Letters

Stock Prices and Stress

The Research News article "Heart attacks at 9:00 a.m." (25 July, p. 417) may have relevance to a problem in a field very different from medicine. In studies of stock price behavior, it has been found that investor returns on Monday are generally less than returns for other days of the week and, in fact, are usually negative. One explanation for this puzzling difference in day-of-the-week patterns involves higher Monday stress: feeling higher stress, investors will react by selling risky stocks and substituting low-risk bonds or Treasury securities, which results in downward movements in stock prices peculiar to Mondays. With the recent availability of intraday price data, however, it has been found that the negative return behavior is not evenly spaced throughout Monday, but instead takes place wholly within the first 45 minutes of trading (from 10:00 a.m. Eastern Standard Time), leading some to question whether stress is a likely explanation of price movement so early in the day. However, the finding that heart attacks and strokes cluster around 9:00 a.m. seems to salvage the "high stress" idea as an explanation of stock price behavior.

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Space Policy and Economic Analysis

John M. Logsdon's article "The space shuttle program: A policy failure?" (30 May, p. 1099) provides a description of the sometimes convoluted process by which important U.S. space policy decisions are made. As such, the article provides food for thought as many of these decisions are being reconsidered. In our view, however, the article introduces but does not clearly resolve several important points concerning the role and value of economic analysis in the formulation of space policy. Our comments on this issue are organized into two broad observations.

1) Costs are not irrelevant in the formulation of good policy, since national resources available for space and other activities are inherently limited. As Logsdon's narrative points out, excessively tight budget constraints may lead to undesirable consequences. However, excessively loose constraints also cause problems because they provide inadequate incentives for making hard choices wisely and for using scarce resources efficiently.

2) Yet, the goal of good policy should be not to minimize costs per se, but to maximize the net of benefits over costs. Achieving this requires not only cost consciousness but also a clear awareness of benefits, including what economists generally refer to as "nonmarket values"—benefits that do not fully or even partially register in the commercial marketplace (such as the amenity value of clean air and water) but are real nonetheless. Economics provides methods for assessing some of these benefits, but in other cases society must rely on the political process for their evaluation. The problems with the shuttle program since its inception appear to be less due to budget consciousness than to a general fragmentation and confusion in the political decision process as a consequence of multiple, poorly articulated objectives.

The conclusion that we draw—from both Logsdon's history and our own observations of the U.S. space program—is that economic analysis broadly construed, as opposed to narrowly preoccupied with costs, can play a valuable role in the policy process. This role consists of helping to clarify the societal choices that must be made for a successful space policy and educating decision-makers and the public about them. Virtues such as "presidential leadership" and "national commitment" may be necessary, but are not sufficient for a well-conceived program. This is not to suggest that economics alone is adequate, or that it cannot be mistaken (for example, by a neglect of nonmarket values) or misused. But many of the conflicts in ends that have arisen in the space program represent exactly the kinds of trade-offs that economic analysis can illuminate and, at least sometimes, help to resolve.

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Nuclear Strategy

R. Jeffrey Smith's 6 June article "A worrisome shift in nuclear strategy" (News & Comment, p. 1187) is ill-named.

There has been no shift in strategy. The growing pressure for "retaliation" or "launch-on-warning" is the inexorable consequence of the old, all-offense strategy of Mutual Assured Destruction. As Soviet long-range ballistic missiles become more and more capable of destroying our retalia-