

Journal of Financial Economics

Style Guidelines

1. The Basics

Papers should be double-spaced in a normal type size on one side only and written in the present tense (e.g., “Black and Scholes find . . .”, not “Black and Scholes found . . .”). The first line of each paragraph is indented. Use of the active voice greatly improves the readability of a paper (e.g., “the tests show” or “we show,” not “it is shown”), but avoid excessive use of “we” or “I.” Italics, quotation marks, and capital letters are distracting and should be kept to a minimum (a priori, etc., i.e., e.g., et al., ex ante, and ex post are not italicized). Special terms can be italicized but only at the first occurrence. Acronyms are spelled out at the first occurrence with the acronym in capital letters in parentheses immediately following, as in “Center for Research in Security Prices (CRSP).” Some exceptions are NYSE, Nasdaq, and Amex. An appendix must be mentioned in the text (e.g., “as described in the Appendix . . .”) and immediately follows the body of the paper. Multiple appendices are referred to as Appendix A, Appendix B, etc. There should be an abstract of at most one hundred words.

2. Headers and subheads

Section headers are left-justified with Arabic numerals. Only the first word is capitalized. Headers are in boldface type, and subheads are in italics. A period follows the last numeral. For example:

- 1. Introduction**
- 2. Previous research**
 - 2.1. Papers that use similar models*
 - 2.1.1. Univariate models*
 - 2.1.2. Bivariate models*
 - 2.2. Papers that use different models*
 - 2.2.1. Models based on preferences*
- 3. Data**
 - etc.-

Because headers and subheads introduce text, it is preferable that they not be immediately followed by additional subheads. References in the text to other sections of the paper are capitalized (e.g., “as noted in Section 2.2”). Headers in appendices appear as follows:

- A.1. Definitions and background*
- A.2. Examples*
 - etc.-

3. Footnotes

If the material is worth including in the paper, it should be incorporated into the text. However, footnotes can be used for very long lists of references that would otherwise break up the text or for material that is substantive but takes the reader too far afield to be easily integrated into the text. Acknowledgments also belong in the footnotes (e.g., “We thank John Long for suggesting this test.”) A general guideline is no more than one footnote for every 4-5 pages of text, not including acknowledgments and long lists of references. Footnotes are numbered consecutively in Arabic superscripts.

4. References

Citations appear in the text as follows. Note that more than two authors are separated by commas, and multiple parenthetical citations are separated by semicolons.

- Jensen (1986) argues . . .
- The procedure in French, Schwert, and Stambaugh (1987) . . .
- . . . as discussed in other studies (see, e.g., Smith and Watts, 1992; Lewellen, Loderer, and Martin, 1987). . .
- Studies such as Coughlan and Schmidt (1985), Warner, Watts, and Wruck (1988), Weisbach (1988), Jensen and Murphy (1990a), and Murphy and Zimmerman (1991) have found . . .

If a citation must be included parenthetically, then the outer parentheses are replaced by brackets, as in the following:

- [See Merton (1973a) for a derivation of the high-contact condition.]

However, the JFE strongly prefers avoiding this sort of construction, as follows:

- Merton (1973a) provides a derivation of the high-contact condition.

The reference list follows any appendices to the paper. Everything in the list of references should be cited in the text, with no discrepancies in the spelling of the authors' names or in the date of publication. In the reference list, there are no quotation marks, no underlines, and no italics. The authors' last names and first initials are used. Only the first word of an article title is capitalized. Book and journal titles take normal initial capitals. The reference list is in alphabetical order by author, and multiple works by the same author are in chronological order. A standard reference is formatted as follows:

Jensen, M., 1986. Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review* 76, 323-329.

Two or more authors appear as follows (separated by commas, no “and”):

Jensen, M., Meckling, W., 1976. Theory of the firm: managerial behavior, agency costs and ownership structure. *Journal of Financial Economics* 3, 305-360.

A working paper (or dissertation, etc.) is cited as follows:

Hermalin, B., Weisbach, M., 1995. Endogenously chosen boards and their monitoring of the CEO. Unpublished working paper. University of California, Berkeley.

A book appears as follows:

Williamson, O., 1986. *Economic Organization: Firms, Markets and Policy Control*. New York University Press, New York.

An article in an edited book appears as follows:

Smith, C., 1979. Application of option pricing analysis. In: Bicksler, J. (Ed.), *Handbook of Financial Economics*. North Holland, Amsterdam, pp. 80-121.

Note that the location of the university or publisher can be a city only, a city and state, a city and country, or a city, state, and country (whatever is sufficient).

5. Numbers and dates

Zero through ten are spelled out, then 11, 12, . . . are written as numbers, with exceptions like one hundred, 36 thousand, 4.2 million (not millions), etc. Use commas in numbers with more than three digits (e.g., 1,234 vs. 1234). Percents appear as 12.34% (not 12.34 percent). Decimals are preceded by a zero, as in 0.1234 (not .1234). A number or percent at the beginning of a sentence is spelled out (e.g., “Forty-two of these firms are in the full sample . . .”) but it is preferable to use a different construction (e.g., “The full sample includes 42 of these firms . . .”). Months and years are written without commas or apostrophes (e.g., 1980s, January 1990). A full date takes a comma after the day but not after the year (e.g., “The January 13, 1990 announcement date . . .”). Fractions are hyphenated. Levels of significance can be expressed as either decimals or percents but the treatment must be consistent throughout the paper.

6. Tables, figures, and equations

The legends and captions for tables or figures should be complete enough that the table or figure can stand on its own. However, authors should consider the size of a journal page (which is approximately four and one-half inches by seven inches) and how a table or figure will look when it is reproduced in the JFE before packing in too much information. Groupings in tables should be indicated with single horizontal lines and vertical spacing (no vertical lines). The size of

the lettering in figures should be chosen in relation to the size of the figures, so that after reproduction the lettering will still be legible. Superscripts and subscripts should be kept to first order in both tables and figures.

Equations in the text are indented on a separate line with the number of the equation right-justified. All equations are numbered, even if they are never referred to in the text. In general, equations are punctuated as normal parts of a sentence if the sentence continues after the equation, as follows:

Revenue, R , is calculated as

$$R = P * V, \quad (1)$$

where P is the selling price and V is the volume of sales in units.

The *JFE* follows the convention of observing “relations” among variables and “relationships” among people. In the text, references to tables, figures, and equations are, respectively, Table 1, Fig. 1, and Eq. (1). However, symbols, equations, and other mathematical notation should not take on lives of their own; in-text references should be to the substance of a symbol or equation rather than to the symbol or equation itself.

7. Miscellaneous

7.1. Punctuation

Avoid dashes, use semicolons sparingly, and always use the serial comma (e.g., “operating efficiency, debt capacity, and taxes” versus “operating efficiency, debt capacity and taxes”). To make the typesetters’ job easier, keep hyphenated words all on one line and avoid dividing a word at the end of a line. Prefixes are generally closed up (e.g., nonzero, coinsurance, overinvestment, intraday) although “pre-event” and “post-event” are preferred. Hyphens are used for true compound modifiers before the noun (e.g., after-tax income, risk-free rate, two-day return, three-digit SIC code, value-weighted index) unless part of the compound modifier is an adverb ending in “ly” (e.g., previously acquired subsidiary, equally weighted index, publicly traded stock). When there is no risk of misinterpretation, the hyphen can be omitted, but the treatment must be consistent throughout the paper. “Stock price return” and “least squares regression” are not hyphenated.

7.2. Grammar

THIS: The use of “this” without a clear antecedent in the same paragraph should be avoided (as in “This implies. . .”, “This shows. . .”, etc.).

WHERE: The word “where” is frequently misused; “cases where” should usually be “cases in which. . .”

DATA: The word “data” is plural and takes a plural verb, as in “The data show. . .”, not “The data shows. . .”

THAT VS. WHICH: That and which are not interchangeable. “That” introduces a restrictive clause (not delineated by commas), e.g., “The book that I read last night was excellent . . .”, i.e., as opposed to the book that I read last week. “Which” introduces a nonrestrictive clause (either descriptive or parenthetical and frequently delineated by commas), e.g., “The book, which I read last night, was excellent . . .”, i.e., it happens that I read it last night but the main point is that the book was excellent. If putting a comma before “which” in a sentence changes the meaning of the sentence, then “which” has probably been used incorrectly.

MAY: The verb “may” is weak and can generally be replaced by “could” or “can,” particularly in sentences in which some doubt is already being expressed. “There is a possibility that the data may be contaminated . . .” reads better as “There is a possibility that the data are contaminated . . .”

IN ORDER TO: The phrase “in order to” is replaced simply by “to.”

DOCUMENT: The word “document” is replaced by “show” in most cases.

7.3. Spelling and usage: some common problems

Spell-checking programs are not foolproof and will not flag several common errors. For example, “forego” and “forgo” have different meanings and are frequently misused; “forego” means to go before (as in “the foregoing argument”) and “forgo” means to sacrifice or go without (as in “forgone investments”). Spell-checking programs do not distinguish between “uniformed investors” and “uninformed investors” (whether or not the research truly deals with the subset of investors in the armed services) and will permit such errors as “homogenous” for “homogeneous,” and “spe5lling” for “spelling.” The word “stylized” has more to do with art than finance and should be avoided (“abstract” or “conventional” are possible substitutes). The word “venue” is primarily a legal term (its secondary meaning is more along the lines of “rendezvous”); some alternatives are “location” or “site.” The JFE prefers “premiums” to “premia.” “Indices” as the plural of “index” is appropriate for mathematical terms, but the plural of “stock index” is “stock indexes.” Note the spelling of “heteroskedasticity.” “Database” is one word, but “data set” should be two words. “Treasury bill” can also be written “T-bill.” In general, the final consonant is not doubled, as in focused, traveled, etc.