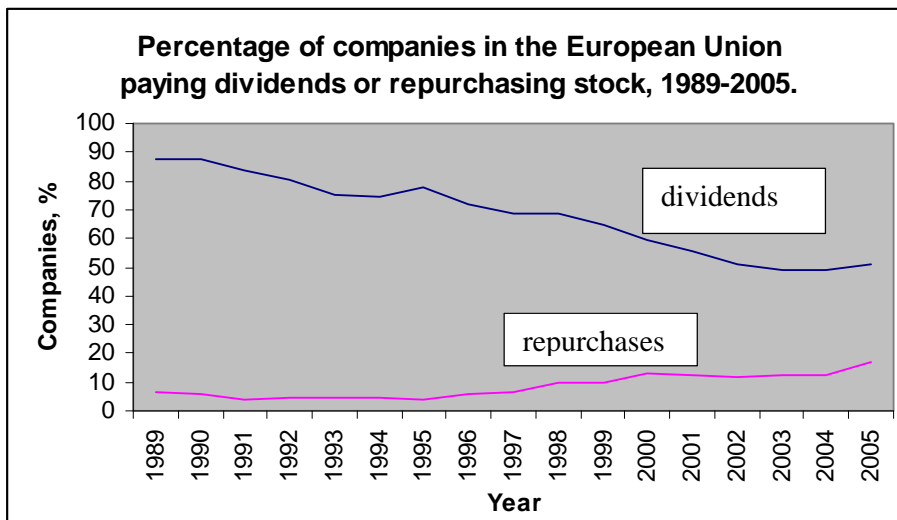


Payouts in the European Union

Payout policy in the United States has been characterized by a decline in the proportion of companies paying dividends and a surge in the volume of repurchases. To see whether this is the case for European companies, Henk Eije and Bill Megginson examined the dividend decisions of over 4,100 listed companies in the EU between 1989 and 2005. The following figure shows that throughout the EU the proportion of dividend-paying firms has declined steadily. In 1989 88% of the firms paid a dividend; by 2005 this figure had fallen to just 51%. Until comparatively recently stock repurchases were banned in many European countries. However, as these restrictions have been relaxed, there has been a steady rise in repurchases. Indeed, the total value of repurchases by European companies has grown from almost nothing to about a third of total payments.



Source: H. von Eije and W. Megginson, "Dividends and Share Repurchases in the European Union," *Journal of Financial Economics* 89(August 2008), pp. 347-374.