Lecture 11: Corporate Stocks

Economics 252, Fall 2008

Prof. Robert Shiller, Yale University

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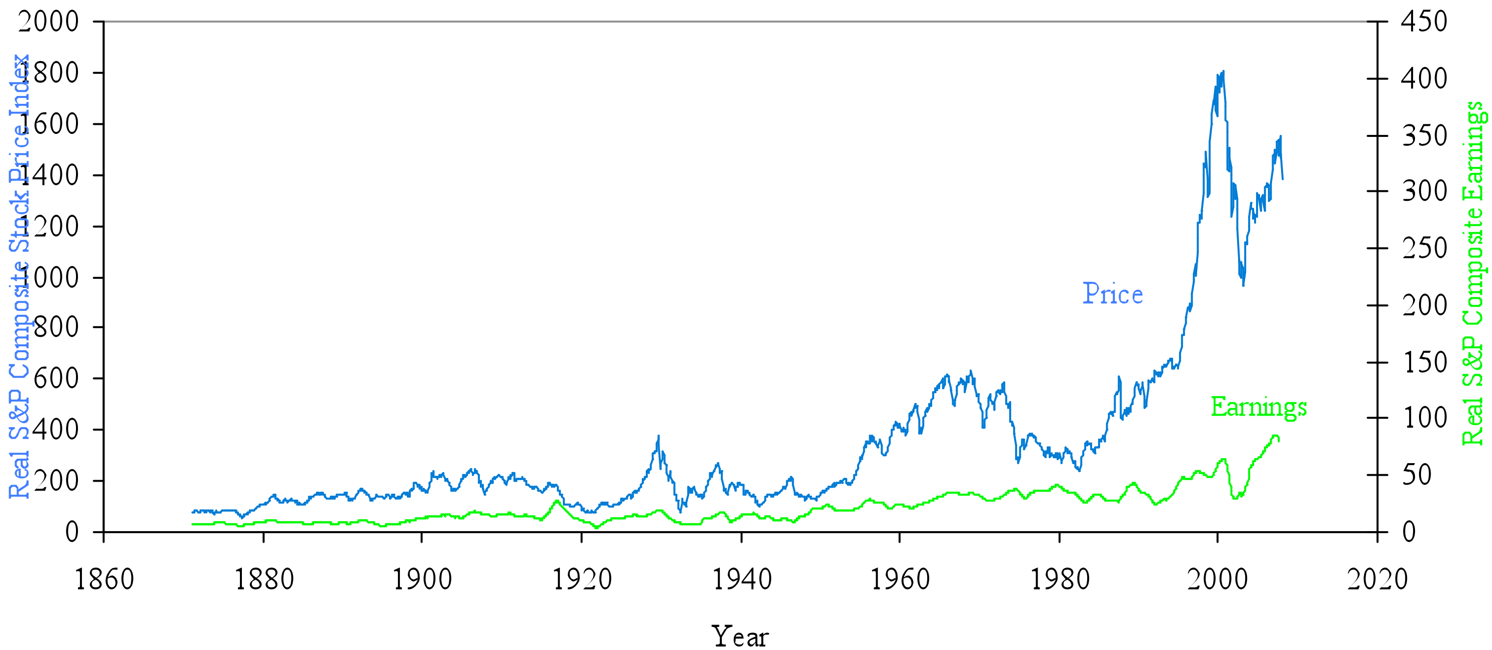
S&P Composite Stock Price Index



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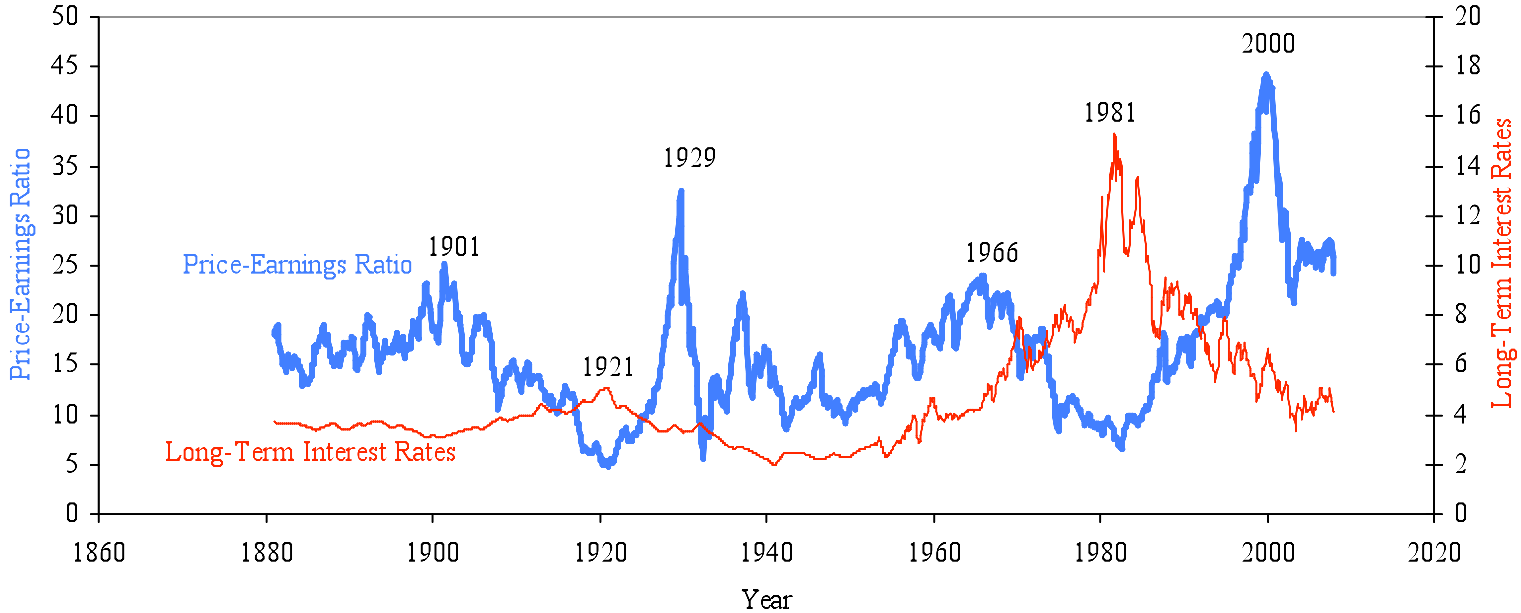
Price Earnings Ratio 1881-2008



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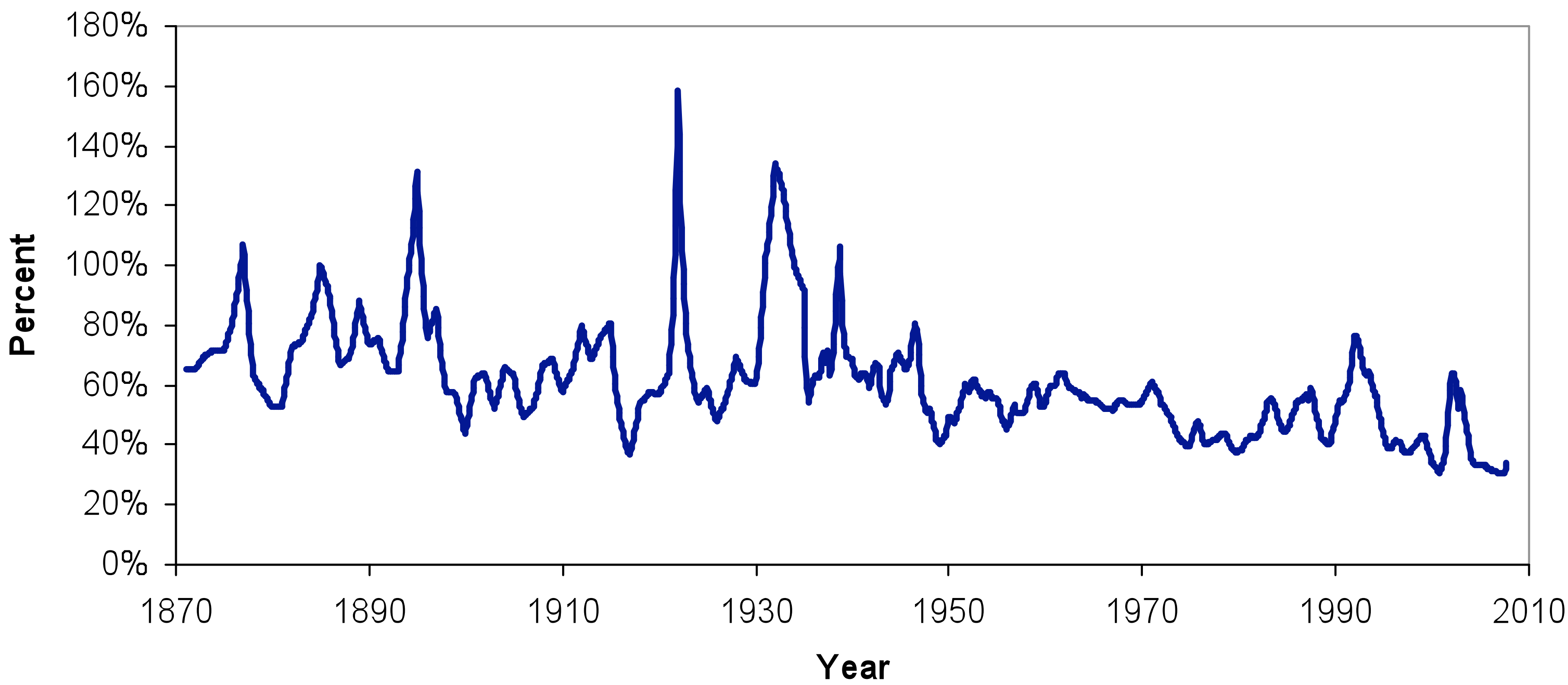
S&P Composite Dividends/Earnings January 1871-September 2007



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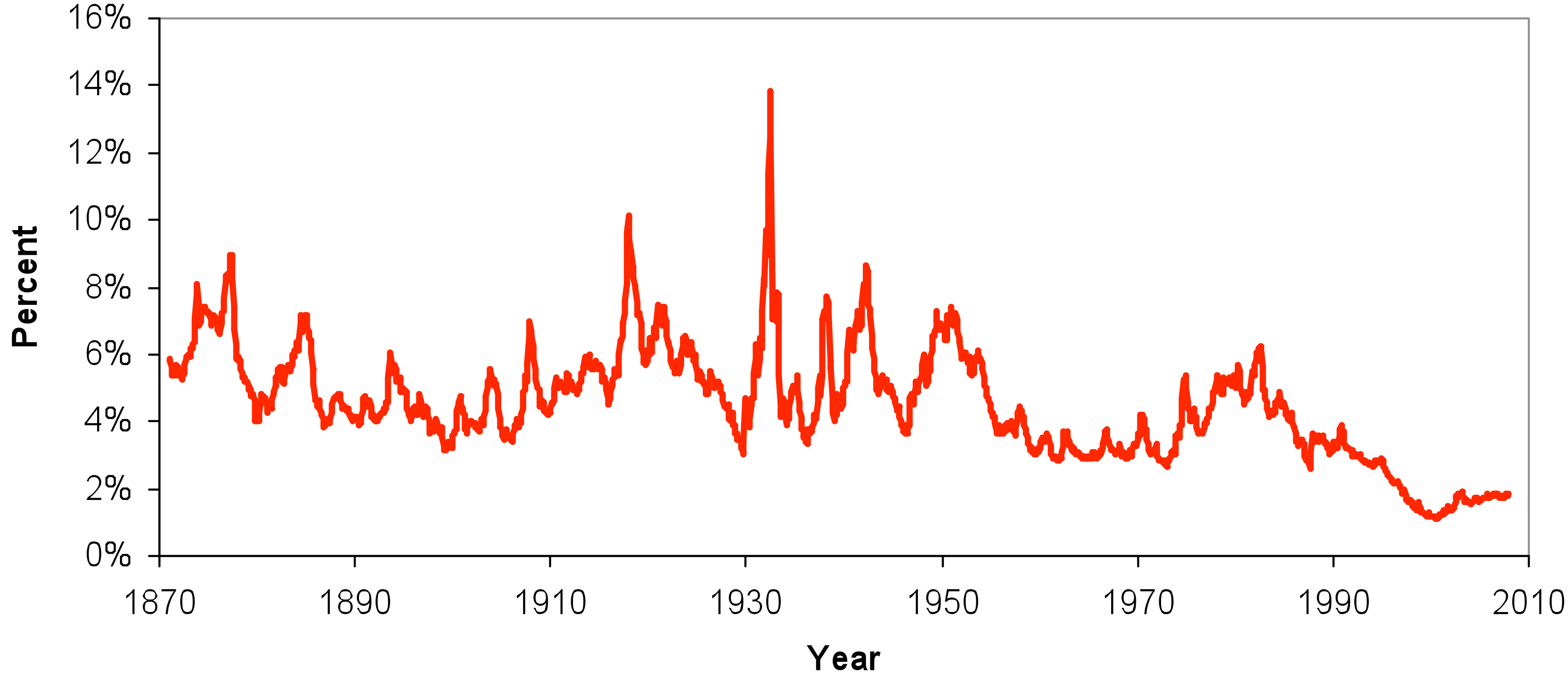
S&P Composite Dividend/Price January 1871-December 2007



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Lintner Model of Dividends

- DIV_t-DIV_{t-1}= [illegible]([illegible] × EPS_t-DIV_{t-1})
- [illegible]=adjustment rate, 0< [illegible]<1
- [illegible]=target ratio, 0< [illegible]<1

$$\mathrm{DIV}_t = \rho\tau\sum_{k=0}^{\infty}(1-\rho)^k\,\mathrm{EPS}_{t-k}$$