Lecture 11: Corporate Stocks

Economics 252, Fall 2008
Prof. Robert Shiller, Yale University
S&P Composite Stock Price Index
Price Earnings Ratio 1881-2008
S&P Composite Dividends/Earnings
January 1871-September 2007
S&P Composite Dividend/Price
January 1871-December 2007
Lintner Model of Dividends

- \( \text{DIV}_t - \text{DIV}_{t-1} = \omega (\omega \times \text{EPS}_t - \text{DIV}_{t-1}) \)
- \( \omega = \) adjustment rate, \( 0 < \omega < 1 \)
- \( \omega = \) target ratio, \( 0 < \omega < 1 \)

\[
\text{DIV}_t = \rho \tau \sum_{k=0}^{\infty} (1 - \rho)^k \text{EPS}_{t-k}
\]