

July 12, 2016

Professor Ed van Wesep
University of Colorado at Boulder
Boulder, CO 80304

RE: MS # 20160544, "The Shape of Cooperative Communication"

Dear Ed:

I want to thank you for submitting your paper "The Shape of Cooperative Communication" to the *Review of Financial Studies*. The two referees' reports for the submission are also attached to the email. I have now heard from the referees, and have myself read the paper. I'm afraid the news is not good.

Based on the paper and the reports, I regret that I do not see a clear pathway to publication in the *RFS*. I hope that the referees' input will be helpful for you in revising the paper for submission to a different journal.

I have sent the paper to two leading theorists. These are two people trained in pure economic theory who also know the finance applications very well. Hence, they are in a great position to comment on both the theoretical contribution and the applied contribution of your paper. Unfortunately, both referees recommend rejection. In fact, R6 goes the extra step of recommending "definitely reject". As you can see in the reports, the referees have very similar opinions on your paper. They both like the basic theoretical point. But, they do not think it is deep enough or well developed enough to make a strong pure-theory contribution in a top journal. Perhaps more importantly, both referees also think that the paper is not convincing in its application to finance and hence it is a bad fit for our journal. The referees make many other useful points about the model and its interpretations. Overall, the referees conclude unanimously and unambiguously that the paper is well below the bar for the *RFS* and recommend that I reject it. They both suggest that you consider sending it to *Games and Economic Behavior*.

I have also read the paper closely myself. I really like the idea behind the model. You provide a very nice theory of communication that helped me think about various types of ratings and reviews. It seems quite natural after reading your model, but this is not something I really thought of before. This is the sign of a good theory. Hence, I applaud you for coming up with this idea and writing it up so elegantly. However, when it comes to making a decision, I am afraid that I cannot convince myself to overrule the two very knowledgeable referees here. I picked them very carefully for

this task. These are two people who know theory at a very high level, yet are also tuned to the finance literature and the finance journals. If they come to a conclusion that your paper is not a good fit for the journal, then other readers will surely think the same and much more so. Hence, as an editor, unfortunately, I see no choice but to reject the paper from the *RFS*.

Let me stress that I am very sorry for this decision. Please note that we have to reject the vast majority of papers submitted to us, even very good ones. When two honest and competent experts think the paper should be rejected, saying the contribution is not strong enough and the fit is not good, it is very hard to find a path forward. I hope you will find the comments of the referees helpful and use them as you revise the paper before submitting it to another journal. As I mentioned, I think the direction is very promising and wish you success with it in the future.

While I realize the outcome of this process is not what you would have preferred, I hope the speed and professionalism with which your paper has been handled will encourage you to make the *RFS* the first journal to which you submit your papers. If you have any questions please feel free to contact me. Thank you for letting the *RFS* consider your paper.

Sincerely,

Itay Goldstein
Editor