

## **Empirical Asset Pricing and Financial Econometrics**

### **Tips on writing a referee's report<sup>1</sup>**

**(Wayne Ferson)**

A typical referee report consists of two or three parts. The first is a cover letter to the editor, which is not usually seen by the author(s) of the paper. The second part is the main body of the report, which includes a review of the paper, criticisms, and constructive comments for the authors' benefit. The main body of the report is sent to the author(s), but the name of the referee typically is not disclosed. In some cases a referee will return portions of the manuscript to the editor with margin comments for the authors' benefit. The margin comments typically relate to stylistic matters, typographical errors, etc. It is my impression that margin comments are generated by the referee in only a fraction of the cases, and more often when the paper is close to a publishable stage. There is a significant professional payoff to writing conscientious referee reports. The quality of your work as a referee signals your competence as a researcher and enhances your reputation with journal editors. Both are important. However, too much time spent reviewing a bad paper is not a good allocation of resources. A junior (well, any) faculty member's time is limited, and as much as possible should be spent developing your own research.

Occasionally, a situation will arise where a paper is clearly not appropriate for the journal; that has asked you to review it. In such a case, the question is whether to review the paper anyway, or to simply return it with a brief statement as to why the paper is not appropriate. Another, related situation is when a journal sends you a paper that you are not really qualified to review. The journal business is an increasingly competitive one, and turn-around time is one of the important dimensions on which journals compete. Editors would rather know right away if the paper is not appropriate for the journal or the referee. I would consider a phone call to the editor in the case of a paper that I could not review. Typically the editorial office has another copy which they can send immediately to another referee.

#### **The Body Of The Report:**

Most referee reports are probably between two and ten single-spaced typewritten pages in length. However, a simple recommendation to reject a paper can be shorter. Some are only a paragraph or two, giving a summary judgment and its basis. While this type of review is less satisfactory from the author(s) perspective, some editors find the shorter review perfectly acceptable. This is especially so when the paper is straightforward and the reasons for a rejection are clear. I am told that some of the most senior and established scholars tend to use the shorter form.

Since your identity is not to be revealed to the authors, do not put your name on the report. Start the report with the title and manuscript number of the paper, the journal for

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which the report is written, and the date on which you complete and mail the report to the editor. The report should never be sent directly to the authors. Send it to the editor who asked you to do the review.

The first paragraph of the report is typically a short summary of the paper. Your objectives are to make it very clear and succinct, focusing on the main important features of the paper, how the paper is motivated in relation to the literature, and what the contributions of the paper are to the literature. You want this paragraph to convince the editor that you understand what is going on in the paper at least as well as the authors. You don't want too much detail here, as the editor should read the paper too, but in many cases the editor will only skim a paper when it is in an early stage of the review process.

I often use the second paragraph to summarize my overall opinion of the strengths and weaknesses of the paper. I mention briefly the main issues that my report will address in more detail, and then describe how the rest of the report is organized around those issues.

Subsequent paragraphs of the report should provide and explain your criticisms and suggestions for improving the paper. If you find a major, fatal flaw in the paper, discuss this early in the report. (For example, theorem 1 is wrong and the whole paper relies on it. Present your counterexample to the theorem right away!) It is often useful to organize and group your comments into categories. For example, comments on the theory, the empirical methods, the authors' interpretation of the evidence, etc. may be grouped together. Comments directed at improving the exposition of the paper are also an appropriate category. Many people number their main points or set them out in some other organized way for easy reference in the future.

### **The Cover Letter:**

Here is where you tell the editor your frank opinion of what you think that he or she should do about the paper. This letter will not be shown to the authors in most cases. The bottom line is whether the paper should be: (1) rejected, using language that does not encourage a resubmission; (2) rejected, but a resubmission should be allowed which addresses the concerns in your report; (3) rejected, but a resubmission which responds to the suggestions and comments in your report should be encouraged; or (4) accepted for publication.

Be explicit in the letter about your recommendation. Don't make the editor guess about what you would do if the choice was yours. (It is not, but an editor will often place a lot of weight on the advice of a good referee.) If this is the first submission of a paper, choice (4) is extremely rare. If you choose (1), then explain to the editor the reasoning that justifies the rejection. If you recommend that a resubmission be (2) allowed, or (3) encouraged, then be as explicit as possible about what you would recommend that the editor say to the authors in his or her letter to them. For example, do you view some of your suggestions as crucial and others as less important? The explanation to the editor need not be lengthy. Keep it to a sentence or two, unless you have things to say that you did not want to put in the report for the authors to see.

Although this is not necessary for some editors, I often start the cover letter with an abbreviated version of the first paragraph of the report, assuming that this will help remind the editor which of the many papers under review that I am talking about.

It is appropriate to alert the editor to any aspects of the paper where you do not feel competent to render useful judgments. Never attempt to bluff when you don't understand something. In some cases, you might have seen the paper as a referee for a different journal (presumably, it was rejected). I believe that it is appropriate to inform the editor about this. If the paper was revised in response to your earlier report, the situation becomes similar to a second-round review of the paper. Part of the decision process about a paper involves a judgment about how responsive the authors are likely to be to the comments they receive during the review process. If you have information about this based on your previous review, I believe that the editor would find this useful to know.