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Statement by the Editors

The field of finance has been rapidly developing in the past few decades with a large volume of research being published by both academics and practitioners. Many major theoretical advances have been made; the importance of which has been recognized by the award of the Nobel prize in Economics in 1990 to Harry Markowitz, Merton Miller and William Sharpe.

Finance theory has had substantial impact on the practice of financial economics and has also led to the development of a greater range of financial instruments and the growth of mutual funds for the diversification of risk. Econometric work in finance is important for testing theories and obtaining precise estimates of parameters of interest to financial economists. For example, while many financial economists believe that a high volume of transactions reduces volatility, some policy makers have advocated taxing the transfer of securities in order to reduce volatility. This type of disagreement indicates the need for careful empirical analysis of financial markets and the rigorous testing of theories.

While the theoretical foundations of financial economics have been developing, there has simultaneously been an increasing amount of high quality empirical work. This has been partly due to the advent of more sophisticated econometric techniques; some of which have been directly motivated by problems in finance. Secondly, particularly high quality data exist in areas of interest of financial economists. The ability to analyze such data sets has been greatly enhanced by the rapid improvement of computer facilities.

The consequent growth of the volume of research in the area of empirical finance has increased the need for a new journal to meet the specific requirements of professional working at the interface of finance and econometrics. This awareness has already been expressed by John Campbell and Angelo Melino, *Journal of Econometrics*, 45, 1–5, 1990, who note that:

‘Financial economists take justifiable pride in the standards for theory, econometric technique, and data, which are expected of applied empirical research. We consider the skill with which these three ingredients are blended to be the most outstanding features of empirical finance.’

This increased interest is also illustrated by a comparison of programs of the fifth and sixth world conferences of the Econometric Society held in Boston and Barcelona, respectively. The consecutive programs show a growth in finance related sessions and symposia from 4 percent in 1985 to 9 percent in 1990. It is likely that the upward trend in academic interest in empirical finance will

continue over the next decade. Hence, the *Journal of Empirical Finance* aims at providing a forum for empirical researchers at the interface of finance and econometrics.

Editorial policy of the Journal of Empirical Finance

The *Journal of Empirical Finance* intends to seek high quality contributions and will endeavor to publish articles in accord with high methodological standards involving the sophisticated use of economic theory and use of appropriate econometric techniques. The journal will publish studies in corporate finance and articles concerned with the analysis of financial markets, that meet the prevailing standards of empirical econometrics. The journal also wishes to encourage submissions of new econometric methodology that are potentially useful in the general area of finance. Each submitted manuscript will be reviewed by one associate editor and generally by two referees.

The *Journal of Empirical Finance* wishes to encourage high standards of reporting results and the use of high quality data. Authors of accepted manuscripts are expected to make their data available on a floppy disk when requested by colleagues in the profession. All computer programs used in the analyses must be adequately described and sufficient information must be given for interested readers to be able to reproduce the results.

We look forward to serving the academic community on the interface of finance and econometrics.

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