Referee Report


Summary:

This paper shows that there exist one or two structural breaks in the long run relationship between the stock price and the dividend in the U.S. stock market during the period covering 1871-2012.

Comments:

1. The authors did perform an important job of investigating the nature of structural breaks in the relationship between the stock price and the dividends in the U.S. stock market. However, except reporting that they found one or two structural breaks, the authors are silent about the economic implications of their findings.

2. That is, except that there exist evidence of structural breaks, what do the readers learn from this paper? The authors need to be clear about this point.

3. In describing the methodology employed in this paper, the authors just present equations to estimate and the test statistics. It may be a good idea to present the distribution of the test statistics under the null hypothesis as well.

4. The authors find one or two structural breaks. However, in the last sentence on page 15, they write “… linear cointegration between the log stock prices and the log dividends, with a vector (1,-1.68).”

5. Is equation (7) necessary?

6. There seems to be too many references.