

Journal of Financial Economics

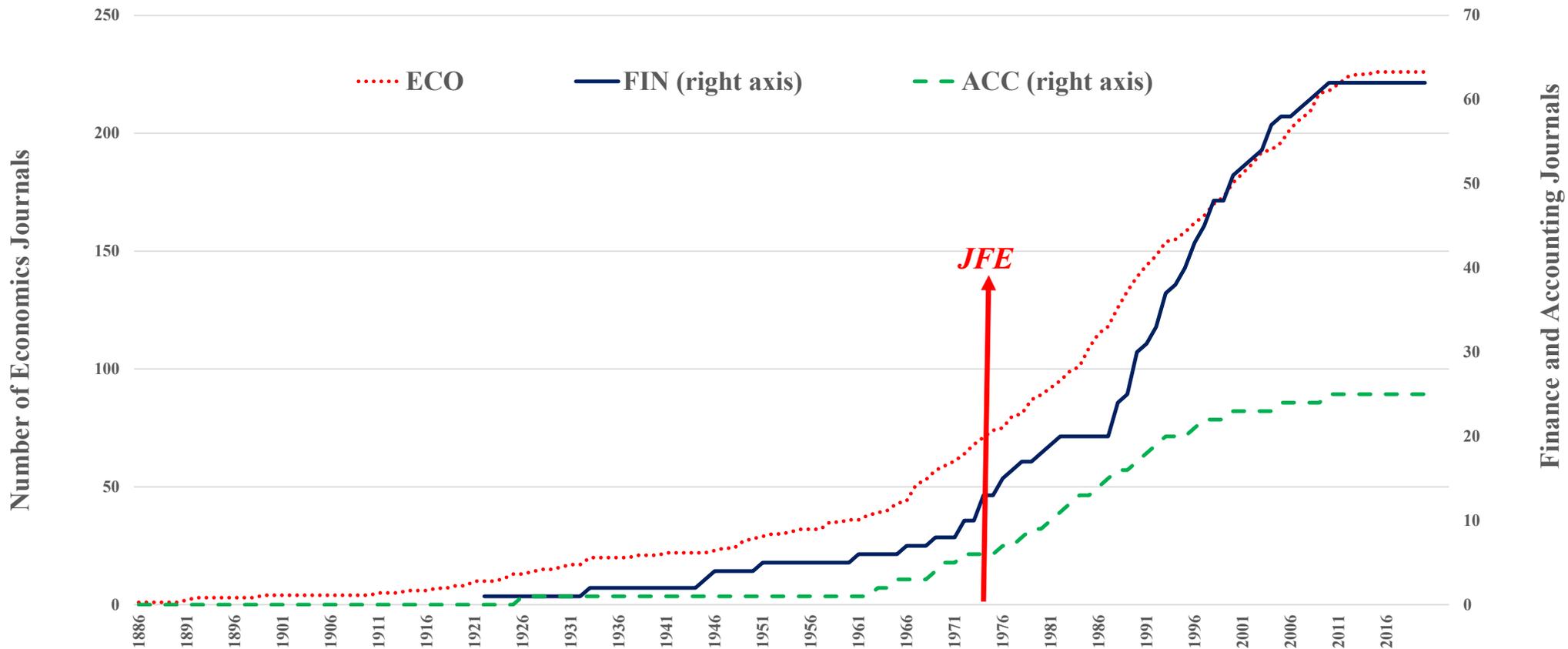
1974-2020

Gupta Governance Institute

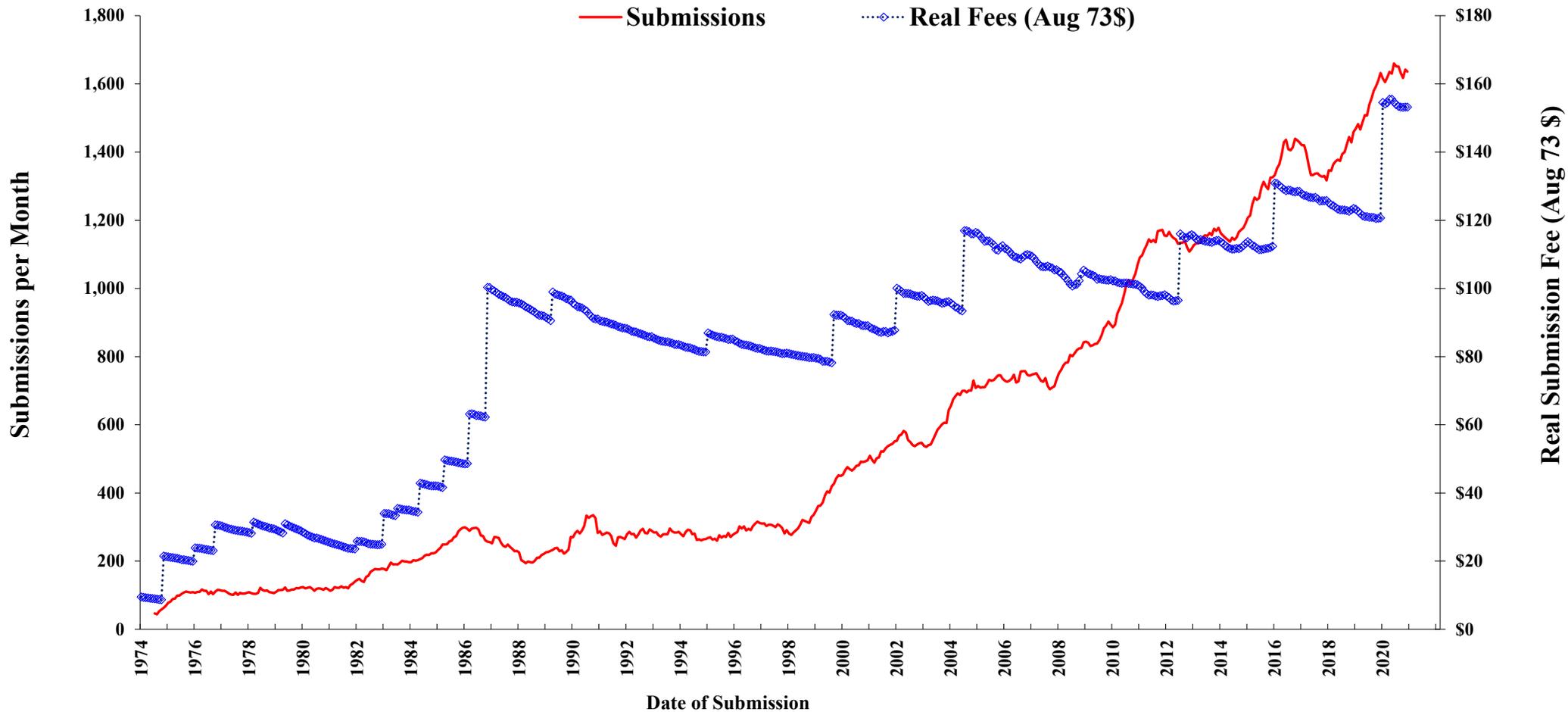
Drexel University

January 14, 2021

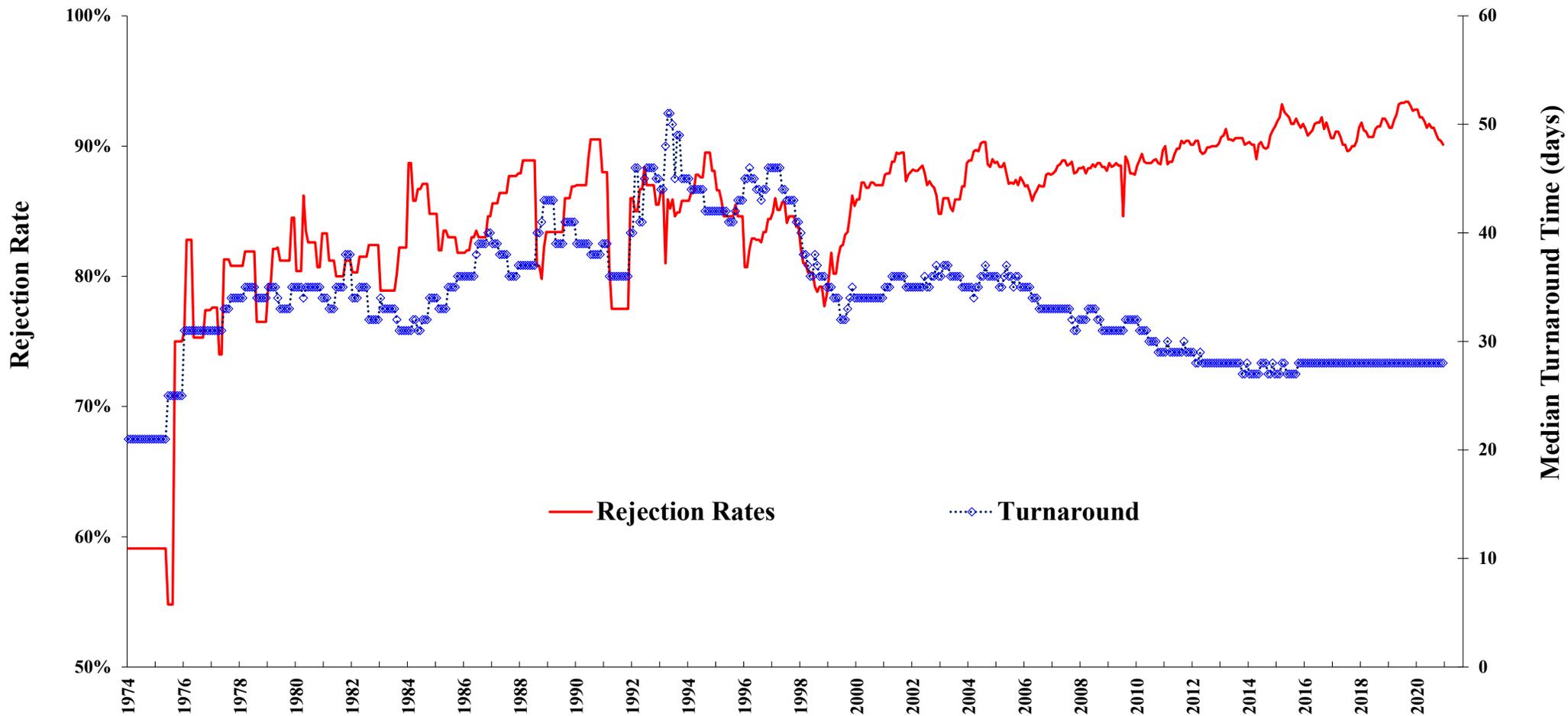
- *JFE* was created at UR by Mike Jensen and published its first issue in 1974 (it is owned and published by Elsevier)
- One of the first finance journals, explosive growth in journals since that time



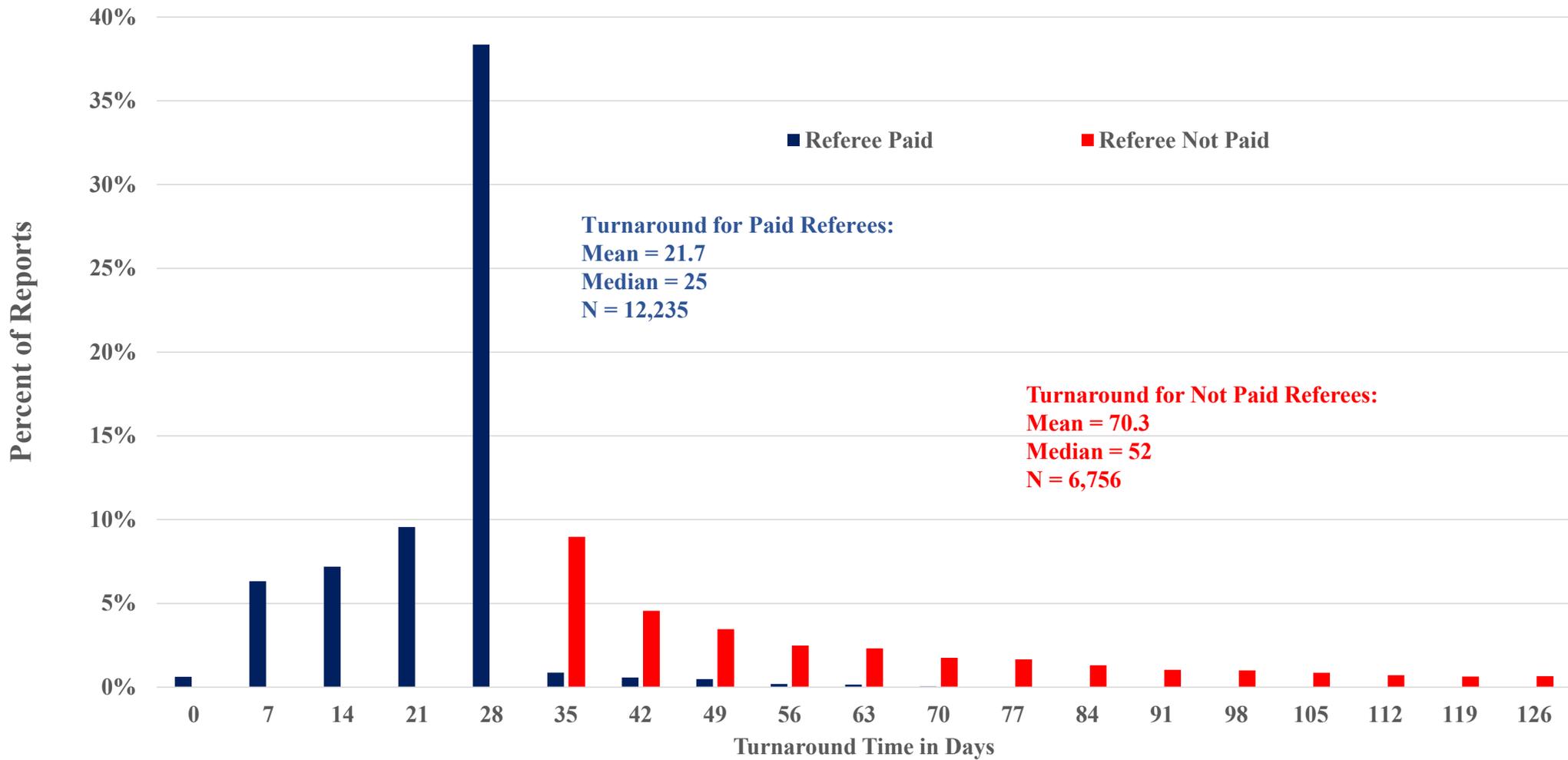
- *JFE* was one of the first to charge submission fees to authors and use the proceeds to be able to pay referees for serving as anonymous critics (often shadow co-authors)



- ***JFE*** turnaround time has been published at the front of every issue of the ***Journal*** (and it is much faster than anything ever available from other finance and economics journals)

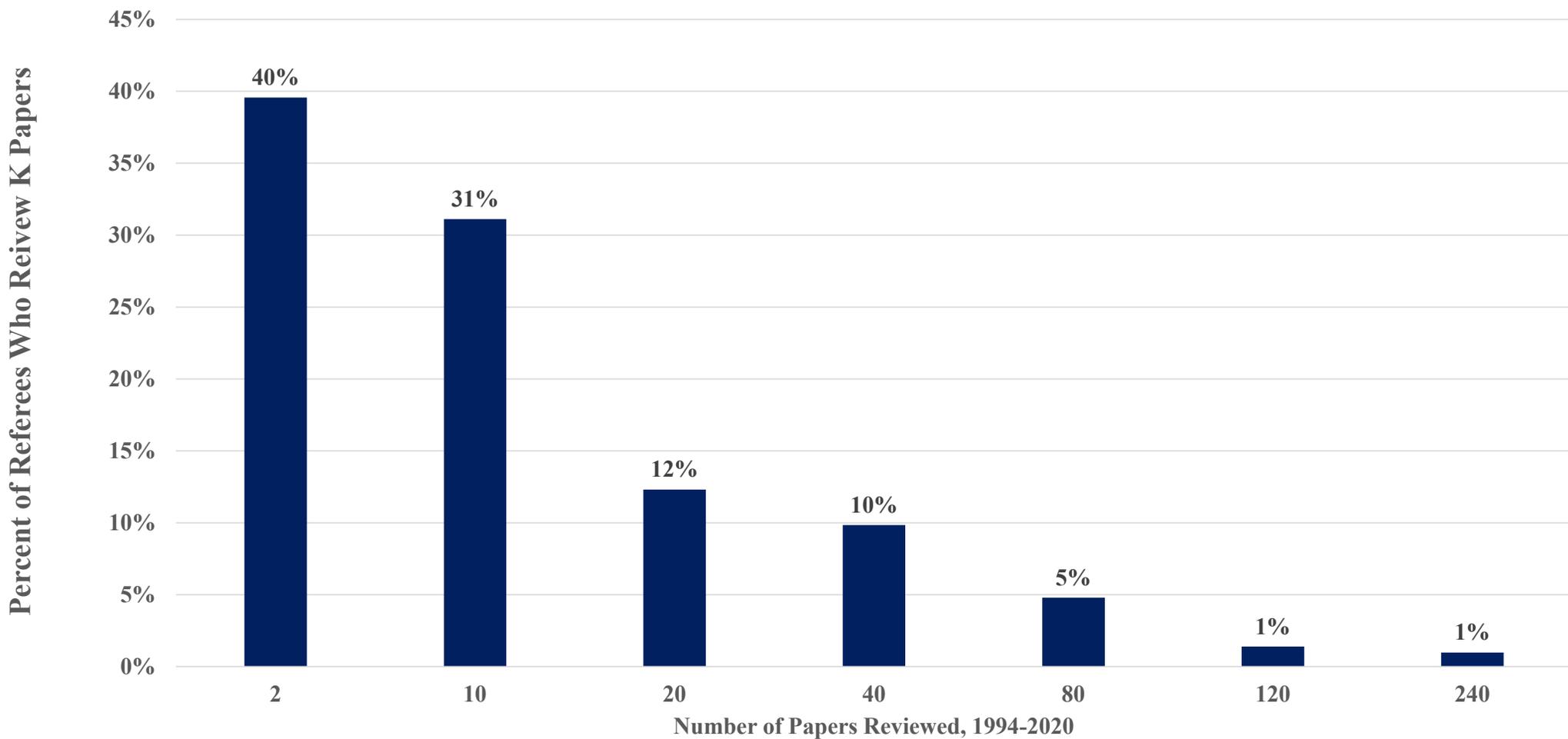


- ***JFE*** turnaround time is influenced by incentives

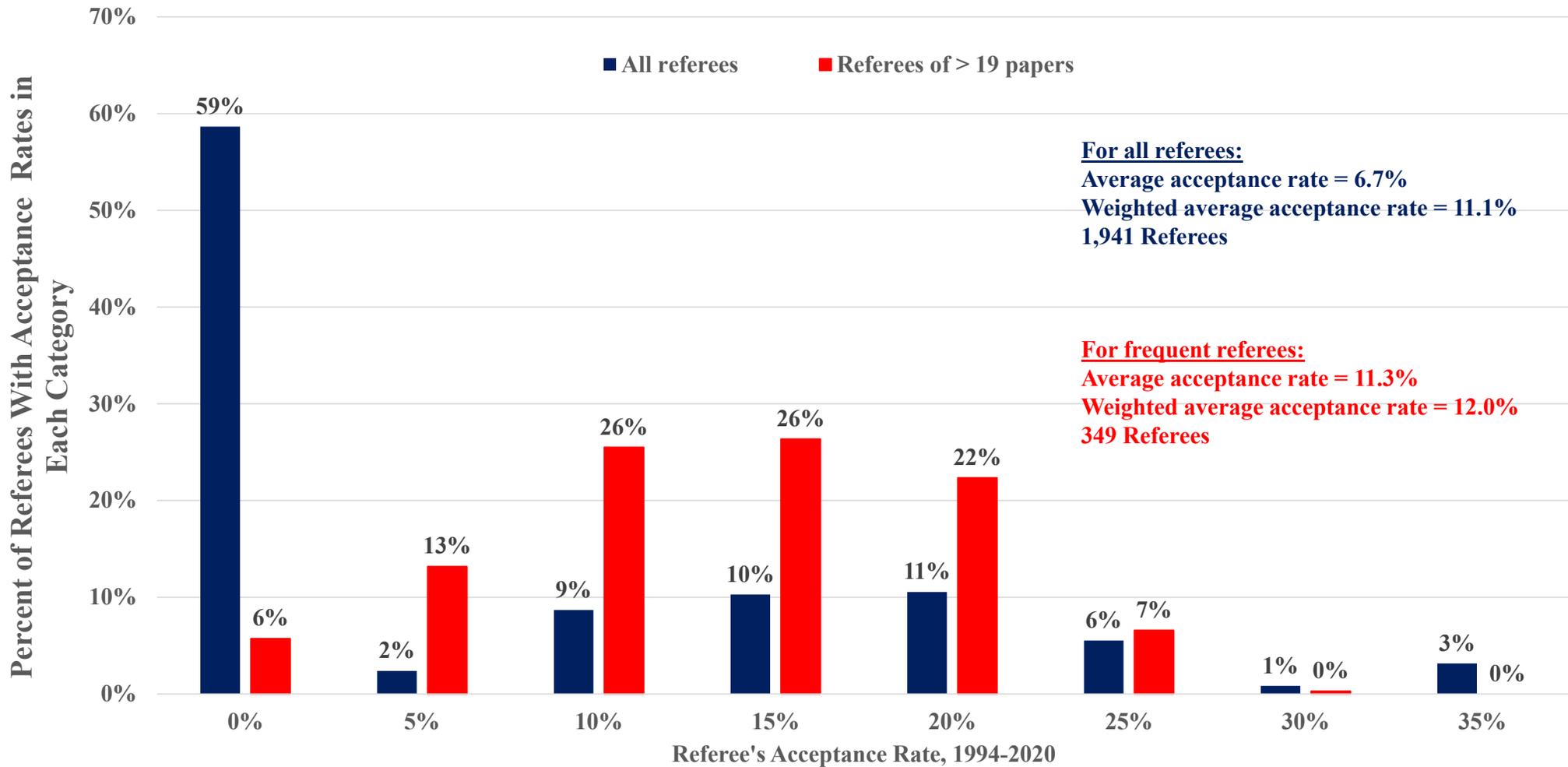


Who referees papers for the *JFE*?

- Very skewed distribution



Acceptance rates for experienced and less experienced referees: Caused by matching of papers and referees by the editor



JFE editorial team has had many configurations:

- 1974-78, Mike Jensen alone
- 1979-82, Mike and I
- 1983-95, up to seven people, including Cliff Smith, Rene Stulz, Jerry Warner, John Long, and Ph.D. graduates Rick Ruback (HBS) and Wayne Mikkelson (Oregon)
 - Mike moved to HBS in 1985 and set up a second “office” at HBS
 - By 1995, he had lost interest in the *JFE* and was delaying decisions on referee’s reports (note increase in turnaround time)
 - He was also delaying publication of the *JFE* because he had a “special issue” of the *Journal* that he wanted published as Vol. 20, so that subscribers waited more than a year to receive issues, and some authors had their papers held up for an additional year

Mike and I both felt the *JFE* was not living up to the standards Mike had set when he started the *Journal*

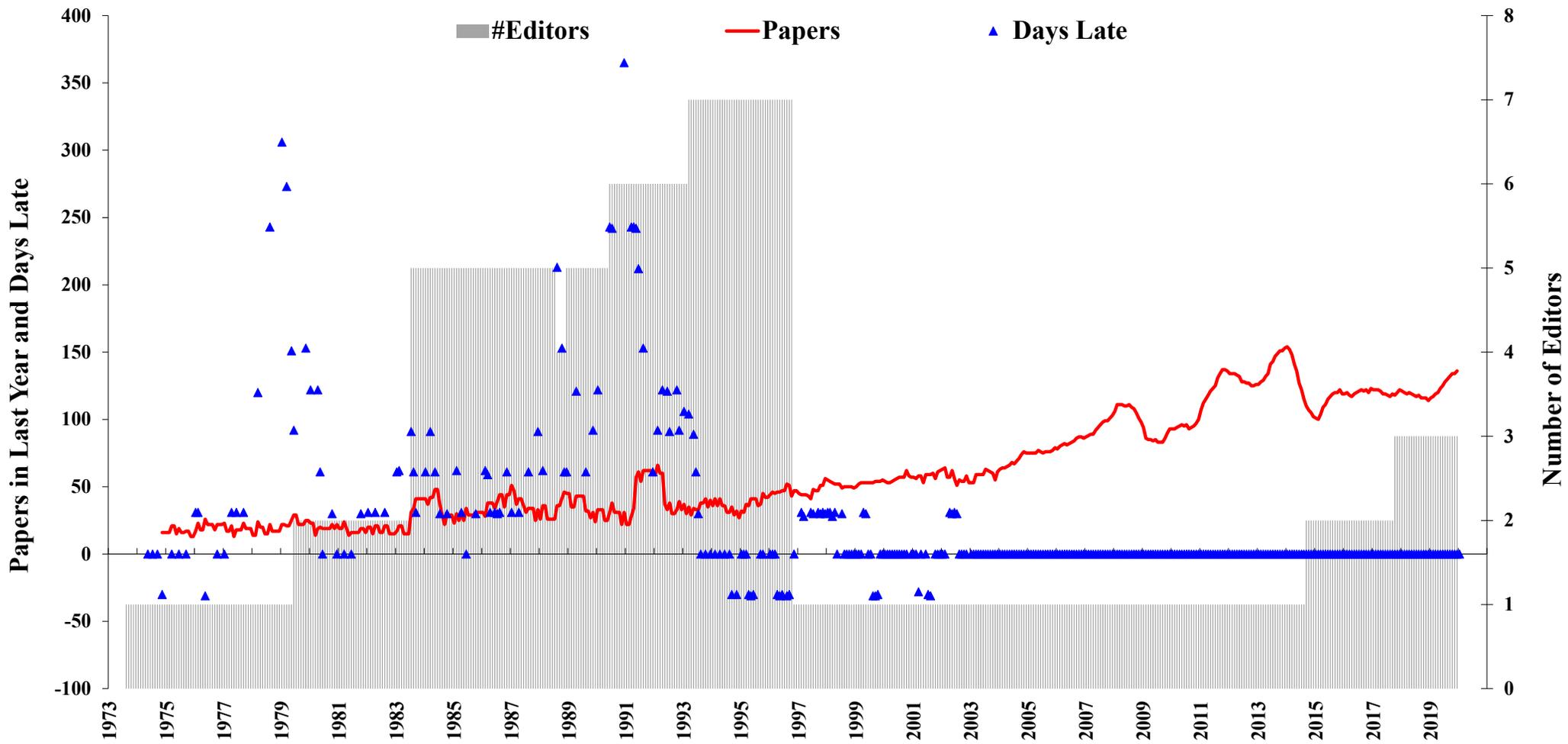
Rene Stulz had moved to Ohio State in 1983

- He became the Editor of the *Journal of Finance* in 1988 and served until 2000
- He brought many of the best practices from the *JFE*, including focusing on fast turnaround times, paying referees, and targeting high quality papers/authors
- He handled more submissions than the *JFE* was receiving all by himself
- He was killing the *JFE* in competition to be the best finance journal

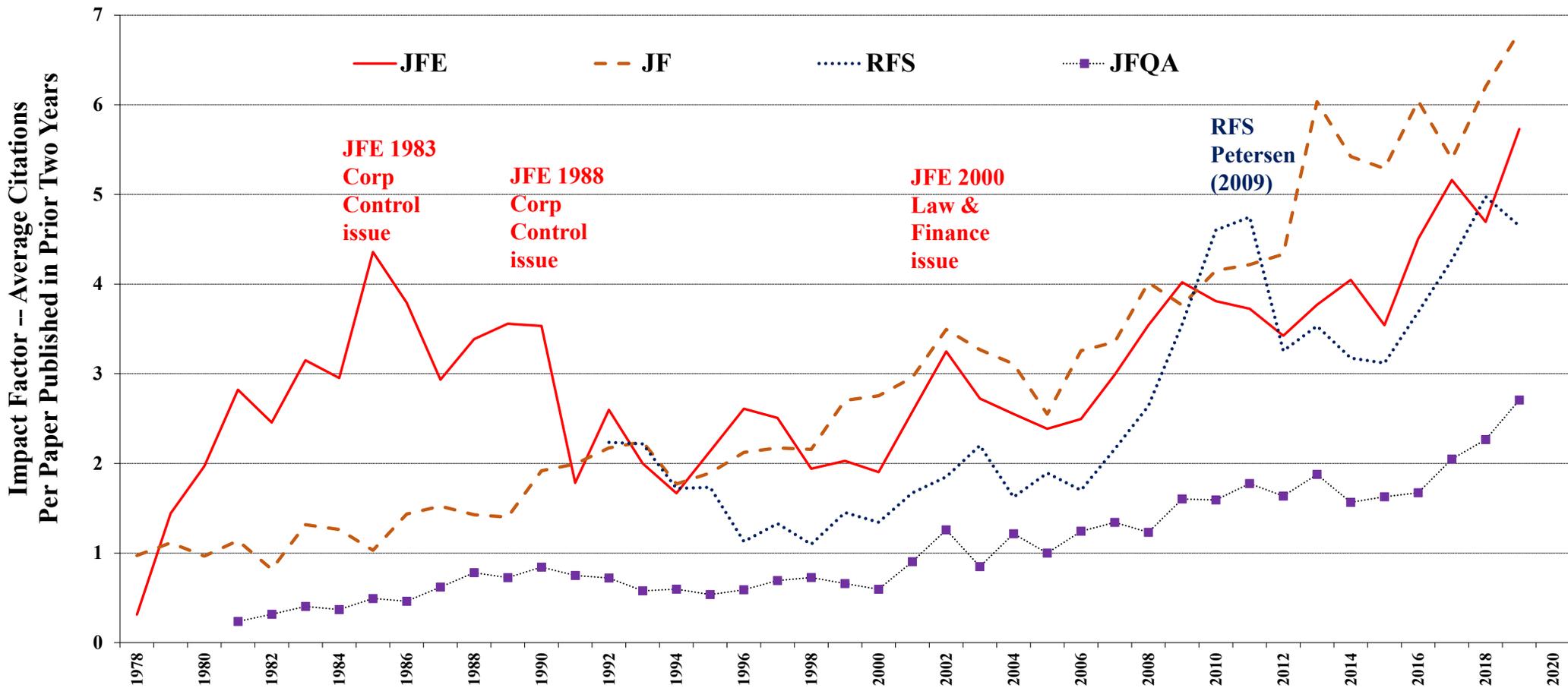
In 1996, I became Managing Editor, and all other editors were demoted to solve the “too many cooks in the kitchen” problem

- With too many editors in multiple locations, it was difficult to coordinate decisions
- No one really felt responsible for the success (or failure) of the *Journal*

Note that the number of papers published and the “on-time” delivery of issues changed substantially after 1996 when the number of editors was reduced

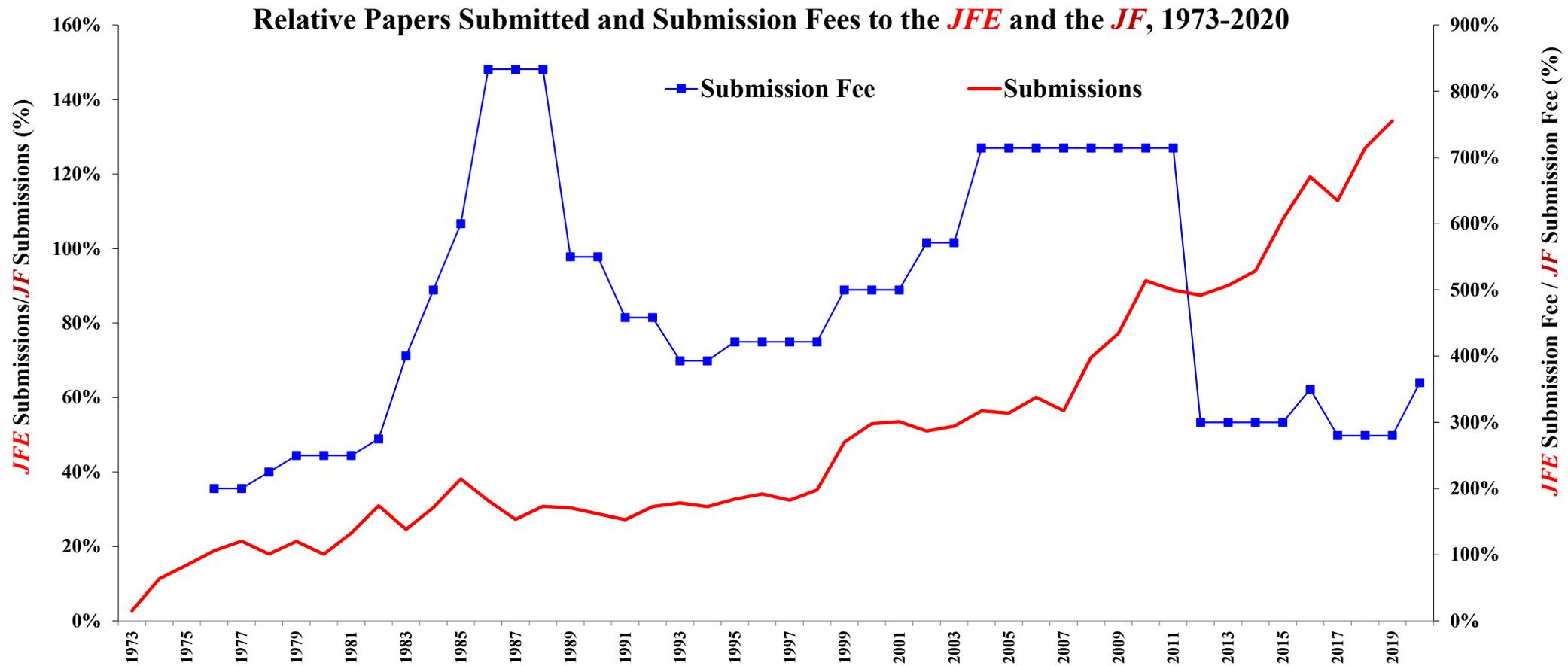


- Journal quality is typically measured by citations to the papers it publishes from subsequent papers in refereed journals
- **Journal Citation Reports** annually measures and ranks journals based on the impact factor (average number of citations in year t to papers published in years t-1 and t-2)

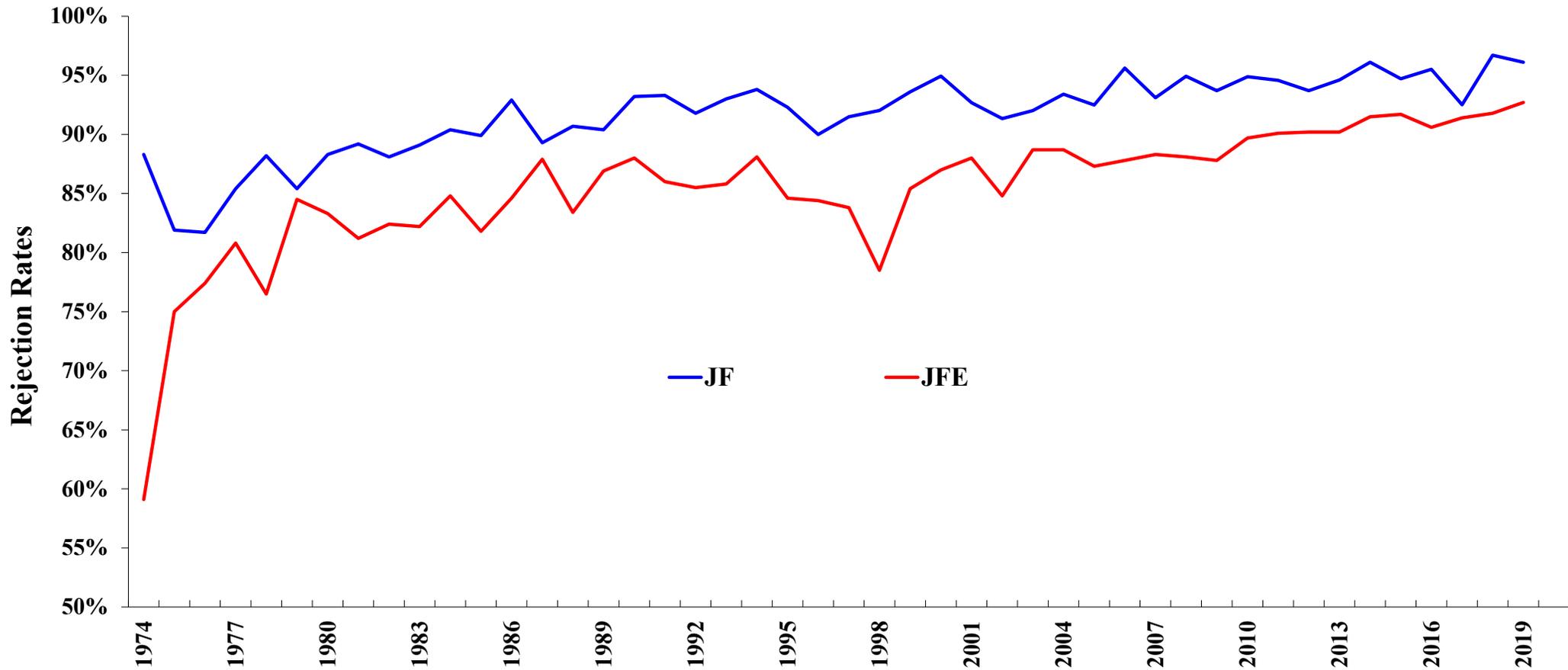


- By 1979, the *JFE* was the top-ranked journal in “Business Finance” and the 7th ranked “Economics” journal (ahead of *Econometrica*, *Review of Economic Studies*, and the *Quarterly Journal of Economics*, among others)
- It has remained in the top 4 of finance and the top 15 in economics since 1979
 - Top 3 finance journals are *Journal of Finance*, *JFE*, and *Review of Financial Studies*
- Note that *Journal of Finance* increased its impact factor substantially starting with Rene’s editorship
- The *JFE* impact factor started trending up after 2000
- Going back a couple of slides, the median turnaround time dropped substantially in 1996 and has remained low since

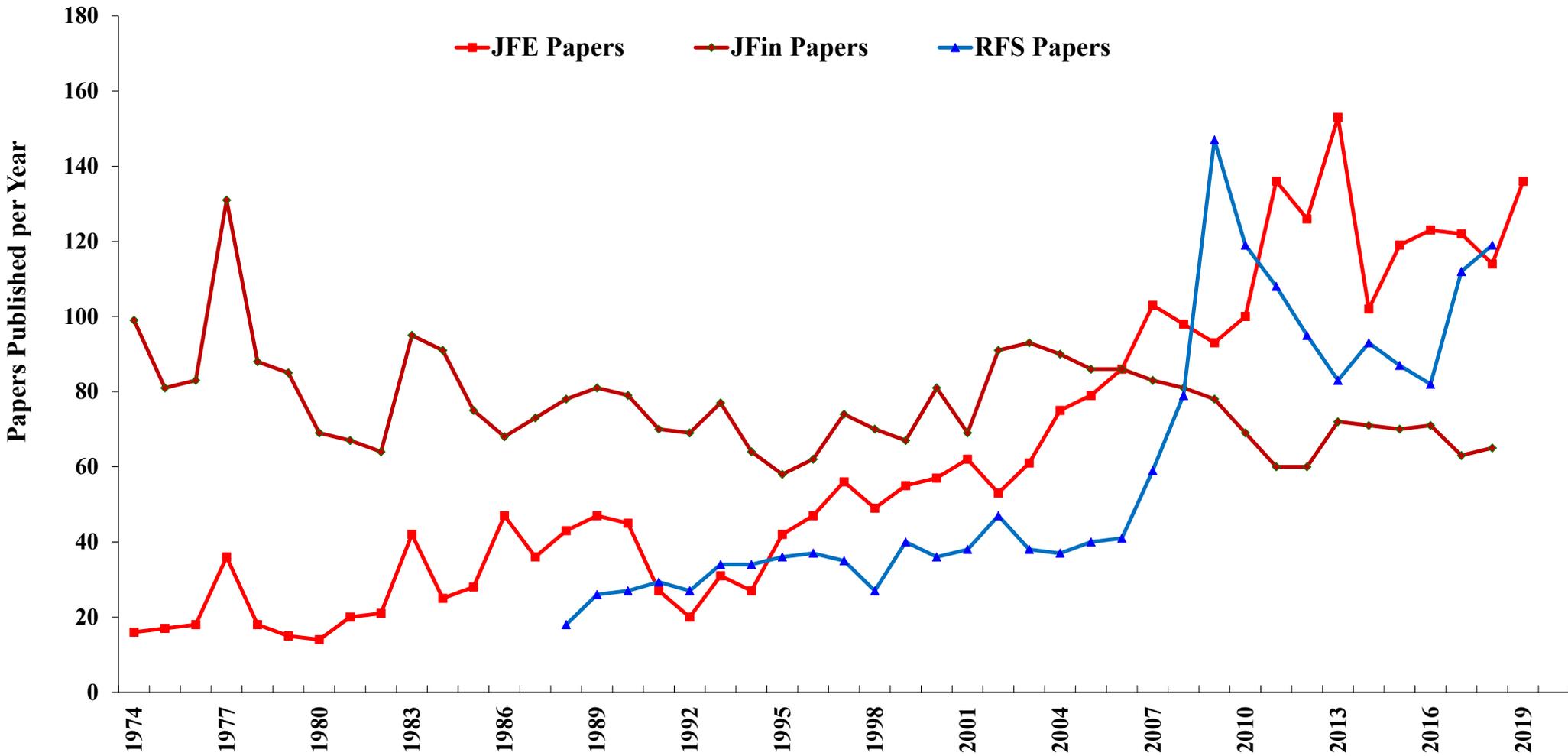
- There have been some interesting trends reflecting competition among the top finance journals
 - *JF* raised their submission fees, although still much lower than *JFE*
 - Submissions for *JFE* are much larger than for *JF* after *JF* raised their submission fee



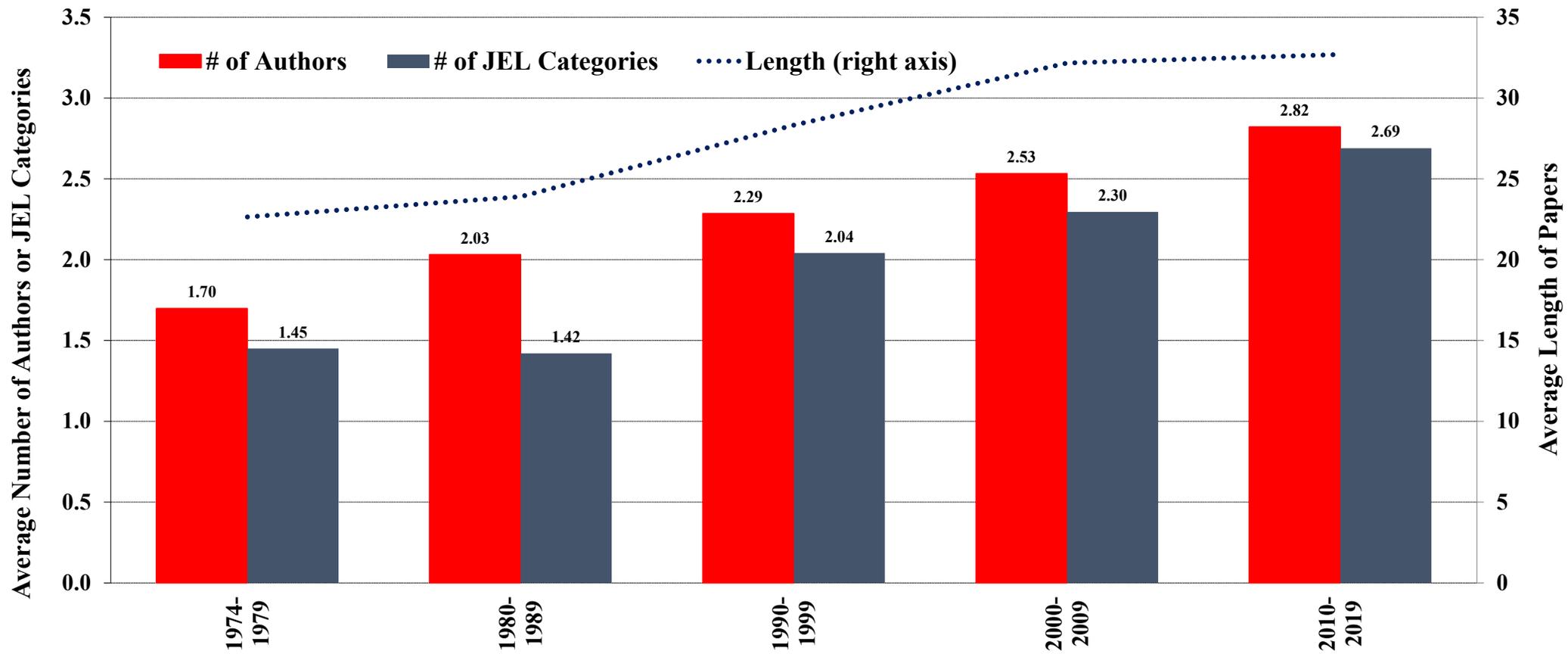
- Rejection rates are very high, and they have risen over time
 - Since young, untenured faculty require publications in highly ranked journals
 - It has always been hard, but now even more so to get papers published in these top journals
 - Long turnaround times are very costly to young faculty, who have a time constraint to get papers published



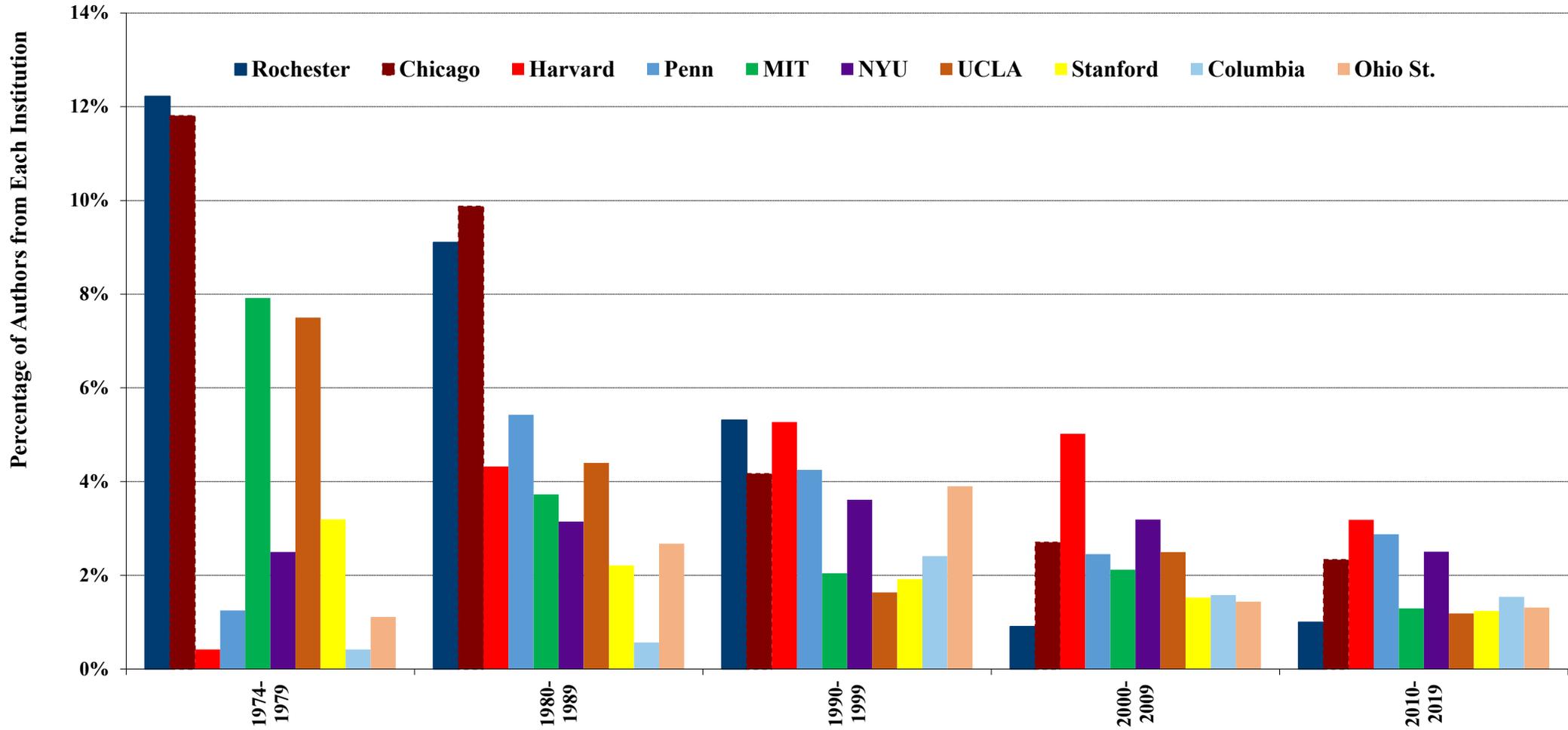
- Despite the fact that rejection rates have risen, the number of submissions has risen even faster
 - Some journals have adapted by publishing more papers (e.g., *JFE* and *RFS*)
 - *JF* now publishes less papers per year than it did in 1974, making its rejection rate ridiculously high



- Finance (and lots of other areas of academia) has become more complex through time
 - As computing and communication costs have fallen, the amount of co-authoring has increased
 - Papers have covered more different economic questions (as reflected in Journal of Economic Literature (JEL categories))
 - Papers have become longer, on average

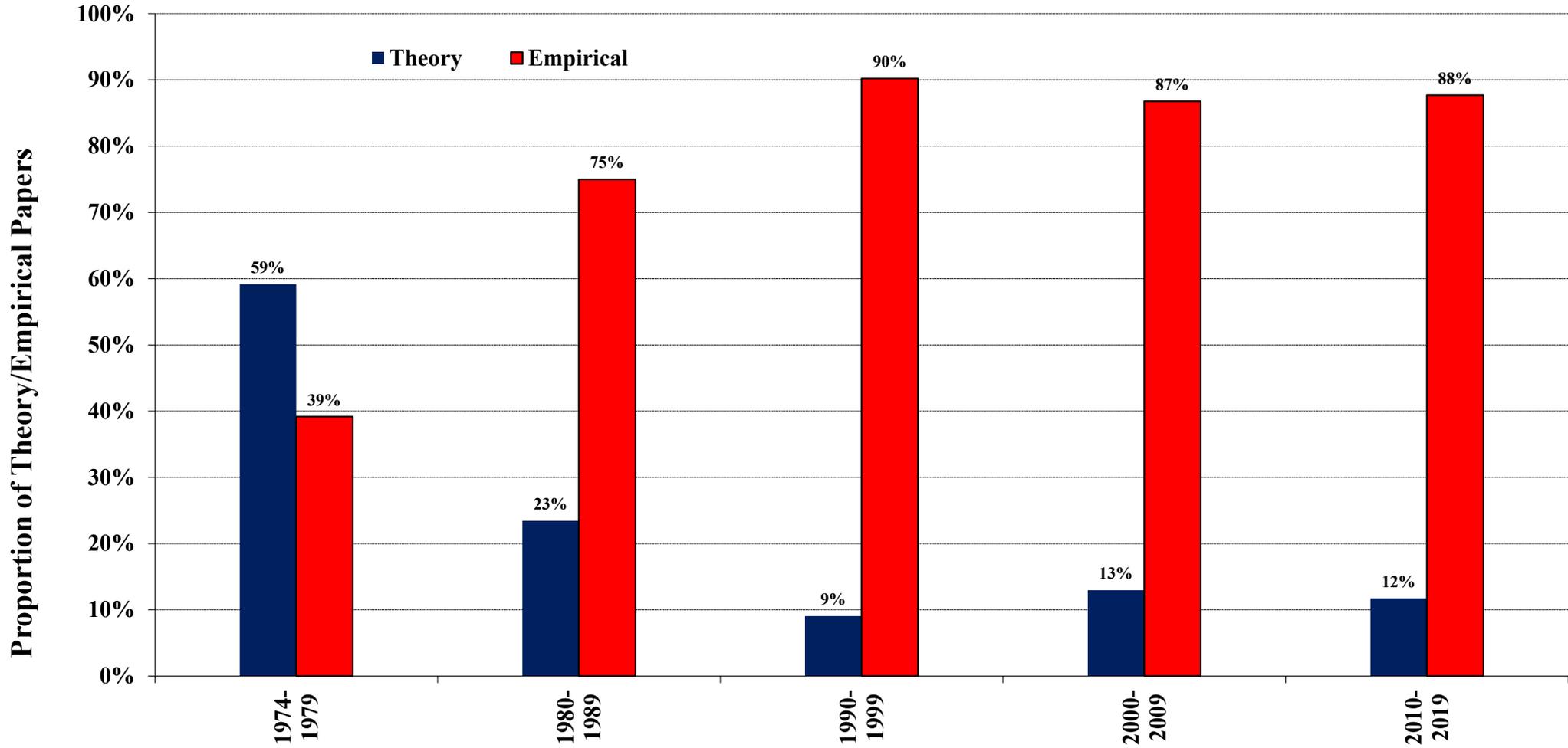


- In the early years, Rochester, Chicago, MIT, and UCLA produced almost 40% of the papers in the *JFE*
- After Mike Jensen went to HBS (along with others), Harvard started contributing more papers
- Ohio St. became a big contributor after Rene Stulz moved there



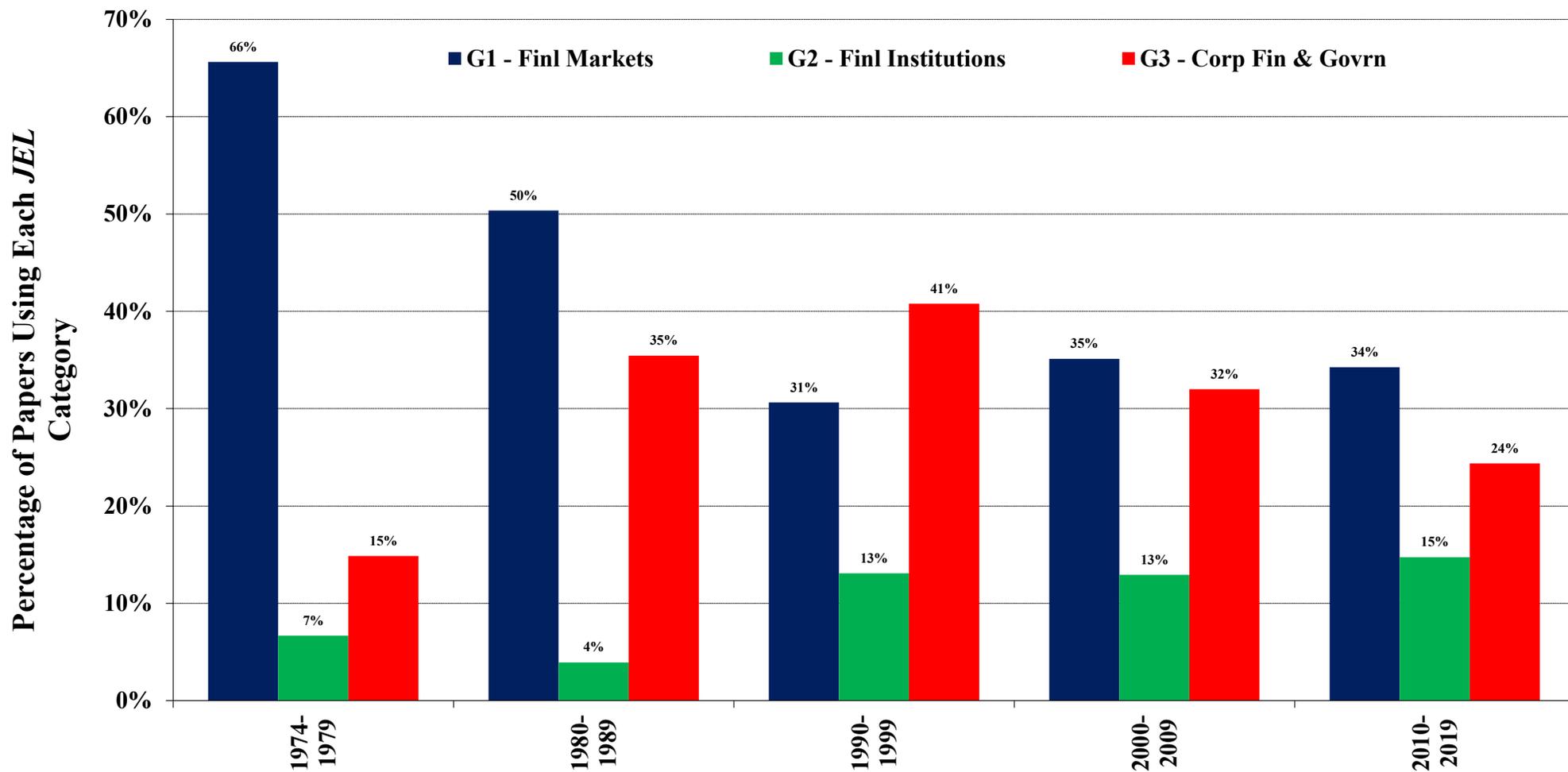
What kinds of papers has the *JFE* published?

- More empirical and more corporate since 1980



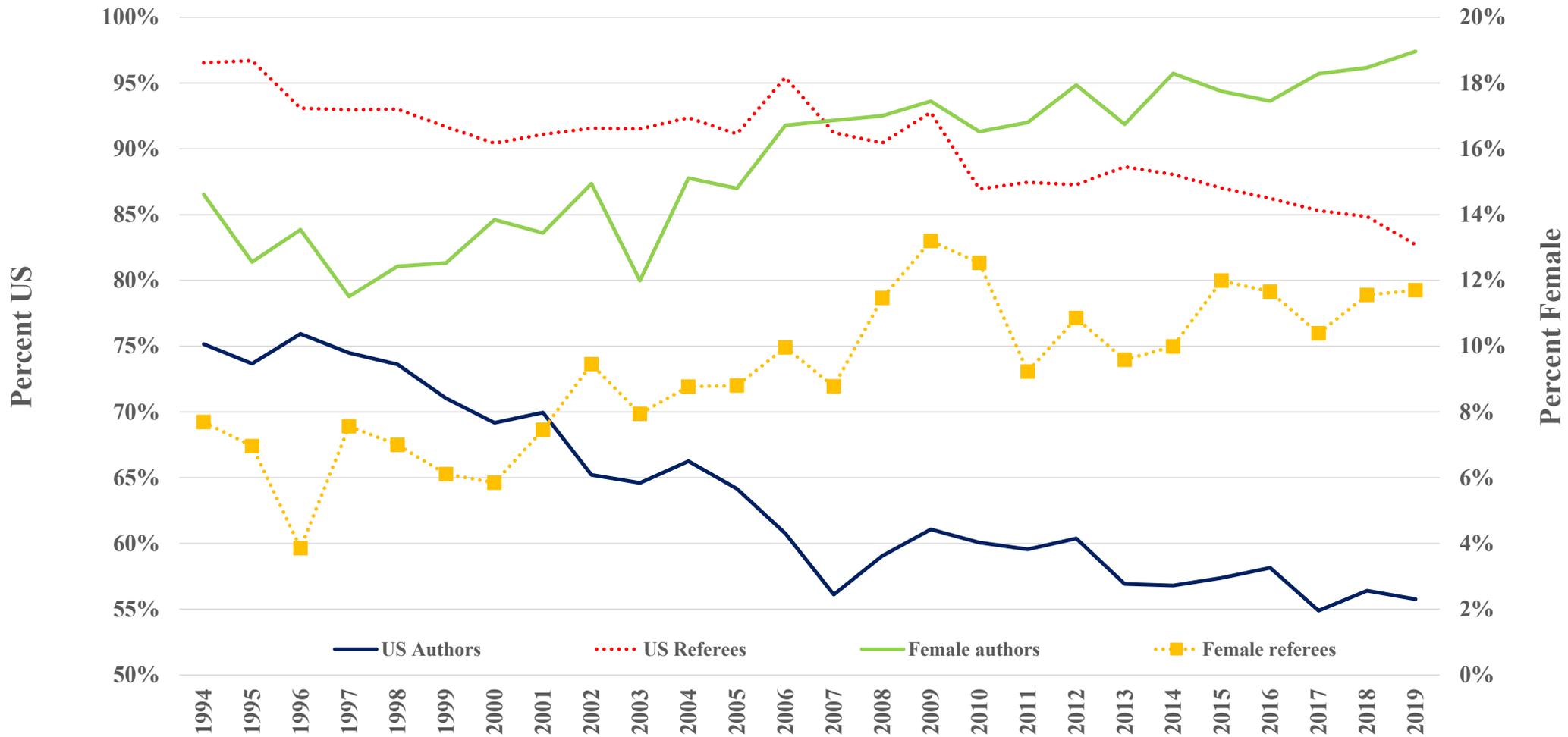
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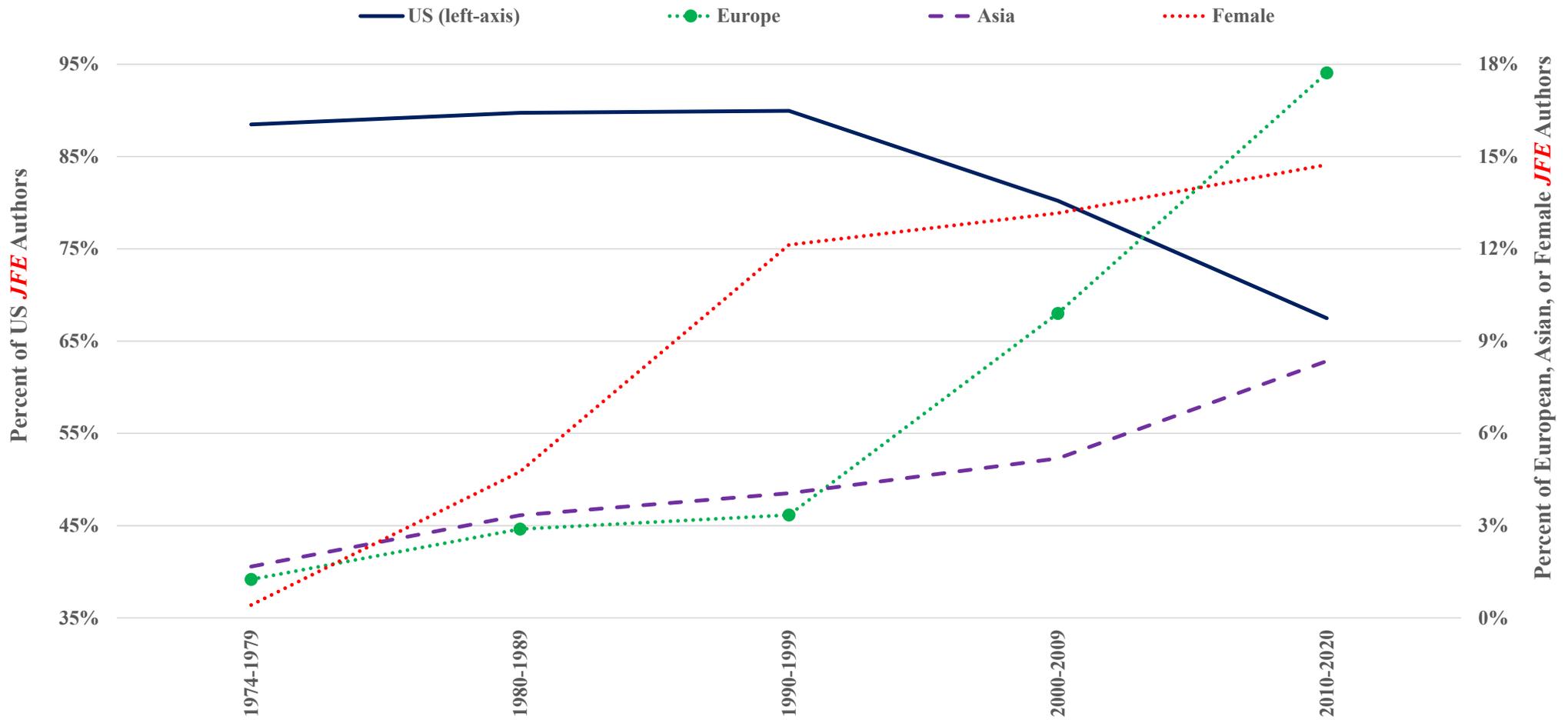
Who are the authors who submit papers and referees?

- More global and more females through time



Who are the authors who publish papers?

- More global and more females through time



- So why have submissions to the *JFE* risen so much, despite the substantial increase in submission fees?
- Growth in the number of research-active faculty in business schools
 - More females and more people from Europe and Asia over time
- Also, increase in the wages paid to new finance faculty (which if promoted can be maintained), giving a larger incentive to get papers published in good journals

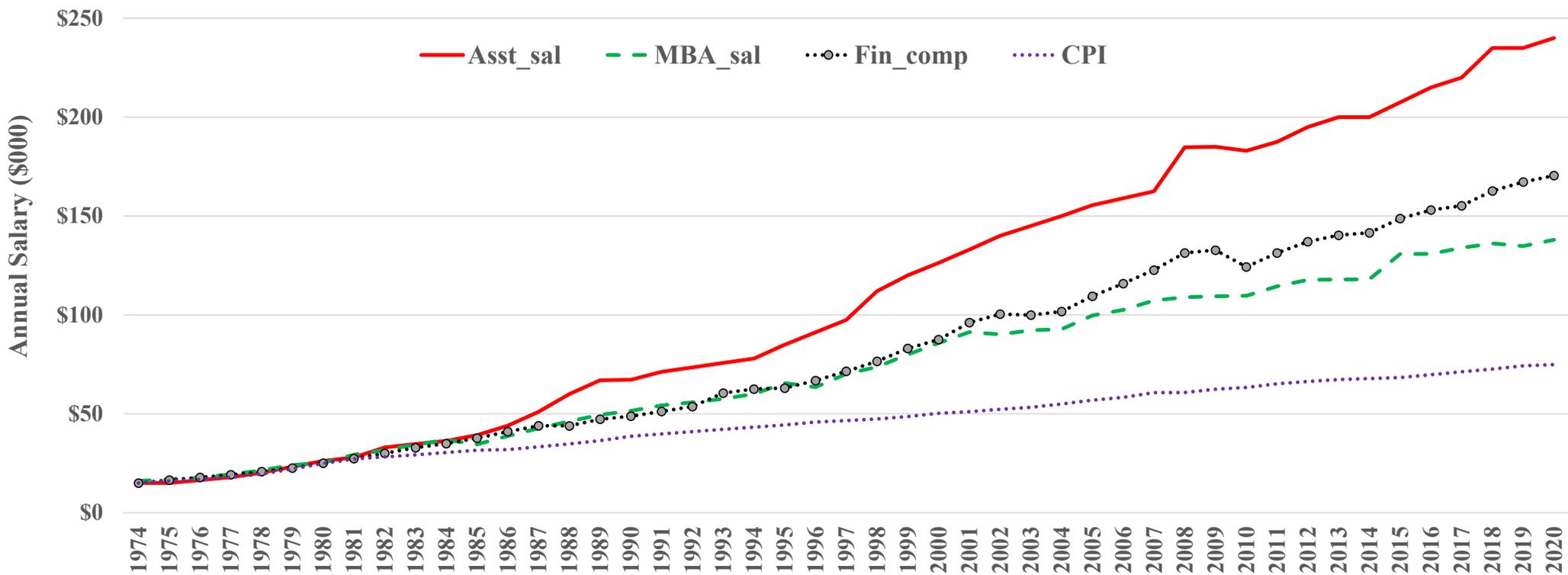


Table 12
Error correction models for *JFE* submissions, 1976-2020

The dependent variable is the change in the log of the number of submissions to the *JFE* per year, $D\text{Log}(\text{Submit}_t)$. $\text{Log}(\text{Turn}_t)$ is the log of the median turnaround time for the prior 12 months. $\text{Log}(\text{Fee}_t)$ is the log of the real submission fee for *JFE* submissions. $\text{Log}(\text{Reject}_t)$ is the log of the rejection rate for the prior 12 months. $\text{Log}(\text{Asst_Sal}_t)$ is the log of the real Assistant Professor salary for finance professors. T-statistics based on White (1980) heteroskedastic-consistent standard errors are in parentheses.

Variable	(1) Coefficient (t-statistic)	(2) Coefficient (t-statistic)	(3) Coefficient (t-statistic)
Constant	0.951 (1.19)	0.102 (0.11)	0.721 (1.12)
$\text{Log}(\text{Submit}_{t-1})$	-0.219 (-2.21)	-0.121 (-1.24)	-0.207 (-2.02)
$D\text{Log}(\text{Turn}_{t-1})$	-0.052 (-0.24)		
$\text{Log}(\text{Turn}_{t-1})$	-0.130 (-0.69)	-0.039 (-0.18)	-0.089 (-0.53)
$D\text{Log}(\text{Fee}_{t-1})$	-0.024 (-0.20)		
$\text{Log}(\text{Fee}_{t-1})$	-0.222 (-2.47)	-0.173 (-2.31)	-0.235 (-4.27)
$D\text{Log}(\text{Reject}_{t-1})$	1.109 (1.60)		
$\text{Log}(\text{Reject}_{t-1})$	1.218 (1.55)	-0.098 (-0.15)	
$\text{Log}(\text{Reject}_t)$			1.074 (1.74)
$D\text{Log}(\text{Asst_Sal}_{t-1})$	0.665 (2.12)		
$\text{Log}(\text{Asst_Sal}_{t-1})$	0.592 (3.59)	0.459 (3.99)	
$\text{Log}(\text{Asst_Sal}_t)$			0.606 (3.55)
R-squared	0.317	0.239	0.314
S.E. of regression	0.094	0.094	0.089
Observations	45	45	45

Summary:

- The *JFE* has been a huge success for the academic finance profession
- Competition with other leading journals has forced them to adopt many of the innovations that Mike Jensen believed were crucial to the success of the *JFE*
 - Quick turnaround times benefit authors
 - Focus on quality of papers, particularly relevance to real markets, has attracted other papers with similar goals
 - This benefits authors, but mostly readers
 - The use of financial incentives to manage the Journal has been crucial to enabling the goals
 - This rewards referees, who are the scarcest resource an academic journal has