North American Journal of Economics and Finance 33 (2015) 305–316

Contents lists available at ScienceDirect

North American Journal of Economics and Finance

The network effects of publishing in finance

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ARTICLE INFO

Article history:
Received 16 September 2014
Received in revised form 24 June 2015
Accepted 24 June 2015
Available online 7 July 2015

Keywords:
Network effects
Citations
Google Scholar

ABSTRACT

We study the network effects of publishing in finance. Our regression results suggest that, among the top-3 journals (*Journal of Finance* (*JF*), *Journal of Financial Economics* (*JFE*), and *Review of Financial Studies* (*RFS*)) and control for other determinants of citations, published articles with coauthor network have significant lower total citation counts. In contrast, the published articles with colleague network, on average, show significant higher total citation counts. That is, editors favor their previous coauthors but they are able to identify good papers from their colleagues. For the other 20 finance journals, we do not find any network effects.

1. Introduction

Using detailed publication, editorial membership, and Google citation data for 23 finance journals from 1990 to 2010, we investigate the effects of editorial connections on financial research. The journal article review process is central to the advance of scholarly knowledge. Journal editors who publish articles authored by colleagues or friends could be scrutinized with practicing favoritism. People often say that there is no hope for them to escape favoritism in all actions of life. Asma (2012) even argues that there are biological and psychological foundations for these behaviors and personal favoritism is a source of virtue and value. Fish (2013) contends that double-standard becomes a standard and it is not only okay but also positively good to journal submission. He argues that giving more than an even break to your own kind is not a distortion of judgment, but the basis of judgment.

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http://dx.doi.org/10.1016/j.najef.2015.06.004
1062-9408/

The peer review process of academic research has been examined in terms of whether they are fair and objective in their valuation (Brogaard, Engelberg, & Parsons, 2014; Folster, 1995; Laband & Piette, 1994; Mackie, 1998; Medoff, 2003). Critics of the editorial review process argue that the absence of any clearly defined criteria of what constitutes a significant high-quality contribution generates editorial favoritism in the review process (Folster, 1995; Mackie, 1998). Folster (1995) and Mackie (1998) argue that authors' personal and institutional connections to the editors play a role in the decision of editors to publish the articles. The arguments in Folster and Mackie imply that the articles in questions are of lower quality relative to other published articles in the same journals. Using publication records in 27 top economics and three top finance journals, Brogaard et al. (2014) investigate whether proximity to an editor influences decisions to publish articles. They find that during an editor's tenure, his/her current university colleagues publish about 100% more papers in the editor's journal, compared to years when he/she was not editor, which suggests that editors of academic journals accept more of their colleagues' papers to their own journals. However, editorial favoritism is difficult to directly verify from the quantity of papers published by connected authors because we do not have access to detailed journal submission data that are needed to compare the characteristics of published and rejected articles.

In order to detect whether editorial favoritism exists in published articles, an alternative is to examine the quality differences among articles by authors with and without connections to the publishing journals' editors. A seminal paper in the literature is Laband and Piette (1994), who use citation analysis of 28 top economics journals in 1984 to distinguish favoritism and search for good papers of journal editors. Their results show that although journal editors occasionally publish subpar papers authored by colleagues and formal graduate students, they tend to use their professional connections to identify high impact papers for their journals. Thus, the connections to editors help mitigating quality uncertainty of submitted articles in the review process. Medoff (2003) finds similar results that connected articles are statistically significant with higher citations (quality) than articles without such connections in six core economics journals. Brogaard et al. (2014), using leading economics and top-3 finance journals, provide empirical evidence that connected articles (being a colleague of an editor in the same institution or being a previous coauthor of an editor) have significantly higher ex post citation counts. The findings in Brogaard et al. (2014) suggest that despite potential conflict of interests faced by editors, personal networks are used to get high quality papers to publish in their journals.

The empirical results in the literature focus mainly on top economics and finance journals using one editorial connection proxy[1] and with only a few control variables. In addition, given the challenge of data collection, the literature only uses a small subset of available data, such as data only in 1984 in Laband and Piette (1994) and 1990 in Medoff (2003). Few studies examine "near-top" finance journals (hereafter other finance journals) with multiple networks measures over a long period of time; include a number of control variables contained in the literature, and compare different network effects on specific individual journals. Our paper attempts to fill this void.

We make three contributions in our paper. First, we include all three potential editor network measures in our study. They are: (1) authors are previous coauthors of an editor (coauthor network); (2) authors are current on the editorial board (editors, coeditors, or associate editors) of the journal in which they publish their articles (same journal network); and (3) authors are colleagues in the same school of the editor (colleague network). The literature primarily examines one or two of the networks. Second, by exploiting a wide range of control variables that are related to article citations, our approach mitigates potential omitted variable bias in existing literature. Third, we specify our models to include interaction effects of network variables and specific journals.[2] Hence, we provide a comprehensive analysis of the relation between editorial connections and article citations in specific finance journals. Overall, our findings provide information on potential network effects in specific journals.

[1] Brogaard et al. (2014) use either colleague network or coauthor network one at a time and not both at the same time.

[2] We sincerely thank a reviewer to suggest this point.