

# Economic Consequences of the Declining Relevance of Financial Reports

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## Abstract

The proliferation of alternative information sources has reduced the relevance of corporate annual reports. This paper examines economic outcomes in an oligopolistic industry as investors become better informed but financial reports convey a smaller portion of the total information. Results show that an increase in alternate sources of information, and the resulting decline in relevance of financial reports, leads to a loss in economic efficiency despite the presence of additional information. Investors benefit, but at the expense of consumers and social welfare. Investors benefit not necessarily because the *amount* of information in the economy increases, but because there is a change in the *channels* through which the same information is communicated.

## Citing Literature



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