

### Income Returns

Table 11-1 also illustrates the summary statistics for the annual income return series. The higher income return of 5.9 percent in the earlier period, and the fact the many stocks traded near par, once again suggest that most companies paid out a large share of their profits rather than retaining them.

Graph 11-4 shows the annual income returns for the period 1825 to 2005. In fact, when looking at the time distribution of dividend changes over the new time period, dividend decreases were only slightly less common than increases, suggesting that managers may have been less averse to cutting dividends than they are today. Perhaps in the pre-income tax environment of the nineteenth century, investors had a preference for income returns, as opposed to capital appreciation.

Graph 11-4

Large Company Stocks Annual Income Returns (in percent)  
from 1825 to 2005

