JOURNAL OF FINANCIAL INTERMEDIATION **7,** 331–337 (1998)
ARTICLE NO. JF980250

EDITORIAL

A Brief Retrospective and Prospective Look at *The Journal of Financial Intermediation*: 1990–1998

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Received December 7, 1998

Since its inception in 1990, *The Journal of Financial Intermediation* has striven to be a high-quality outlet for empirical and theoretical research in financial intermediation, market microstructure, and corporate finance. This article briefly reviews the output of the *Journal* since its inception, describes recent changes, and takes a look at the future. © 1998 Academic Press

1. INTRODUCTION

In 1990, when Stuart Greenbaum invited Doug Bernheim, Chris James, and me to join him in starting *The Journal of Financial Intermediation*, I was delighted. As a person who had looked for high-quality outlets for papers in financial intermediation and corporate finance, I had always felt there simply was not enough journal space out there to accommodate all of the interesting research being done. Being part of a new endeavor to provide such an outlet was exciting. In his editorial foreward in our maiden issue in 1990, Greenbaum stated that ". . . the *Journal of Financial Intermediation* [will be] . . . dedicated to publishing the best in contemporary academic research on financial institutions, contracts, and markets. . . ." Eight years later, this still remains our guiding philosophy.

Despite this unwavering commitment, the journal has obviously undergone many changes. I thought it would be useful at this juncture to look back on what the journal has achieved and thus help to clarify the journal's scope, focus, and possible future directions through such an introspection. This is what this brief essay is aimed at.

The editorial structure of the journal has always been to have one Manag-

1042-9573/98 $25.00

ing Editor with three other editors. Our editors are asked to serve five-year terms that are renewable. Stuart Greenbaum was the first Managing Editor. I replaced him in 1996 when he accepted an offer to be Dean of the Olin School of Business at Washington University.

Under Greenbaum, our process was for papers to be submitted to the Managing Editor, who then determined which of the three editors would process a particular paper. The processing editor chose the referees for the paper (either one or two) and corresponded directly with the referees. Papers were reviewed in a double-blind manner; i.e., the referees did not know the authors, and the authors did not know the referees. All correspondence with authors was done through the Managing Editor.

Since I assumed the responsibility of Managing Editor, this process has been retained virtually intact, except that *all* correspondence—with referees as well as with authors—is now done directly by the processing editor concerned.[1]

Our editorial board has undergone many changes over the years. In 1992, Franklin Allen moved up from Associate Editor to Editor. In 1993, Franklin Allen moved on to take over as Executive Editor of the *Review of Financial Studies*, and Doug Bernheim left as well. Maureen O'Hara joined the editors, moving up from Associate Editor to Editor. Further changes will take place starting 1999. Maureen O'Hara and Chris James are departing the editorial board (see Foreword) and being replaced by Ananth Madhavan and Mitch Petersen. O'Hara will be taking over as Executive Editor of the *Review of Financial Studies*.

In addition to these changes, the journal has also formed an Editorial Advisory Board consisting of Stuart Greenbaum (as Founding Editor), Franklin Allen, Maureen O'Hara, and myself (as Managing Editor). This Board will provide editorial guidance on strategic issues facing the journal and will also be responsible for choosing the Managing Editor to succeed me as well as subsequent Managing Editors.

Since its inception, the Journal has awarded a "Most Significant Paper" prize each year to the authors of the paper judged to be the best published that year. The selection is done on the basis of voting by the editors and associate editors. The current prize carries a cash award of $2,500.

The editorial appointments, as well as the prize are designed to enhance the journal's ability to serve its core mission of providing authors with the most value-added in the reviewing process and the progress of creative and high-quality research. In Section 2, I examine the areas in which the journal has published such papers. Section 3 briefly discusses recent changes in the journal's direction and Section 4 concludes with thoughts about the future.

[1] Another difference is that, unlike Stuart Greenbaum, as Managing Editor I also act as processing editor on many papers.

2. A LOOK BACK AT THE JOURNAL'S OUTPUT

In this section I provide some data about the different areas in which the journal has published papers. It should be noted that there are three factors that have the most impact on the areas in which we publish: (i) the *perceptions* of authors about what the journal values, (ii) the quality of the papers submitted to the journal in different areas, and (iii) the journal's own mission and priorities, as reflected *partly* in the choices of topics for the annual *JFI* Symposium. Of these three, the editors can control only the last factor. Thus, the statistics I am about to discuss should not be viewed as the outcome of some grand editorial design.

In Fig. 1, I have provided aggregate data on the percentages of our total publications during 1990–1998 that are accounted for by the different areas of interest to the journal. The four areas are (i) banking and financial intermediation (defined broadly to include commercial and investment banking, mutual funds, financial newsletters, etc., but excluding insurance), (ii) market microstructure, (iii) corporate finance and contracting, and (iv) insurance and other areas (including asset pricing and macroeconomics).

This figure shows that, not surprisingly, banking and financial intermediation has had the largest presence in the journal, consistent with the focus implied by its very title. Market microstructure is next, with virtually the same representation as corporate finance and contracting. Indeed, I would be surprised if any of the other leading financial journals devoted a greater percentage of their output to market microstructure during this time.

An issue that often comes up in conversations is whether the journal has a theoretical bias. I am sure that these questions arise partly because of the makeup of the editorial board and partly because of the percentage of our output that is accounted for by theory. Figure 2 provides a breakdown between theoretical and empirical papers.

As this figure shows, we have published twice as many theoretical papers as empirical papers. However, this is not due to any sort of policy decision by the journal's editors. We have simply received a greater number of high-quality theory papers. My hope is that more good empirical papers will come our way and thereby help provide a better balance between theoretical and empirical publications.

I was also interested in examining how our distribution of publications by area has changed over time. Figure 3 provides this information. It appears from this figure that the percentage of journal space occupied by banking and financial intermediation exhibits three-year trends. During 1990–1993, it grew from 41% to 50%; during 1993–1996, it declined from 50% to 27%; and then during 1996–1998, it increased from 27% to 44%. As far as I can tell, one of the key factors impacting these trends is the movement of the percentage share of market microstructure. When the percentage of market

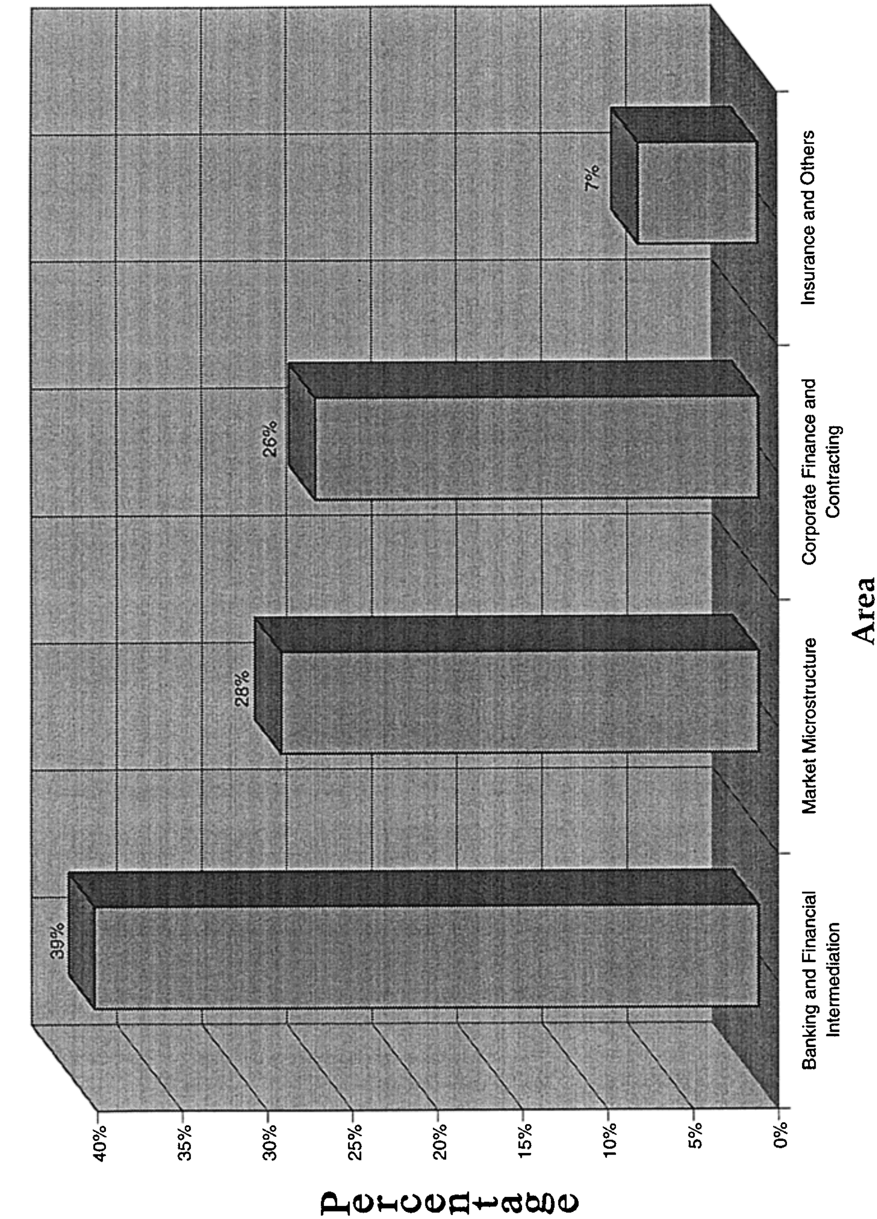

FIG. 1. Percentage breakdown of papers published by area: 1990–1998.

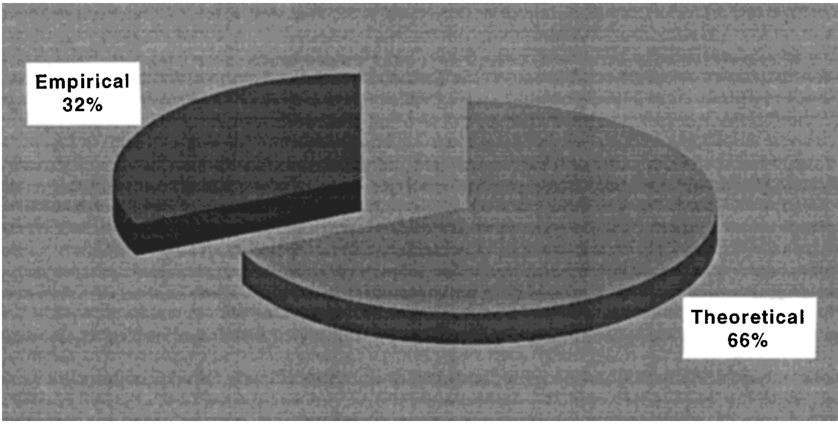

FIG. 2. Theoretical vs empirical research published: 1990–1998.

microstructure papers spiked up to 47% in 1996, banking and financial intermediation reached its low point of 27%. Similarly, when corporate finance and contracting reached its high of 42%, both banking and market microstructure dropped sharply.

I don't mean to suggest that this is some kind of zero-sum game between papers from different areas. We do wish to stay at our current size at four papers per issue[2]—we believe that this helps us not only to maintain our quality but also to provide each paper in a given issue with the maximum feasible visibility, thereby maximizing the probability that each paper will be read. But this size constraint does *not* affect the probability that any given paper, regardless of area, will be accepted. Thus, the number of accepted papers at any given time affects only how long it will be before an accepted paper appears in print. Currently, this time period is 3 to 7 months in most cases. If it rises significantly above this, the editors will discuss the possibility of increasing issue size. Let me say once again that we welcome all good papers, theoretical and empirical, and are in no way constrained to accept only a particular number of papers during a given time. Our acceptance percentage (i.e., the percentage of submitted papers eventually published) has varied between 7% and 10%, which I believe is consistent with other top journals that publish this statistic.

3. RECENT CHANGES: THE SYMPOSIUM

Apart from editorial changes, an important change that the journal has made has been to forge a closer link to the annual *JFI* Symposium. For a

[2] Symposium-related issues may be bigger.

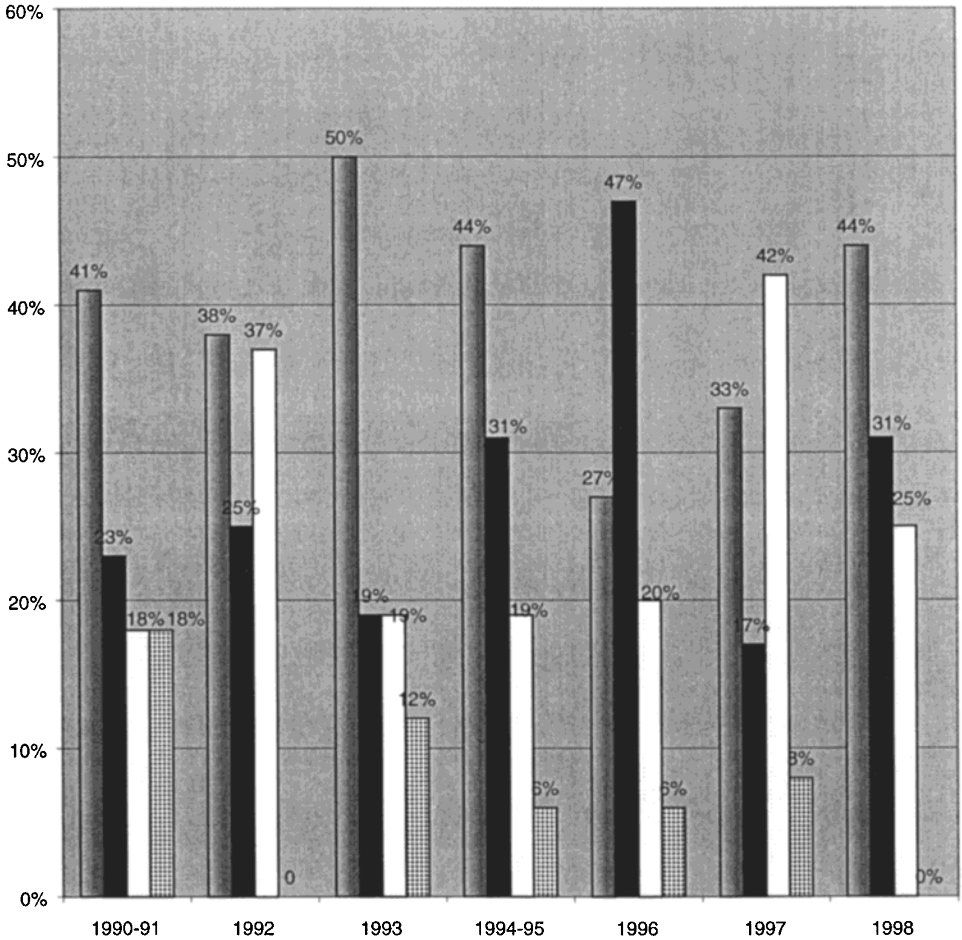

FIG. 3. Percentage breakdown of papers published by area by year, 1990–1998. ■ banking and financial intemediation; ■ market microstructure; □ corporate finance and contracting; and ⊡ others including insurance.

number of years now, the journal has sponsored an annual symposium on a particular topic during May or June every year. The symposium alternates between the U.S. and the Netherlands, being hosted by a U.S. school in odd years and by the University of Amsterdam in conjunction with other sponsors in even years. Authors of selected papers are invited to present their work with all expenses paid.

It was only in 1997 that we decided to reserve one issue of the journal every year for those papers presented at that year's symposium that were submitted to the Journal and were acceptable for publication. This was *not* to be a proceedings issue; the *same* standards were to be applied to these papers that we use in our normal reviewing process.

Each symposium-related issue is now the responsibility of an invited Guest Editor who also puts the symposium program together. Raghu Rajan was the first Guest Editor. He helped organize the program for the 1997 *JFI Symposium on Liquidity*, held at Washington University. The issue related to that symposium was published this year (Vol. 7, No. 2). Franklin Allen helped organize the 1998 *JFI Symposium on Financial System Design* in the Hague, the Netherlands. He is currently editing the issue related to that symposium. This issue will come out as part of Volume 8 (1999).

Maureen O'Hara and Jonathan Macey at Cornell University are organizing the 1999 *JFI Symposium on Law and Finance*. This symposium will be held in Ithaca this summer. The issue related to that symposium will be edited by O'Hara and Macey and appear in print in 2000.

Our goal with the annual symposium is to bring together leading researchers on a selected topic of current research and policy relevance, and then to disseminate some of these papers through the journal. Each symposium has been a marvelous learning experience and very enjoyable.

4. CONCLUSION

In this article I have attempted to provide a historical perspective on the journal in order to give our readers and potential paper submitters information that is useful to them. In the future, I will provide further information, such as citations.

The Journal continues to grow and evolve. Our goal is to keep turning over the Editors and the Associate Editors—without having excess volatility that might threaten our continuity—in order to keep infusing the journal with fresh ideas. I look forward to working with our new editors, Mitch Petersen and Ananth Madhavan, and continuing to seek counsel from the Editorial Advisory Board consisting of Stuart Greenbaum, Franklin Allen, and Maureen O'Hara. We will continue to encourage the areas of our focus and we hope that new areas will emerge as a result of the manuscript inflow to the journal. It appears that some of the new areas that may shape the journal in the future are law and finance, empirical banking and corporate finance, interactions between market microstructure and financial intermediation, and issues related to financial system design and evolution. I hope that, as these new areas emerge, the traditional areas in which the journal has flourished will continue to be sources for good papers.