The following is in response to Doug Short’s commentary, A Short History of Dividend Stocks, which appeared on July 5:

Dear Editor,

Good article. My one comment is that, from my reading of US stock market history, I’d put the date where the dividend rate changed at about 1958 – you can see the dip in your charts and the decade-long lower yield period in the 1960s.

My understanding is that it was at that point that the dividend rate dropped below (and generally stayed below – there were fluctuations) the yield on bonds for the first time.

The rationale for the change includes these factors: acceptance by investors that stocks weren’t necessarily riskier than bonds (as the experience of the 1930s faded); a failure to appreciate the effect of inflation on bond yields (or to believe how bad inflation would get) during the 1960s and 1970s; the gradual permeation of the efficient market theory (Markowitz and so on) into stock market (money manager – big money) practice; and the rise of stock options for management compensation.

One difficulty that I have as a retail investor with a value orientation these days is whether the pre-1960 level of dividend yield is or should be at all relevant to one’s view of current stock market valuation. Some market analysts look at today’s 2% dividends on the general market and see overvaluation. If the pre-1960 levels are still relevant, they’ll be right eventually. If they’re not relevant (i.e., if we have reached a “permanently high plateau”), then they’ll be wrong.

I enjoy your website.

Don Moir
Richmond, BC