

I have noticed a pattern in many figures submitted to the JFE, so I want to highlight the following instructions that are often applicable (in addition to the general instructions outlined below):

- (1) Elsevier charges a substantial fee (see the JFE web page for more details) to print figures in color. There is no charge for color in the online PDF version of the paper. Therefore, unless you plan to pay the incremental charge for having your figures printed in color, **YOU SHOULD MAKE SURE THAT ALL FIGURES ARE LEGIBLE AND LOOK GOOD WHEN PRINTED IN BLACK & WHITE.**
- (2) In all figures, **REMOVE ALL UNNECESSARY BOXES, LINES, MARKS, ETC.** (there is a wonderful book by Edward Tufte, *The Visual Display of Quantitative Information*, that contains a fountain of valuable advice on how to construct effective figures).
- (3) All figures must be **LEGIBLE, SELF-CONTAINED AND LOOK GOOD** when photographed and reproduced to fit on a JFE page.

Journal of Financial Economics

Instructions for Table and Figures

The legends, axis labels, column and row labels and footnotes for all figures and tables should be clear enough so they are *self-contained*; that is, the content of the table or the figure *must be understandable without reading the text of the article*.

In particular, the TITLE AND LEGEND of the table or figure must describe the content of the numbers or symbols in the body of the table or the content of the figure. For example, a table legend that says "Descriptive Statistics" is unsatisfactory. At a minimum, the overall legend should describe the statistics, the sample, and the sample period.

In addition the following items must always appear somewhere in the legend, column labels, row labels, or axis labels:

1. The DIMENSION of all numbers must be CLEARLY DEFINED (for example, daily, monthly, or annual returns or percentage returns).
2. SAMPLE DESCRIPTION including:
 - sample SIZE
 - sample PERIOD
 - subsample DESCRIPTION or DEFINITION
3. All SYMBOLS, EQUATIONS, CONCEPTS and TERMINOLOGY *must be defined* in English in the table or figure (in footnotes if nowhere else).

Figures must be professionally drawn in black ink on white paper or produced to equivalent standards on a high quality laser printer. The figure axes (labeled in English), and any symbols or notations that are part of the figure must also be labeled by the artist. This does not include the figure legend that will be typeset by the printer. All figures must be sufficiently high quality to be photographed by the printer.

It often seems to authors (who, by definition, are intimately familiar with the content and notation of their paper) that these procedures are repetitive, obvious and unnecessary. However, the vast majority of readers do not read an article in great detail the first time; they usually skim the abstract, and some parts of the introduction, tables, charts and conclusions. Such readers become careful and serious consumers of an article when something catches their interest. Tables or figures that require incomplete reading of the text to understand do not communicate much to the skimming reader. It is a mistake to write only for the top dozen or so people in a field. If the article is written so that others can easily access the material, the top people also will find it easier to digest. Therefore, the readership and impact of the article will increase.

Wayne H. Mikkelson. "Convertible Calls and Security Returns," *Journal of Financial Economics*, Vol. 9. No. 3 (September 1981), p. 240.

Table 1
Summary of capital structure changes and potential security value effects associated with a call of convertible debt that forces conversion.

Type of capital structure change due to conversion	Price impact on security class			Total firm
	Common stock	Straight debt	Called debt	
Decrease in financial leverage:				
(1) Change in tax liabilities	Negative or zero	Negative or zero	— ^a	Negative or zero
(2) Change in relative priority of outstanding claims	Negative	Positive	— ^a	Zero
(3) Change in incentives to transfer wealth	Positive or negative	Positive	— ^a	Positive
(4) Decrease in expected bankruptcy costs	Positive	Positive	— ^a	Positive
(5) Decrease in amount of conversion privileges outstanding:	Positive or negative	Negative	— ^a	Negative
(6) Increase in number shares outstanding:	Negative or zero	Zero	— ^a	Negative or zero
(7) Change in expiration date of conversion privileges:	Positive	Zero	Negative	Zero

^aThe value of the called convertible debt will be affected by the change in the calling firm's stock price.

Michael R. Gibbons. "Multivariate Tests of Financial Models: A New Approach," *Journal of Financial Economics*, Vol. 10, No. 1 (March 1982), p. 13.

Table 1

Estimates of the expected return on the zero-beta portfolio using the Black, Jensen, and Scholes (1972) estimator ($\hat{\gamma}_{BJS}$) and using a one-step Gauss-Newton estimator ($\hat{\gamma}^*$). Likelihood ratio test (LRT) of the parameter restriction implied by the CAPM. Each subperiod uses 40 equal-weighted portfolios of NYSE securities and the CRSP equal-weighted index as the market portfolio. 1926-1975.

Time period	$\hat{\gamma}_{BJS}$	$SE(\hat{\gamma}_{BJS})^a$ (uncorrected)	$\hat{\gamma}^*$	$SE(\hat{\gamma}^*)^b$ (unadjusted)	LRT	p-value ^c for LRT
1926/1-1930/12	0.0004	0.00440 (0.00440)	0.0124	0.00129 (0.00127)	75.06	0.000
1931/1-1935/12	0.0024	0.00827 (0.00816)	0.0067	0.00280 (0.00275)	50.29	0.106
1936/1-1940/12	-0.0029	0.00950 (0.00945)	-0.0082	0.00233 (0.00229)	92.50	0.000
1941/1-1945/12	0.0085	0.00476 (0.00452)	0.0115	0.00131 (0.00129)	43.99	0.268
1946/1-1950/12	0.0070	0.00351 (0.00351)	0.0034	0.00134 (0.00131)	87.46	0.000
1951/1-1955/12	0.0121	0.00168 (0.00167)	0.0097	0.00065 (0.00064)	53.31	0.063
1956/1-1960/12	0.0129	0.00218 (0.00216)	0.0081	0.00098 (0.00096)	69.83	0.002
1961/1-1965/12	0.0070	0.00254 (0.00251)	0.0068	0.00127 (0.00125)	57.56	0.028
1966/1-1970/12	0.0045	0.00379 (0.00379)	0.0001	0.00132 (0.00130)	47.01	0.177
1971/1-1975/12	0.0096	0.00608 (0.00606)	0.0061	0.00243 (0.00239)	52.56	0.072
Overall LRT ^d (390 degrees of freedom)					629.57	0.000

^a $SE(\hat{\gamma}_{BJS})$ is based upon the asymptotic distribution [derived in Gibbons (1980b)] while the uncorrected version is given by Black, Jensen, and Scholes (1972).

^b $SE(\hat{\gamma}^*)$ is adjusted following the suggestion of Gallant (1975) based upon evidence from simulations.

^cThe p-value represents the probability of a realization greater than the LRT from a chi-square distribution with 39 degrees of freedom.

^dThe overall LRT is just a summation of the LRT for each subperiod. Since the LRT for each subperiod is chi-square with 39 degrees of freedom and independent across subperiods, the overall LRT has a chi-square distribution with 390 degrees of freedom.

Shmuel Kandel. "The Likelihood Ratio Test Statistic of Mean-Variance Efficiency Without a Riskless Asset," *Journal of Financial Economics*, Vol. 13, No. 4 (December 1984), p. 586.

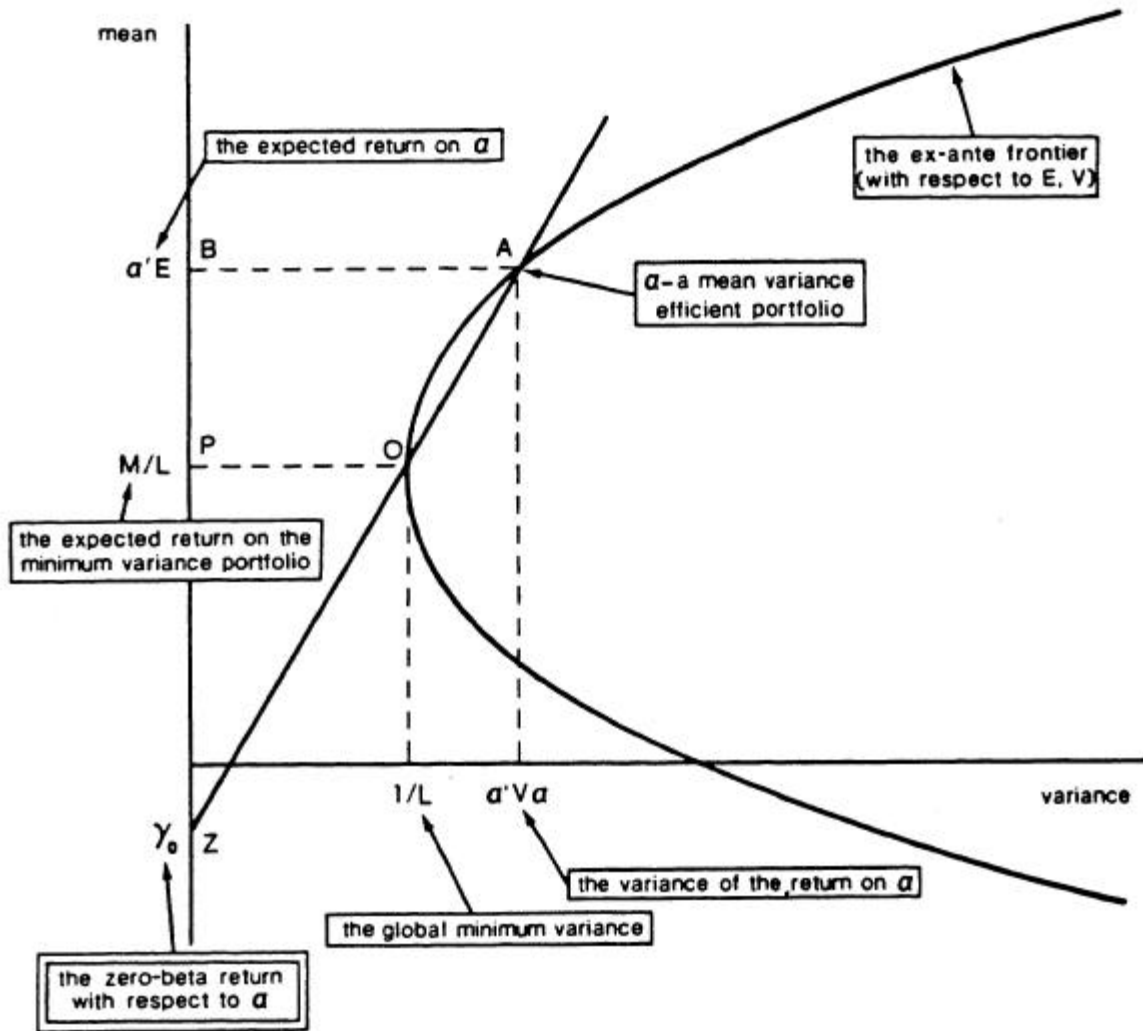


Fig. 4. When α is mean-variance efficient, then the three points A ($\alpha'Va, \alpha'E$), O ($1/L, M/L$), and Z ($0, \gamma_0$) are collinear. In other words the triangle ZOP is similar to the triangle ZBA, or $(\alpha'E - \gamma_0)/\alpha'Va = (M/L - \gamma_0)/(1/L)$.

Michael R. Gibbons. "Multivariate Tests of Financial Models: A New Approach," *Journal of Financial Economics*, Vol. 10, No. 1 (March 1982), p. 14.

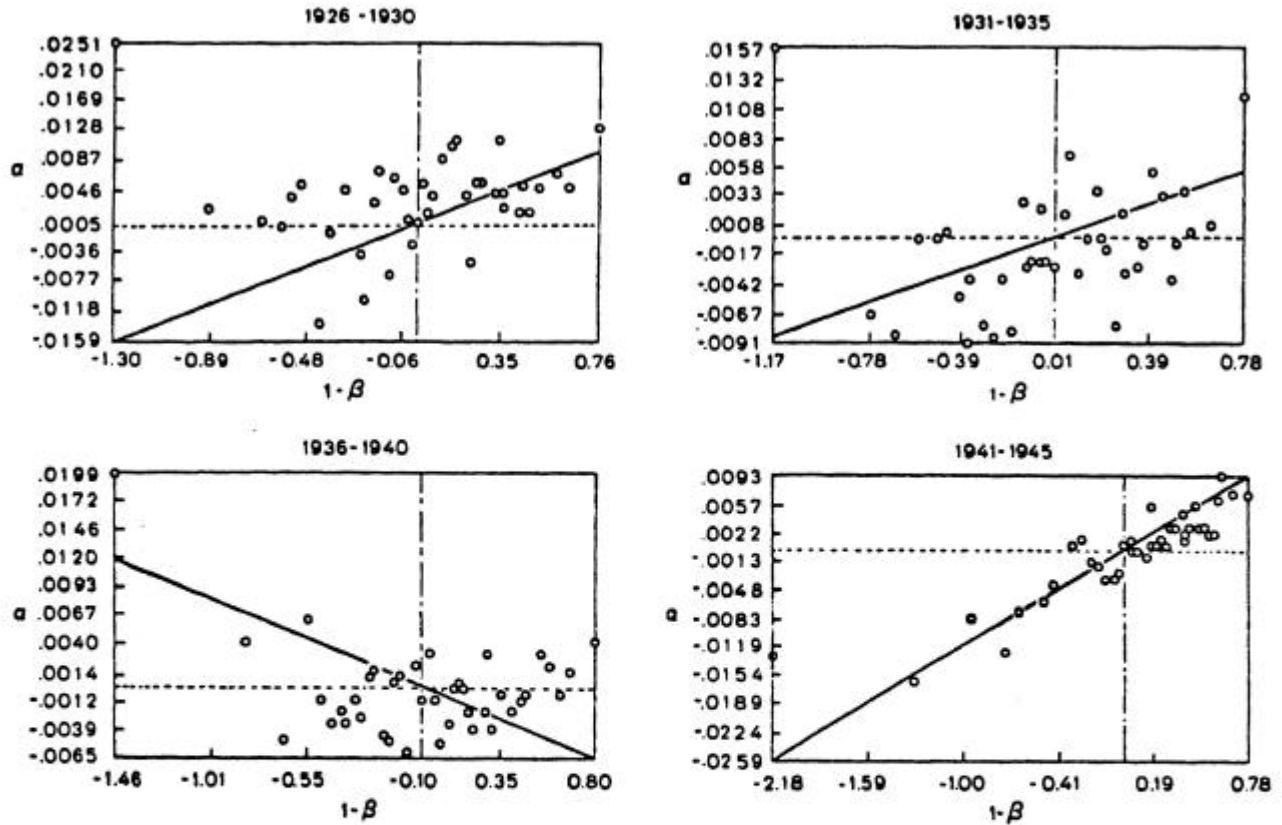


Fig. 1. Scatter plots of the coefficients from the unrestricted versus the restricted market model for ten non-overlapping subperiods from 1926–1975 with 40 portfolios in each subperiod. The slope of the solid straight line in each plot is given by the one-step Gauss-Newton estimate of the expected return from the zero-beta portfolio (*NOT* the ordinary least squares fit of the points), and all points should fall on this line if the CAPM is true. The 40 points on each scatter plot represent the least squares estimates of the market model coefficients when the CAPM restriction is not imposed upon the data. The vertical axis (labeled α) is the intercept and the horizontal axis (labeled $1-\beta$) is one minus the slope coefficient in the market model regression given by $\bar{R}_{it} = \alpha_i + \beta_i \bar{R}_{mt} + \bar{n}_{it}$. (Note that the scale varies across the scatter plots.)

Editors' Note:

In general axis labels such as those in these figures should contain English label as well as the mathematical notation. They are omitted in this figure and placed in the legend because of the tight space constraints.

Kenneth R. French. "Stock Returns and the Weekend Effect," *Journal of Financial Economics*, Vol. 8, No. 1 (March 1980), p. 65.

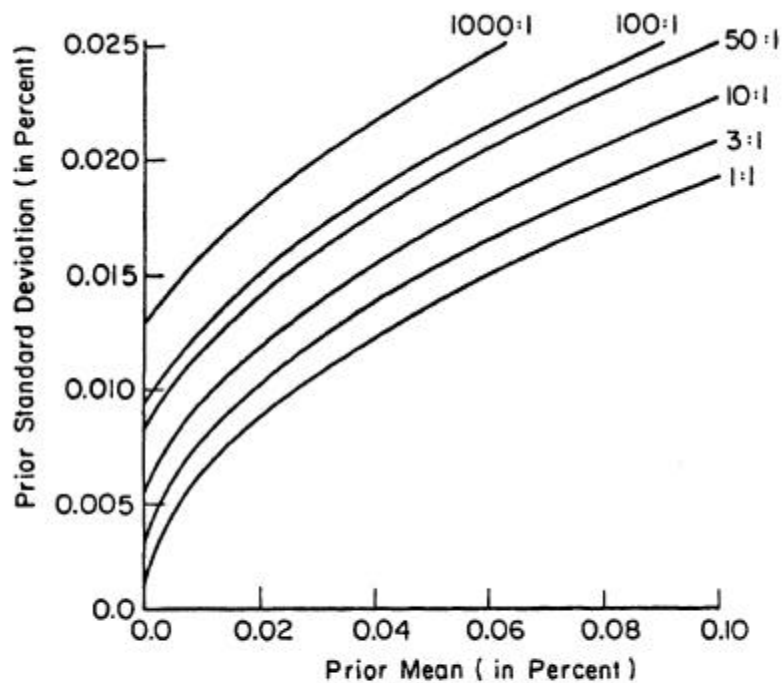


Fig. 2. Posterior odds ratios comparing the hypothesis that Monday's mean is negative to the hypothesis that Monday's mean is positive, for normal prior distributions. Each curve indicates the ratio of the probability that the posterior mean is negative to the probability that it is positive for different normal prior distributions, under the assumption that the return generating process is normal.

Thomas Ho and Hans R. Stoll. "Optimal Dealer Pricing Under Transactions and Return Uncertainty," *Journal of Financial Economics*, Vol. 9, No. 1 (March 1981), p. 57.

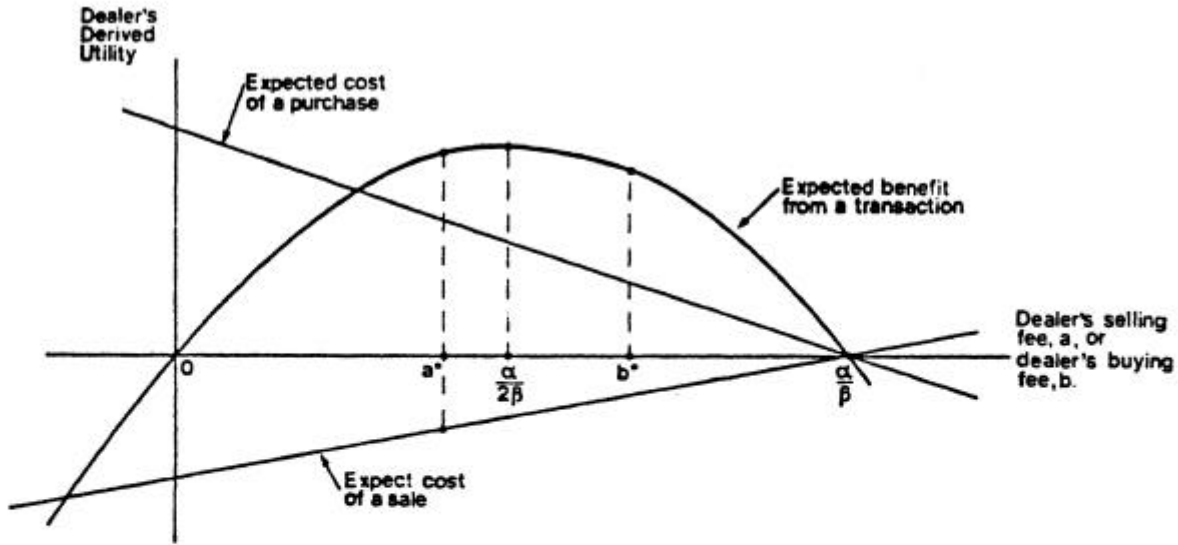


Fig. 2. Dealer's expected (gross) benefit function for a purchase or sale transaction $= \lambda(x)xQBJ_F$, with $x = a, b$, where a, b are the selling and buying fee respectively. $\lambda(\cdot)$ is the mean arrival rate of transaction, Q is the transaction size, and BJ_F is the marginal utility of the fee after the transaction. Dealer's expected (gross) cost function for a purchase, conditional on positive initial inventory $= (J - BJ)\lambda(b)$, where $(J - BJ) > 0$ is the decrease on the dealer's derived utility resulting from a purchase. Dealer's expected (gross) cost function for a sale conditional on positive initial inventory $= (J - SJ)\lambda(a)$, where $(J - SJ) < 0$ is the decrease in the dealer's derived utility resulting from a sale. Dealer maximizes expected, risk adjusted, (net) benefit by choosing optimal selling fee, a^* , and optimal buying fee, b^* . Risk neutral buying or selling fee is $\alpha/2\beta$.