The FASB in a World With Partially Efficient Markets

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To the extent it works, the efficient markets hypothesis measures efficiency of the information process in the securities markets. Because accounting impacts a larger world than that of the stock markets, the process of setting accounting principles should relate to issues of allocation efficiency, and should not, therefore, be based primarily on EMH evaluation.

During the past twenty years or so, accounting argumentation has increasingly dealt with the issue of stock market efficiency. Finance and accounting literature contains a plethora of articles on stock market efficiency, many of which indicate that the stock market is an efficient processor of information. Since the evidence for stock market efficiency seems abundant, some accountants have argued that controversial topics should be adjudicated in terms of efficient market theory.

While the evidence of stock market efficiency is quite convincing and while the concept can be helpful in standards-setting, it is doubtful that it can or should become the major vehicle for resolving accounting issues. Accounting theorists and accounting standards-setting bodies have always been concerned with more than just how financial markets obtain, interpret, assimilate, and use accounting information. Stock markets are important, but they are not the alpha and omega of accounting.

The purpose of this article is to explore the goals and the objectives of the Financial Accounting Standards Board (FASB) in a world characterized by partially efficient markets. The next section of the article reviews the concept of stock market efficiency and the FASB's objectives in a world of efficient markets. In the third section the focus is on institutions other than stock markets. We note that in the real world there are institutions other than stock

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markets, such as credit markets, labor markets, and government agencies, for which the concept of stock market efficiency is irrelevant. The fourth part of this article contains our arguments that in the real world stock markets are not completely efficient and that the objectives for the FASB will differ in a world of partially efficient markets from a world characterized by completely efficient markets. The fifth section examines some of the welfare implications of stock market efficiency. We conclude the article with a discussion of implications for the FASB.

Stock Market Efficiency

A stock market is said to be efficient if the stock market prices fully reflect the available information at any time. In other words, the investor is not playing a game of chance. Rather, stock market returns are a function of the underlying risk of the firm. In pricing assets, the market utilizes whatever information is available, including accounting information. Thus, investors cannot earn abnormally high returns because stock prices are reflective of the risk of the firm.

Fama depicts three levels of efficient markets.[1] The weak form of the efficient markets hypothesis states that the equilibrium expected prices fully reflect the sequence of historical prices. This means that historical price data and volume data for securities cannot be used to earn abnormal returns. For example, technical analysts and chartists can do no better than a simple buy and hold strategy. The semistrong form of the efficient markets hypothesis states that the equilibrium expected prices fully reflect all publicly available information. This means that information about stock splits, stock dividends, secondary offerings of common stock, new issues of stocks, changes in interest rates, etc., cannot be used to earn abnormal information. The semistrong form of the hypothesis implies that information contained in annual reports also cannot be used to earn abnormal returns. The strong form of the efficient markets hypothesis states that the equilibrium expected prices fully reflect all information, public and private. In other words, no trading rule based on inside information can be used to earn abnormal returns.

The evidence is compelling that the stock market is indeed efficient in the weak form. Much evidence also supports the notion of efficient markets in the semistrong form, although a number of anomalies exist.[2] The strong

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[1] Eugene F. Fama, "Efficient Capital Markets: A Review of Theory and Empirical Work," *Journal of Finance*, May 1970, pp. 383–417. For a review and a refinement of Fama's definitions, see William H. Beaver, "Market Efficiency," *The Accounting Review*, Jan. 1981, pp. 23–37.

[2] For example, see Thomas R. Dyckman, David H. Downes, and Robert P. Magee, *Efficient Capital Markets: A Critical Analysis* (Prentice-Hall, 1975), Ch. 3.

form, however, may not be a realistic hypothesis since management insiders and exchange specialists appear able to earn excess returns.

Two aspects of the efficient markets hypothesis are important. First, capital asset prices adjust rapidly to new information. Second, capital asset prices adjust to new information in an unbiased manner. This means that capital markets will react to published accounting reports very quickly and quite accurately, assuming accounting reports convey relevant information for assessing share value.

What should be the FASB's objectives given an efficient stock market? Beaver has stated four implications for the FASB given an efficient stock market [1]. First, many reporting issues are trivial. Firms should report using one method and provide sufficient disclosure to permit adjustment to other methods. Second, the role of financial reports is to prevent individuals from earning abnormal returns from inside information. All items should be disclosed if there are no additional costs. Third, naive investors can get hurt by presuming they can trade on published accounting data and earn abnormal returns. The FASB should discourage these beliefs. Fourth, the FASB should realize that accounting reports are not the only suppliers of information. Other sources of information may be more appropriate for disseminating firm information if they involve less cost.

The implications for FASB objectives detailed by Beaver are open to serious question for three reasons. First, stock market agents are not the only users of accounting information. Other consumers have financial information needs that should concern the FASB. Second, we feel that the efficient markets hypothesis is overstated. We present arguments against the efficient markets hypothesis and argue instead for what is termed the partially efficient markets hypothesis. Third, even if stock markets were completely efficient in the informational sense, various reasons suggest that stock markets are not efficient in the allocative sense. These reasons are explained below.

The Stock Market Is Not the Universe

Without a doubt, financial reporting is important for investors. Accounting reports are not the source of information leading to investment decisions; the data are obviously too old. But the discipline of the financial report has a controlling effect on other financial information, which makes the FASB decisions important. Buying and selling shares of stock is not, however, the only economic activity of concern to the FASB. The FASB has a broader mandate than to provide technical guidance related to financial data of interest to stock market agents.

Numerous accounting theorists have based their propositions in part on users other than investors in equity securities, and standards setters have also recognized interests of others than investors in equity securities. The following discussion will demonstrate that often accountants are interested in broad economic effects of accounting, not just the effects in the stock market.

In developing their monograph on corporate accounting, Paton and Littleton do not ignore the effects of accounting numbers [2]. They state, "Investors are not the only parties at interest" [2:2]. Others include employees, customers, governments, and the general public. They also say, "Capital should flow into those industries which serve the public interest, and within an industry into those enterprises in which the management is capable of using capital effectively" [2:3].

Edwards and Bell also were very interested in allocational efficiency [3]. "The essential decision-making function of management is the allocation of resources" [3:3]. "Real realized profit would in many respects be useful as a basis for tax payment. It has the advantages of its money counterpart and also excludes fictional gains from the tax base" [3:128].

Bedford develops his theory on income determination in part because of the role of income in society. Using previous work of May and Alexander, Bedford points out that income may be used as a basis for fiscal policy, as an aid to government supervision, as a basis for price or rate regulation, and as a basis for taxation. Bedford goes on to assert that economists are interested in the concept of income because:

> (1) The income objective tends to cause resources to be allocated to their most productive use, provided that competition is free; (2) Measured past income may be used either by itself or in combination with other factors as a basis for computing the return on investment to evaluate the effectiveness of management, assuming that income is the primary objective of management; (3) "Real" income may be used to evaluate the growth of a nation and the effectiveness, in an economic sense, of the political system under which the nation operates [4:14].

Chambers bases his theory on the importance of accounting, with respect to law, producers and consumers of goods, and taxes [5]. In Chapter 3, Chambers discusses ends, preferences, and valuations and continues by describing the interaction between income and production, consumption, and savings. In Chapter 14, Chambers argues that the role of accounting is related to the theory of economic behavior in organized systems and that accountants need a better understanding of these relationships.

In establishing a defense of historical cost accounting, Ijiri focuses in part on the potential controversy concerning performance measurement.

> A conflict may arise between past and present shareholders after some shareholders sell their shares based on a poor earnings report. When there is a dispute over the maximum amount the corporation can distribute as dividends, the conflict may be between shareholders and creditors. Perhaps consumers will disagree with shareholders of a regulated corporation on a "fair" return on shareholders' investment, or the corporation may vie with the Internal Revenue Service over taxable income, or divisions may challenge headquarters about incentive compensations that managers are entitled to receive based on divisional profit [6:35].

These excerpts are only a few of those that could have been cited. They are not comprehensive, nor are they intended to be. They do, however, present mosaic that accountants are concerned about economic effects in addition to stock market effects. While these views do not address the efficient markets hypothesis, they support a contention that the focus of accounting is not solely on stock market agents.

Standards-setting bodies have also maintained a perspective on the economic effects of accounting that is broader than stock market effects. This perspective is demonstrated for the Accounting Principles Board (APB) and for the FASB.

The APB issued APB Statement No. 4 in 1970 [7]. While the primary purpose of the Statement is to delineate and explain the basic concepts and elements of financial accounting, it is interesting that the report begins with a discussion about the uses and users of accounting reports. Admittedly, the APB began with a description of financial information and owners and creditors. The APB extended this list of users to include taxing authorities, employees, customers, lawyers, regulatory or registration authorities, trade associations, and labor unions. These users might make the following decisions for which they would use financial accounting information:

- *Taxing authorities*—evaluate tax returns; assess taxes or penalties; make investigations and audits.
- *Employees*—negotiate wages; terminate employment; or, for prospective employees, apply for employment.
- *Customers*—anticipate price changes; seek alternative sources or broader bases of supply.
- *Lawyers*—determine whether covenants and contractual provisions are fulfilled; advise on legality of dividends and profit sharing and deferred compensation agreements; draft pension plan terms.
- *Regulatory or registration authorities*—assess reasonableness of rate of return; allow or require increases or decreases in prices or rates; require or recommend changes in accounting or disclosure practices; issue cease-and-desist or stock-trading-suspension orders.

- *Trade associations*—compile industry statistics and make comparisons; analyze industry results.
- *Labor unions*—formulate wage and contract demands; assess enterprise and industry prospects and strengths.

The APB also discussed the organization of economic activity in society. Societies typically engage in the following economic activities: production, income distribution, exchange, consumption, saving, and investment. Financial accounting may impact each of these economic activities. Indeed, generally accepted accounting principles can be evaluated by relating the financial accounting information to the economic activities impacted.

The FASB is also concerned about the economic effects of promulgated standards and has articulated such concern in Concepts Statement No. 1 on the objectives of accounting [8].

> Financial reporting is not an end in itself but is intended to provide information that is useful in making business and economic decisions—for making reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities. . . . Accordingly, the objectives in this Statement are affected by the economic, legal, political, and social environment in the United States [8:¶9].

Potential users identified by the FASB include owners, lenders, suppliers, potential investors and creditors, employees, management, directors, customers, financial analysts and advisers, brokers, underwriters, stock exchanges, lawyers, economists, taxing authorities, regulatory authorities, legislators, financial press and reporting agencies, labor unions, trade associations, business researchers, teachers and students, and the public. While the FASB is principally interested in owners and lenders, it is still very much concerned with other users.

The FASB naturally is concerned about information efficiency. This is seen, for example, in paragraph 34 of Concepts Statement No. 1: "Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions." Yet the FASB's objectives are broader than information efficiency. Allocational efficiency is also an issue before the FASB.

> To the extent that financial reporting provides information that helps identify relatively efficient and inefficient users of resources, aids in assessing relative returns and risks of investment opportunities, or otherwise assists in promoting efficient functioning of capital and other markets, it helps to create a favorable environment for capital formation decisions [8:¶33].

The scope of the FASB's standards-setting is broad. The FASB needs to investigate, ponder, and decide how accounting numbers induce or hinder or have no effect on the total economy and the actors and institutions thereof. Since the FASB's objectives are broader than those involving only information efficiency of stock markets, the FASB should not necessarily be constrained by implications of the efficient markets hypothesis.

A classic example of this issue is the savings and loan industry. The concept of efficient capital markets is essentially irrelevant for this industry because the vast majority of savings and loan associations are mutual corporations, not stock corporations. Mutual associations do not have common stock, so they obviously do not issue and reacquire shares of stock, nor do investors buy and sell shares of mutual savings associations. There simply is not a stock market price for mutual associations. How can the concept of stock market efficiency apply if a market does not exist?

Accounting issues are nevertheless important for the savings and loan industry. Not too long ago, the Federal Home Loan Bank Board proposed allowed associations to retire mortgage receivables and delay the reporting of the losses. This proposal was not adopted. Specifically, any loss on such a transaction would be set up as an asset account which would be amortized over ten years. The FASB has objected to such a convoluted rule, and we concur with the FASB. More important for our concern in this article, we agree with the FASB that it should get involved in this area. The FASB has a role to play: It needs to argue for improvement in financial reporting and protest any waywardness such as distorting the definition of an asset and covering up the fact that losses exist.

We also note with interest that the Federal Home Loan Bank Board is considering a proposal to change to current value accounting [9]. A preliminary report by a task force recommends that since high and fluctuating interest rates have grossly distorted financial reports of savings associations, current value reports should supplant conventional statements. We recommend that the FASB study this proposal and provide guidance to the Federal Home Loan Bank Board.

Stock Markets Are Not Completely Efficient

A second limitation on the value of applying stock market efficiency to policy issues in accounting is that the concept of stock market efficiency probably is not fairly descriptive of the real world.[3] Stock markets are not

[3]There is a rich literature primarily in the economics journals that has challenged the efficient markets hypothesis. See Sanford J. Grossman and Joseph E. Stiglitz, "Information and Competitive Price

necessarily inefficient; stock markets are only partially efficient. The degree to which markets are efficient is a function of a variety of factors, including the costs of information, the costs of stock market transactions, the quality of information, and the degree of market completeness. We argue that these and other factors tend to impair market efficiency. For simplicity, we focus only on one factor: costs of information.

Stocks are an economic commodity. Accordingly, equilibrium stock prices are determined by supply and demand. At equilibrium supply equals demand. The role of information in such an environment is to lead actors and institutions to change the supply and demand curves. New information leads to new equilibrium prices because demand curves shift on the basis of the new information.

Suppose now that there are two classes of investors, those who are informed and those who are uninformed. Assume that the stock in question has supply S and demand D such that its equilibrium price is P. This relationship is depicted in Figure 1. Assume that new information becomes available such that the correct demand curve is D' and the correct price is P'.

Initially let us assume that information is costless. What happens? The informed investors would immediately recognize that profits can be attained by purchasing the stock at P and selling at P'. They would purchase the stock at P. But the increased demand for the security by the informed investors would drive up the price. As long as an informed investor can purchase the stock at a price below P', that individual would do so. But this would continually drive up the price. This process would continue until the demand curve is shifted to the correct demand curve D' and the price would continually increase until it reached P', the correct price. This phenomenon is termed "arbitrage." Note that the capital asset prices would adjust very rapidly to the new information and that they would do so in an accurate manner.

When the adjustment is complete, the price of the security conveys the effects of all the information from the informed investors to the uninformed investors. The uninformed individuals may not know the precise details of the new information, but they know the implications. In other words, when the uninformed investors observe the price of the security change from P

Systems," *American Economic Review*, May 1976, pp. 246–253; Steve Salop, "Information and Monopolistic Competition," *American Economic Review*, May 1976, pp. 240–245; Sanford Grossman, "On the Efficiency of Competitive Stock Markets Where Trades Have Diverse Information," *Journal of Finance*, May 1976, pp. 573–585; Sanford Grossman, "Further Results on the Informational Efficiency of Competitive Stock Markets," *Journal of Economic Theory*, June 1978, pp. 81–101; Sanford J. Grossman and Joseph E. Stiglitz, "On the Impossibility of Informationally Efficient Markets," *American Economic Review*, June 1980, pp. 393–408; Stephen Figlewski, "Information Diversity and Market Behavior," *Journal of Finance*, March 1982, pp. 85–102.

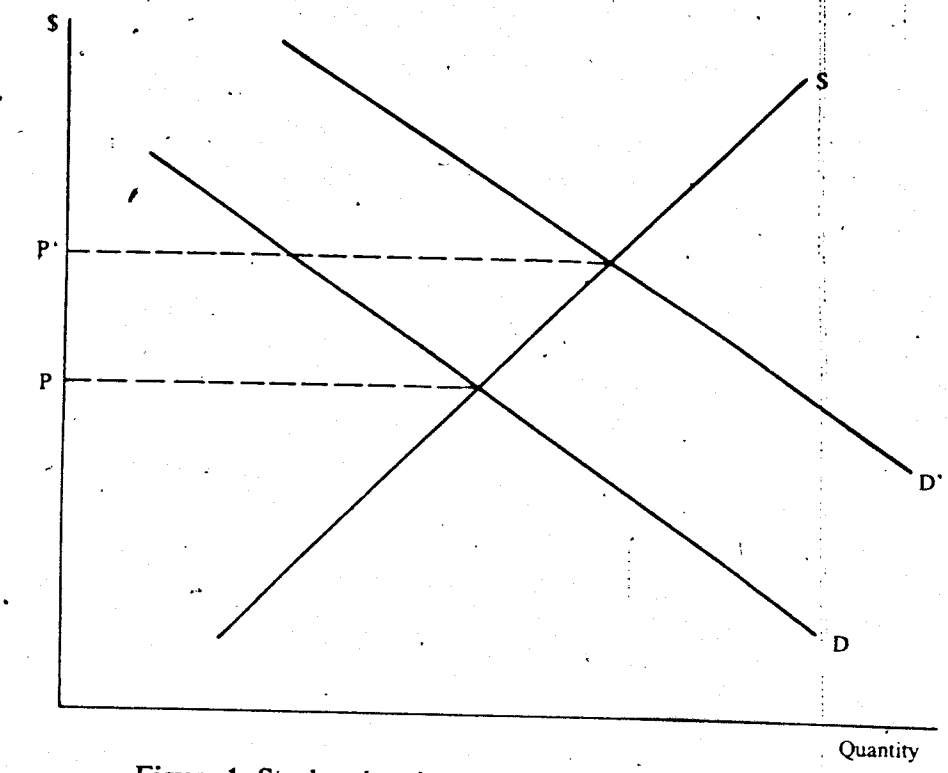

Figure 1. Stock prices in a world of costless information.

to P', they know that new information has been generated and that the new information implies that the correct new equilibrium price is P'. This characterization is the essence of the efficient markets hypothesis; that is, markets are efficient if the price system conveys all of the information from the informed individuals to the uninformed.

Now assume a more realistic world where information is costly. Information costs include education costs, search costs, and costs of analysis. Education costs are the costs of learning and understanding what information is and what it means and how to search for and analyze information. Search costs are the costs for gathering information. These costs include time and effort expended as well as out-of-pocket costs to acquire the information. Costs of analysis are the costs of analyzing information about a security to make a decision about it. These costs are primarily the time and effort expended to process the data. The form of these costs may be transferred; for example, an individual might hire a financial analyst to perform the task rather than do it himself.

Costly information changes the model in a fundamental way. An individual who chooses to be informed and incurs costs to be informed will

expect a reasonable return not only on the risky asset being invested in but also on the information costs. This is depicted in Figure 2. As before, we assume that the initial supply is S and the initial demand is D so that the equilibrium price is P. New information emanates such that it implies that the "correct" price is P'. Informed investors will buy the security at price P and the increased demand will again drive up the price. Unlike the previous example, though, the equilibrium price will never move to the "correct" price P'. Instead the price of the security will be driven up to some price, say P*. It will go no further because the informed investors would be unable to earn a return on their information costs. Indeed, if the price were to move to P', the informed individuals would earn less than the uninformed individuals because the informed investors pay the information costs while the uninformed do not. In this more realistic model, prices do not fully reflect the information. The price system conveys some but not all information. We refer to this concept as the "partially efficient markets hypothesis." This, it should be noted, is not the same thing as the semistrong form described earlier.

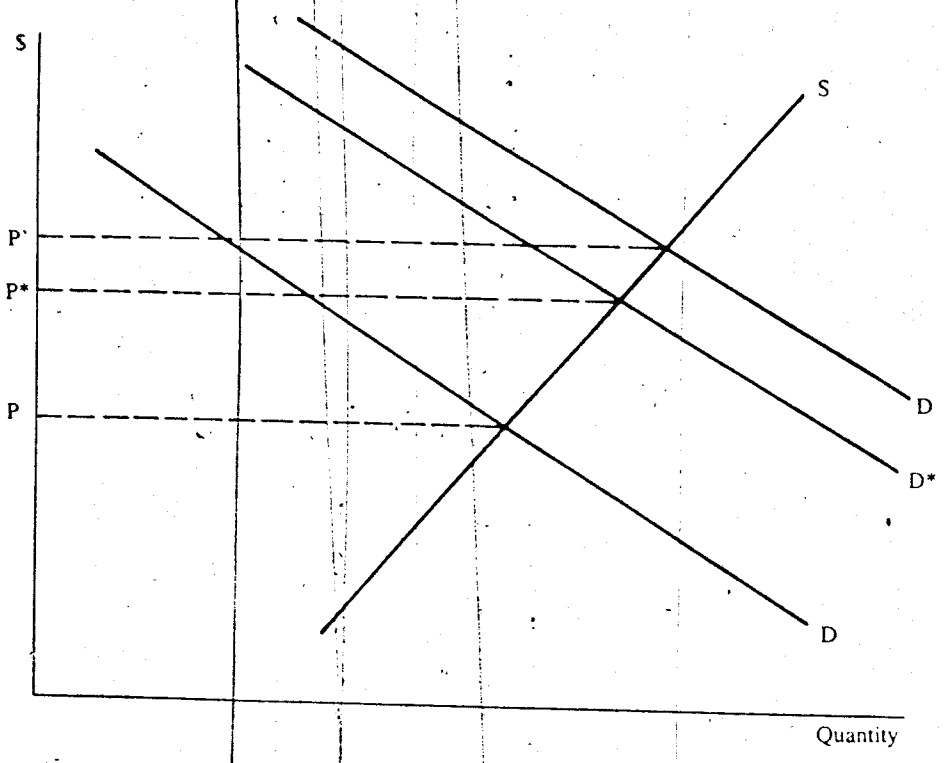

Figure 2. Stock prices in a world of costly information.

The role of the FASB is somewhat different in a world of partially efficient markets than it is in a world of completely efficient markets. Reporting issues might not be trivial. It is not necessarily sufficient to allow firms to choose one method and provide disclosure to permit adjustments to other methods. Adjustments involve costs: education costs in knowing when and how to adjust and costs of analyzing and interpreting the data. If these costs are significant, the related reporting issue is certainly not trivial. Second, the role of financial reports may be broader than simply preventing individuals from earning abnormal returns from inside information. The FASB might perceive that its role is to reduce the noise in accounting numbers so that the resulting capital asset prices are more informative than they otherwise might be. Another possibility is that the FASB might perceive that its role is to reduce or reallocate society's cost of information by requiring disclosure of items that are otherwise searched for and analyzed by some individuals at great cost. The point is that the FASB's role seems to be broader than if the markets were completely efficient.

Informational Efficiency and Allocational Efficiency

Even if stock markets were completely efficient, another issue would have to be raised. The efficient markets hypothesis refers essentially to the results of informational efficiency. Even if stock markets are highly competitive, prices react quickly to new information, and prices accurately reflect new information, do these imply an efficient allocation of scarce resources in the U.S. economy? Unfortunately, the answer appears to be no.

It should be pointed out that economists define efficiency as an allocation of resources such that no alternative feasible allocation can make at least one person better off without making any person worse off. Economists call this Pareto optimality. Notice that the term "efficiency" in the finance and accounting literature means something very different from that in the economics literature. Stock market efficiency necessarily leads to Pareto optimality if complete risk markets exist. "Complete markets" means that markets exist for all commodities or claims. In such a case, market prices are observable for each commodity or claim. Such a requirement is obviously not met in the real world. Stiglitz has examined a variety of other scenarios, and in each one stock market efficiency does not lead to allocational efficiency.[4]

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[4]The arguments of this section are based on Joseph E. Stiglitz, "Pareto Optimality and Competition," *Journal of Finance*, May 1981, pp. 235–251.

Stiglitz depicts three levels at which one may analyze the efficiency of the market: exchange efficiency; production efficiency; and information efficiency. Exchange efficiency is a market state where, given the available assets and available information, in a trade or trades of assets no person can be made better off without making someone worse off. Production efficiency is a market wherein assets are produced at such a level that no person can be made better off without making someone worse off, given the available technology, resources, and information. Information efficiency is a market state where information is gathered and utilized so that no person can be made better off without making someone worse off, given the existing assets and beliefs of investors. Note that stock market efficiency examines only information efficiency; it says nothing about exchange or production efficiency.

That stock market efficiency does not in general lead to Pareto optimality is fundamentally important to accounting. If accounting numbers have an impact on the allocation of scarce resources in the United States, accounting theorists and accounting standards-setters should focus on that impact. The question of the relationships between accounting and efficient stock markets takes on a secondary position to the critical question of the impact of accounting on the allocational efficiency of the U.S. society. Many accounting theorists and accounting standards-setters have been interested in allocational efficiency at least in a general sense, but this issue has been obscured somewhat recently by those who apparently believe that informational efficiency implies allocational efficiency. Since it does not, accounting theorists and accounting standards-setters must address the problems facing the profession with a scope broader than the efficient markets viewpoint.

To cement the arguments made thus far, a specific accounting issue will be examined: inflation accounting. Basically, the stock market may not be affected either by the requirements to disclose inflation accounting numbers or by the numbers themselves. Such a state of affairs does not imply that inflation accounting is useless, for the numbers may have an impact on other users.

For the purposes of this article, let us suppose that empirical tests prove beyond a shadow of doubt that constant dollar accounting and current cost accounting do not enhance the decision-making processes of investors and creditors. Does this supposition lead us to the conclusion that inflation accounting is an exercise in futility? If we consider the needs of labor, the federal government, internal management, and others, then inflation accounting may not prove to be useless and irrelevant, but it may become a basis for providing better economic decisions in U.S. society [10].

One facet involving inflation accounting deals with labor-management. When labor discusses its percentage increase in wages; it almost always adjusts wages for the inflation rate so that it can report the increase or decrease in real wages. That is certainly a sound approach to follow. United States businesses, however, report profits that are not adjusted for changing prices. These firms are reporting money profits, not real profits. Given that money profits are inevitably greater than real profits during an inflationary period, labor might use the corporate entity's own reported earnings data to support the ability of the entity to raise wages. Rates of profit growth are asserted to exceed rates of wage growth. The fact that the growth rates lack comparability is often overlooked. Would not all interested parties be better served if comparisons such as these were based on data that were comparable?

A second aspect of inflation accounting lies in the tax implications when earnings provide the tax base. Taxes are based primarily on income reported under the historical cost model. Congress often makes some attempts, however, to adjust for inflation, to encourage economic growth, or to achieve some other economic goal. No basis exists, however, to evaluate whether adjustments made to counter inflation have achieved that objective. If earnings were adjusted for the effects of price changes, aggregate income taxes might be different from taxes generated even when inflation adjustments have been attempted. Even if aggregate income taxes were unchanged, taxing on the basis of inflation accounting would produce different effects upon different segments of the economy.

Inflation accounting is by no means the only accounting issue that demonstrates possible economic effects outside the stock markets. Other issues include:

- ☐ Does SFAS No. 2, "Accounting for Research and Development Costs," affect the level of research and development activity in the United States?
- ☐ Does SFAS No. 5, "Accounting for Contingencies," affect the exchange efficiency of risky assets?
- ☐ Does SFAS No. 7, "Accounting and Reporting by Development Stage Enterprises," affect the formation of new business in the United States?
- ☐ Does SFAS No. 13, "Accounting for Leases," affect debt covenants? Does it affect the exchange of capital assets?
- ☐ Does SFAS No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," affect the regulation of the banking industry?

- ☐ Does SFAS No. 21, "Suspension of the Reporting of Earnings per Share and Segment Information," affect the small business segment of society?
- ☐ Does SFAS No. 30, "Disclosure of Information About Major Customers," affect other customers and suppliers?
- ☐ Does SFAS No. 34, "Capitalization of Interest Cost," affect the trading of capital assets?
- ☐ Do SFAS Nos. 35, "Accounting and Reporting by Defined Benefit Pension Plans," and 36, "Disclosure of Pension Information," affect employees and labor unions?
- ☐ Does SFAS No. 52, "Foreign Currency Translation," affect international trading?

These questions all deal with possible economic effects other than stock market effects. Researchers should not be limited to the efficient markets paradigm. Many other economic factors are at work and need to be explored. Accounting researchers are encouraged to expand their horizons and investigate all the economic implications of accounting.

Implications for the FASB

One of the strengths of the FASB relative to its predecessors is extensive research before issuing a major statement of financial accounting standards. Much of the funded research has focused on stock market reactions to certain events. We caution the FASB not to place undue emphasis on these studies. First, a variety of institutions are affected by accounting rules in addition to the stock markets. The FASB should also examine the effects, real or alleged, on these other institutions. Second, the efficient markets hypothesis does not seem to be descriptive of the real world with costly information. We find it difficult to interpret some of the results of capital market research because of the unrealistic assumptions employed, and so we are not sure what policy implications they have. Third, markets might be efficient informationally but not in an allocational sense. The FASB's purpose should, in our opinion, relate to issues of allocational efficiency and not simply to informational efficiency. Essentially, we feel that the world is far more complex and far more diverse than is captured by the efficient markets paradigm. While the concept is helpful in some respects, it would definitely be a mistake to formulate accounting policy on the basis that we live in a world of efficient markets. The FASB is constrained to operate in the real world: It needs to formulate policy given the fact that partially efficient markets characterizes the real world.

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AN UNEVEN RECOVERY

"Economic recoveries often are uneven, but this one has an unusually broad array of laggards. Because so many areas are hurting, many of them severely, some business executives believe industries that are beginning to recover could be dragged back down. They don't agree with the politicians in Washington and the economists in New York who say a sustained recovery is under way."

—*The Wall Street Journal*
May 11, 1983