicago	David A. Walker, FDIC
Frank C. Jen, SUNY, Buffalo	Richard R. West, Oregon
George Kaufman, Oregon	G. A. Whitmore, McGill
Michael A. Klein, Indiana University	Robert L. Winkler, Indiana

#### WESTERN FINANCE ASSOCIATION

1975-76 Executive Committee

John P. Herzog, President	Simon Fraser University
A. Blaine Huntsman, President-Elect	University of Utah
Program Chairman	
Thomas E. Stitzel, Secretary-Treasurer	Boise State University
Charles W. Haley, Editor	University of Washington
George G. Kaufman, Past President	University of Oregon
Vincent P. Apilado	Arizona State University
Ronald W. Melicher	University of Colorado
Nancy L. Jacob	University of Washington
Guilford Babcock	University of Southern California

INSTITUTIONAL MEMBERS

Alaska Interstate Company	Loyola Marymount University of
California State University, Bakersfield	Los Angeles
California State University, Chico	Menlo School and College
California State University, Fullerton	Pepperdine University
California State University, Sacramento	Southern California Edison Co.
California State University, San Francisco	U.S. International University
Center for Business & Economic Research,	University of Calgary
Bakersfield	University of California, Los Angeles
Eastern Washington State College	University of Southern California
Idaho State University, Pocatello	Woodbury College

\_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_ \_

Copyright 1975 by the Graduate School of Business Administration, University of Washington.

The Journal of Financial and Quantitative Analysis is published by the Graduate School of Business Administration, University of Washington, Seattle, Washington 98195, in conjunction with the Western Finance Association. Regular issues are published in March, June, September, and December, and a Proceedings Issue is published in November. Second-class postage is paid at Seattle, Washington.

The Proceedings Issue contains selected papers, abstracts of papers, discussants' comments, and the proceedings of the Western Finance Association meetings. From time to time a special issue, devoted to one topic of interest to the *JFQA*'s readership, is published.

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 nor of the Western Finance Association.

For individuals, the annual subscription rate to the *JFQA* is \$10.00 (two-year rate, \$20; three-year rate, \$28); for firms or libraries, the annual rate is \$15.00 (two-year rate, \$30; three-year rate, \$40). Single copies are \$4.00, except the special issues, the price of which is \$4.50. Annual subscription rates for individuals and libraries outside the United States (except Canada) are \$11.00 for individuals (two-year rate, \$22; three-year rate, \$31), and \$16.00 for libraries (two-year rate, \$32; three-year rate, \$43). The fiscal year of the Journal of Financial and Quantitative Analysis begins on January 1.

Manuscripts and \$10 submission fee (per manuscript) as well as editorial correspondence should be sent to the Managing Editor. Correspondence relating to advertising, subscriptions, and billing should be addressed: Subscription Manager, *JFQA*, University of Washington, DJ-10, Seattle, Washington 98195.

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

# JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

Volume X, Number 3, September 1975

The Selection of International Borrowing Sources James V. Jucker and Clovis de Faro	381
Exchange-Rate Flexibility and the Efficiency of the Foreign-Exchange Markets Norman S. Fieleke	409
Error-Learning in the Eurodollar Market M. Chapman Findlay III and Elko J. Kleinschmidt	429
Exchange Rate Risk Protection in International Business Yutaka Imai	447
Optimal Financial Policy in Imperfect Markets Peter R. Lloyd-Davies	457
The Optimal Number of Securities in a Risky Asset Portfolio When There Are Fixed Costs of Transacting: Theory and Some Empirical Results	
M. J. Brennan	483
The Optimal Price to Trade Ben Branch	497
Dividend Disbursal Practices in Commercial Banking Manak C. Gupta and David A. Walker	515
Announcements	531