

Thoughts on Writing for Financial Economists

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I am at an age where I get asked to talk about writing to young researchers. This is flattering, if daunting. The flattery dispels whenever I get another paper rejected by a referee who is unconvinced of my brilliance and eloquence. It is still daunting, however, because none of us is Shakespeare and only one of us is Anne Lamott.

Still, here is what I think about writing, especially for finance researchers. As with any style guide, the first rule is to not accept uncritically anything that follows. Use these comments as options, not obligations, and ignore them if the result is more pleasing to the ear and more practical to the reader.

Big-think suggestions about writing

Writing is thinking. I stole this phrase from Deidre McCloskey, who surely stole it from someone else. I cannot tell you how many times I have heard great research ideas that look pedestrian when written down on paper, or how many of my own ideas sputter when I try to write them out. More than talking, writing pushes you to think about the details, extensions, and shortcomings of your ideas. Writing is hard because thinking is hard.

Just as writing weeds out bad ideas, it deepens good ones. Virtually every one of my successful projects had an Aha! moment when I was writing. *Why* were privately financed polar expeditions more successful than government ones? Sure, reputation is important, but *how can we measure it?* How can corporate takeover defenses have lifecycle effects *unless frictions make them sticky?* It is a trope that new ideas arise during showers and walks, and by all means please do take showers and walks. But your mind is most fertile when you are crafting the sentences that convey your ideas.

Be empathic. Good writing requires empathy for your reader. Place yourself in your readers' shoes and read your abstract aloud. What your reader hears usually differs from what you want to convey. Work to close the gap between you and your readers.

Rewrite it 50 times. In *Bird by Bird*, Anne Lamott encourages us to get started by writing "Shitty first drafts." You will not spin gold on your first draft. But you will never spin gold unless you have a first draft.

Some people naturally are better writers than others. Big deal. It does not matter whether you think of yourself as a natural Shakespeare or as born with writers' block. Either way, you will write well only if you work hard at it. If you never spent a half-hour struggling over a single sentence, or an hour over a paragraph, you probably did not work on your paper hard enough. As you rework your paper, you will find your ideas coming into clearer focus and your expression of them becoming more succinct.

Own it. Face it: you are a writer. You might also be an economist, a researcher, an aspiring gardener, or a decent bridge player. When you do research you are a creative genius, statistician, data jockey, collaborator, and puzzle-solver. But when you sit down to draft a paper you are a *writer*. You are trying to get your work published to disseminate your discoveries and ideas. So tend to your craft. Just as it is important to specify your conditioning variables in a test for stock market volatility changes, so is it important to clearly explain why you include interest rate changes as a control.

You will develop skills to write better if you think and read about how to write better. Fortunately, there are many good sources. A standard for economists is McCloskey's *The Rhetoric of Economics* (University of Wisconsin Press, 1998). For those wishing a primer, many of the book's ideas are in McCloskey's 1985 *Economic Inquiry* article, "Economical Writing."

Beyond McCloskey is a whole world of inspiration for good writing. Mark Twain *On the Art of Writing* (edited by M.B. Fried, Buffalo, NY: The Salisbury Club, 1961) is delightful yet admonishing to those of us who aspire to write better. Surround yourself with good writing and good writing habits. I keep books on hand that have nothing to do with financial economics, but remind me that writing perfection, or at least improvement, is possible. Favorites include Anne Lamott's *Bird by Bird* and Norman Maclean's *A River Runs Through It*.

Specific dos and don'ts

Assume responsibility. You are the one trying to sell your ideas. Your (potential) readers are busy and have little incentive or time to decipher your ambiguous or tortured logic. It is reasonable to expect your reader to pay attention, but your responsibility to minimize the possibility of misunderstanding. If your reader does not understand your argument or your method, presume you have not written it well.

Get to the point. Rambling introductions make the reader's eyes glaze over.

Be active. "Use an active voice," your high-school English teacher would admonish, and this time they were correct. Many finance writers seem to have taken this idea to heart, but most of us can do better. I have in front of me an otherwise good paper that illustrates a common problem. Seven of the paper's first 10 sentence verbs are versions of "to be." Such tedium wore me out before I reached the end of the introduction.

Write in the present. Your ideas, you hope, are current. So should your expression of them be. The mean abnormal return *is* -1.07%, not was. Stulz *shows* how firm value is non-monotonic in managerial ownership. Ferson *derives* factors that explain returns. Strict adherence to any rule can cause trouble, and please take this one with a dose of common sense. For example, is it better to

say that Fama *argues*, or *argued*, that financial markets are semistrong-form efficient? The answer might depend on whether you mean Fama's 1965 article or 1991 article.

We be royal. If you are writing alone, avoid the temptation to create a fictitious coauthor. Avoid the Royal We.

DUA. Don't use acronyms.

Footnote sparingly. Writing is hard work, but that is no excuse to use footnotes as a refuge for important material that is difficult to work into your narrative. As a general rule, use footnotes to list strings of references that are too long to include in the text, and work to weave important material into the text. Give yourself latitude, however, for an occasional footnote that reports a compelling side note.

Who are you quoting? Authors frequently use "quotation marks" when not actually quoting someone. Don't. Quotation marks should be used to quote people, not to "emphasize," "sneer at," or "distance oneself from" a term or idea.

Use the words we have. It is tempting, and sometimes appropriate, to coin new terms to describe your work. But the proliferation of new words usually reflects lazy authorship. Verbalizing (argh!) nouns and adjectives is a particularly bad problem. Do hypotheses really need to be operationalized, or merely tested? Should returns be standardized, or divided, by assets?

Which hunt. Know the difference between *that* and *which* and use the right one. *That* is used at the start of defining clauses, *which* at the start of non-defining clauses.

Use colloquial or imprecise language carefully. Friendly, breezy writing is good, but should not

sacrifice scholarly care. Writers in *Business Week* blithely can refer to a “directors liability crisis” or a “market volatility scare,” but financial researchers must define what they mean.

Make tables self-explanatory. It is frustrating to try to decipher numbers in a table by finding the nearby text that explains the table. A table should include explanations of the tests, variables, and numbers it contains.

Be wary of grammar police. Many grammar rules are silly, impractical, and not actually followed by good writers. So go ahead and begin a sentence with a conjunction – on occasion. Upon being corrected for dangling a preposition at the end of a sentence, Winston Churchill is reported to have replied, “This is the sort of impertinence up with which I shall not put!”

Check when you are not sure. Is it lie or lay? Should you use a hyphen when writing “one-day abnormal returns”? Should the question mark I just typed be inside the quotation marks? Fortunately, many online resources are available to help find answers. Try *GrammarBook.com* or *Grammar Girl – Quick and Dirty Tips*, or any of the sources that leap to your screen when you type in your grammar question.

Do good research. If you made it this far you must be interested in communicating your research effectively. Good! If this whets your appetite you can move on to a main course on writing, such as that offered by McCloskey. No matter how much effort or skill you apply to writing, however, good writing cannot substitute for good financial research. Good writing will not cover up a poor empirical design or faulty logic. On the contrary, it will bring your errors into sharper relief. So, while good writing is a necessary condition for an excellent research paper, it is not a sufficient one.