

How to Write An Empirical Paper (and Referee One)

Jay Ritter

University of Florida

Florida Finance Conference

University of South Florida

September 19, 2014

You are fighting for the reader's attention

In the title, give a reason for at least some readers to read the abstract

In the abstract, give a reason for why at least some readers will want to read the introduction

In the first few paragraphs of the introduction, give a reason for why a reader should keep on reading

Shorter is better

Ask yourself how the paper could have more content per hour spent reading it

Tables

Use annual percentage returns whenever possible

In the text, discuss the economic significance of coefficients— this will also force you to think about the units of measurement

Scaled Disclosure and Underpricing

The table presents results from regressing first-day IPO returns on a set dummy variables indicating that the IPO firm has taken advantage of various accommodations of the JOBS Act along with age, lagged revenues, and assets, a dummy variable, StarUnderwriter, that is equal to 1 if the lead underwriter has the highest rating on Jay Ritter's website (using the methodology in Ritter and Loughran, 2004), a dummy variable indicating the IPO was backed by venture capital investors, a dummy variable indicating the firm is in a technology industry (Tech: defined as the Fama French industries Computers, Software, Electronic Equipment, Healthcare, Medical Equipment, and Drugs), and an intercept. There are 215 observations from 2012 and 2013. First day IPO returns are measured as the change in price from the IPO offer price to the closing price on the first day of trading on the exchange. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. t-statistics are in parentheses.

Variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Num Executives' Compensation Reported	0.003						-0.004
	(0.38)						(0.45)
Discussion of Executive Compensation		0.021					0.028
		(0.56)					(0.81)
Private Accounting Standards			-0.038				-0.037
			(0.85)				(0.82)
< 3 Yrs of Audited Statements				-0.050			-0.038
				(1.31)			(0.83)
Num Yrs of Selected Fin Statements					0.034		0.034
					(2.08)**		(1.58)
Confidential Filing						0.047	0.080
						(1.34)	(2.13)**
LaggedRevenues (thousands)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(1.34)	(1.29)	(1.31)	(1.05)	(1.41)	(1.50)	(1.26)
LaggedTotalAssets (thousands)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(2.03)**	(1.82)*	(1.72)*	(2.16)**	(2.52)**	(1.68)*	(1.56)
StarUnderwriter	0.086	0.084	0.094	0.087	0.086	0.082	0.086
	(2.00)**	(1.95)*	(2.21)**	(2.02)**	(2.01)**	(1.92)*	(2.03)**
VCbacked	0.165	0.160	0.172	0.15487	0.152	0.162	0.138
	(2.97)***	(2.92)***	(3.15)***	(2.81)***	(2.83)***	(2.99)***	(2.58)**
Tech	-0.046	-0.046	-0.047	-0.042	-0.040	-0.044	-0.038
	(0.86)	(0.87)	(0.89)	(0.80)	(0.77)	(0.84)	(0.75)
Age	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.04)	(0.03)	(0.03)	(0.17)	(0.15)	(0.19)	(0.12)
N	215	215	215	215	215	215	215
Adj R Sq	0.10	0.10	0.11	0.10	0.11	0.10	0.14

An example of a bad table (prior slide)

1) The dependent variable should be measured as a percent, which will shift the decimal place and get rid of 0.0' s, including 0.000 with a t-statistic of 2.03. Note that the author is not thinking of economic significance— why report a point estimate with zero non-zero digits, while the t-stat has three non-zero digits.

2) For lagged revenue and lagged assets, should there be a linear relationship that is the same as revenue increases by one million dollars from 1 to 2 as when revenue increases from 501 to 502? Of course not— the better specification would be to use logged values (and to adjust for inflation, although it will not matter much here).

3) The t-statistics are computed assuming independence, when there are undoubtedly industry and time correlations.

Introduction and conclusion

Give one or two numbers that summarize the most important quantitative results of your paper, which readers can remember and cite

As *JFQA* editor Jarrad Harford recommends in a video available on the FMA website, spend a lot of time writing the introduction, emphasizing what is new and important in the paper

Chicago Booth Prof. John Cochrane gives useful advice that can be found by typing “John Cochrane Writing Advice” into a search engine

When you receive a rejection letter

If the reviewer misinterpreted something that you did, ask yourself how you can change the writing so that the next reviewer won't make the same mistake

Decide which of the reviewer's objections have merit, and revise the paper accordingly

Some requests may not have an attractive cost-benefit tradeoff and are not worth doing

Read Matt Spiegel's May 2012 *RFS* editorial “Reviewing Less– Progressing More”

Keep the introduction short– the reader doesn't need to know the details about robustness tests

Aim to keep the paper under 40 pages, with less important stuff put in appendices

Refereeing

Be honest— if you think the idea is boring, say so, rather than just complaining that the t-stats have not been computed correctly.

Don't try and second-guess what you think that the editor wants you to say. If the editor wanted you to reject the paper for certain, he or she would not have sent it to you. The editor has not read the paper, and wants to get the opinion of an expert (you) to guide a decision.

Ask yourself how you would feel if you were the author and you received the report that you are submitting.