LANTERN LABS · RESEARCH · SEPTEMBER 2026

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# The Arithmetic of American Wealth Creation

US stocks created $91 trillion for their owners between 1926 and 2025, yet the median stock lost money over its listed life. The data here includes the firms that died.

**29,754**
stocks

**100**
years

**$91tn**
net wealth created vs T-bills

**3.72%**
of firms account for all of it

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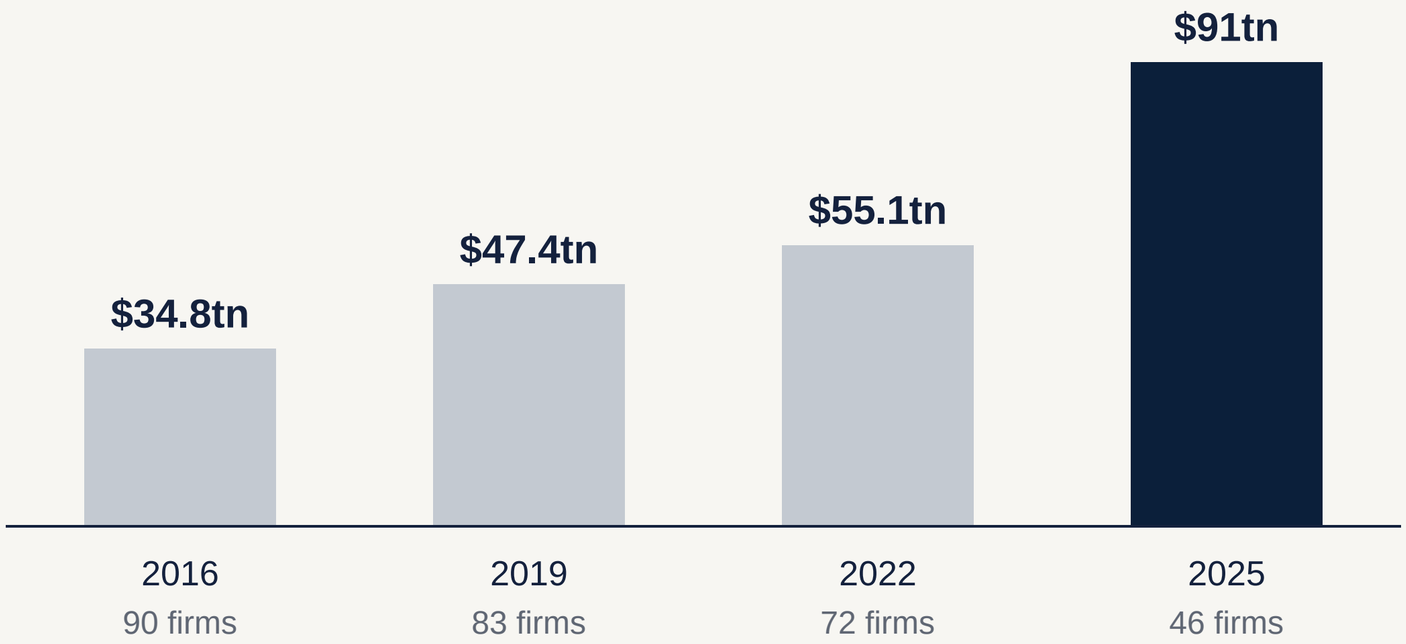
WHERE THE MONEY CAME FROM

# $91 trillion of net wealth. Half of it came from 46 companies.




**46**

firms account for half of all net shareholder wealth created since 1926, measured against one-month Treasury bills. In the 2016 sample it took 90.

Each bar shows the estimate published at that sample date; later papers revise earlier estimates. The 2026 paper restates 2016 at $42.6tn and 89 firms.

Source: Bessembinder (2026), One Hundred Years in the U.S. Stock Markets; Bessembinder (2018, 2023). Cumulative net wealth vs one-month T-bills.

TWO FACTS FROM THE SAME DATA

# The typical US company roughly earns its cost of capital.

# The typical US stock loses money over its life.

Both come from the same century of US data. How they fit together is what the rest of this report works through.

About half of US firm-years since 1970 show a positive spread over the cost of capital. The median lifetime return of every US stock since 1926 is −6.9%. Mauboussin & Callahan; Bessembinder (2026).

SUMMARY

# Most US firms never earn a lasting spread over their cost of capital, and the few that do tend to hold it for decades.

PARTS 1–2

## Can it earn excess returns?

The top tenth of US companies earns almost all of the economic profit.

**+$890bn**

top decile's annual economic profit, against +$103bn for the middle eight combined

PART 3

## How long can it keep earning?

About three and a half years for the average advantage, once competition and delistings are counted.

**~3.6 yrs**

the 17 best stocks since 1925 earned only 13.5% a year, kept up for most of a century

PART 4

## Can the investor capture it?

A portfolio that knew each period's best future performers in advance still lost three-quarters of its value at its worst.

**−76%**

worst drawdown of that perfect-foresight portfolio, 1929–32

**Part 5 · For the analyst.** A valuation that assumes a long advantage period needs evidence for it, and a signal that would show it has ended.

Sources: Mauboussin & Callahan; Bessembinder (2026); Gray (2016); Bessembinder (2024). The 3.6-year estimate is Lantern derived.

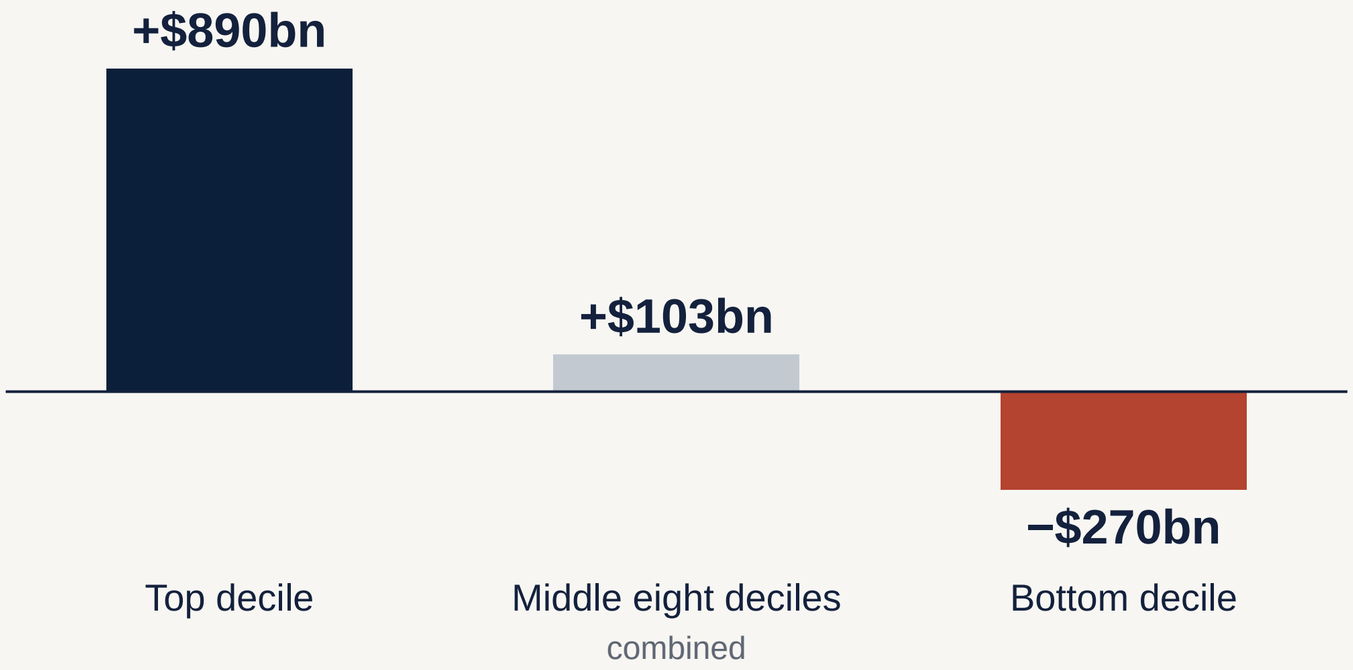
PART 1 OF 5

# Economic profit sits with a few firms

## Can a firm earn excess returns at all?

> Most do not. In 2018–22 the top decile of US companies earned $890bn of economic profit a year; the middle eight deciles together earned $103bn.

# Economic profit is bimodal. Eight deciles of US companies earn almost nothing.




**~90%**

of all economic profit went to the top quintile of 2,393 large global firms, 2010–2014.

The middle three quintiles averaged $47m a year, statistically indistinguishable from zero.

Source: Mauboussin & Callahan, ROIC and the Investment Process (US, 2018–2022 average); Bradley, Hirt & Smit, McKinsey (2018).

# Escaping the middle is a one-in-twelve event over a decade.


**9.9%**

average return on invested capital across 2,393 large firms, 2010–2014: about their cost of capital.

Source: Bradley, Hirt & Smit (2018); Mauboussin & Callahan, ROIC transition matrix.

# GM and GE both rank among the top 20 wealth creators in US history, and both were disastrous for owners in particular decades.

## General Motors

19th largest wealth creator in CRSP history

**$454bn**

of lifetime shareholder wealth created

**Bankrupt in June 2009**

## General Electric

17th largest wealth creator in CRSP history

**$463bn**

of lifetime shareholder wealth created

**About $485bn of market value lost from its 2000 peak to 2018**

Lifetime totals include decades no current investor will own. GM still ranks 19th despite its 2009 bankruptcy.

Source: Bessembinder (2023), Shareholder Wealth Enhancement, 1926 to 2022; GE market value from its August 2000 peak of $594bn.

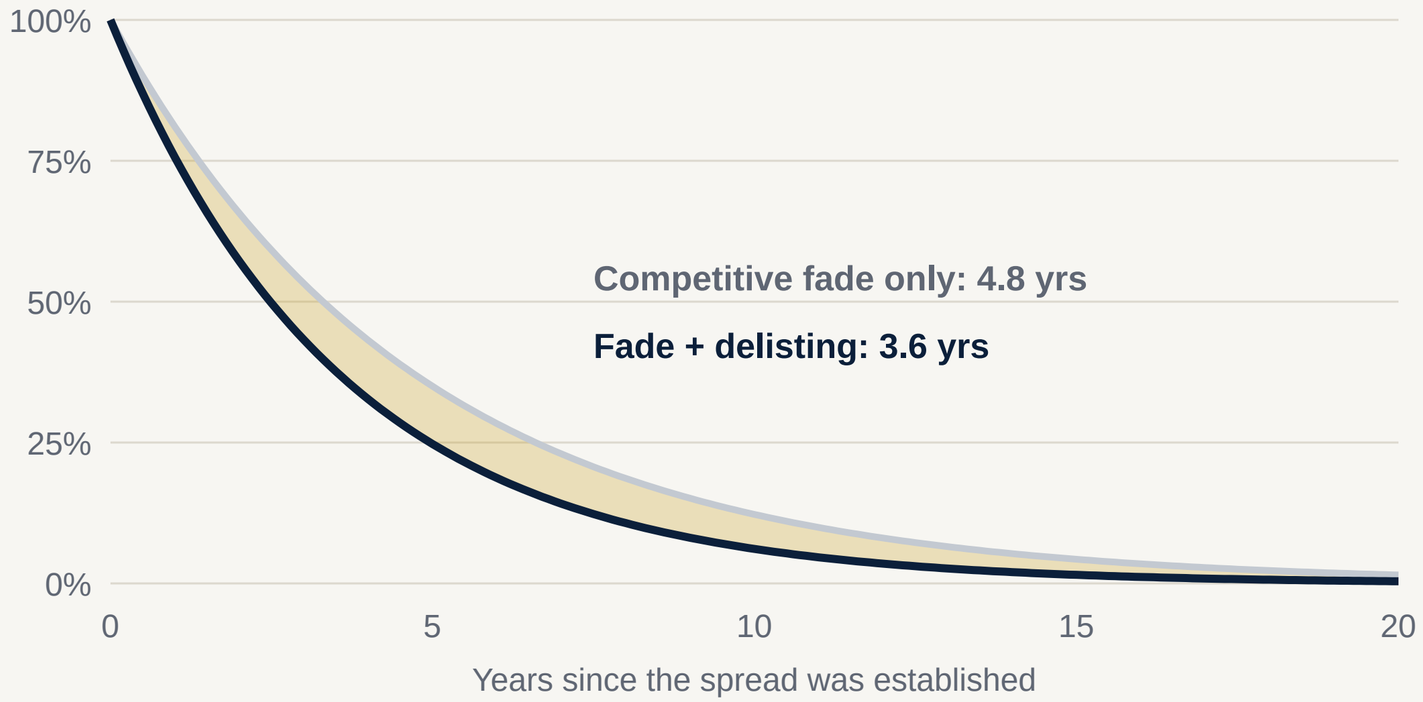
PART 2 OF 5

# What stops the rest

## Why do so few firms keep a spread?

> Competition takes away about 21% of the excess return each year, and about half of listed companies delist within ten years. Managements holding expensive stock also tend to spend it on acquisitions.

# Once delistings are counted alongside competition, the average advantage lasts about three and a half years.




## ~3.6 yrs

expected life of an average positive spread: 1 / (0.21 fade + 0.069 delisting rate).

The 17 best-performing US stocks since 1925 compounded at **13.5%** a year. At that rate, $1 takes about 86 years to become $50,000.

Source: Mauboussin & Callahan (fade 0.21; about half of listed companies delist within 10 years); Bessembinder (2024). Illustrative competing-hazard estimate by Lantern; fade and delisting are not fully independent. 86 years is Lantern arithmetic.

# 58% of the new equity US companies issued in 2000–2023 paid for acquisitions.

$9.7 trillion of gross equity issued by US public companies, 2000–2023

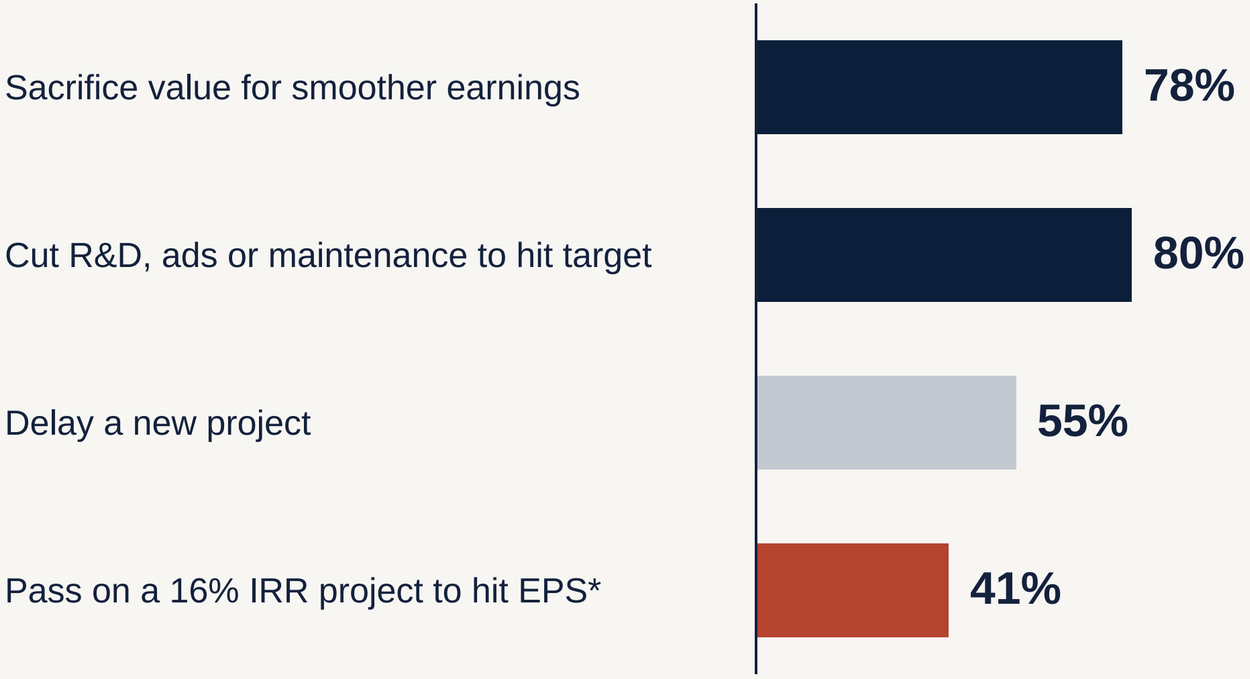

**87 large-loss deals** in 1998–2001 were 2.1% of acquisitions and 43.4% of acquisition spending. They destroyed $397bn.

Excluding them, acquirers in the same window **gained $157bn**.

Source: Mauboussin & Callahan, Which One Is It? Equity Issuance and Retirement ($5.6tn is 58% of $9.7tn); Moeller, Schlingemann & Stulz (2005).

# Executives say they will give up real value to hit the earnings number.

Share of 401 US financial executives who would…



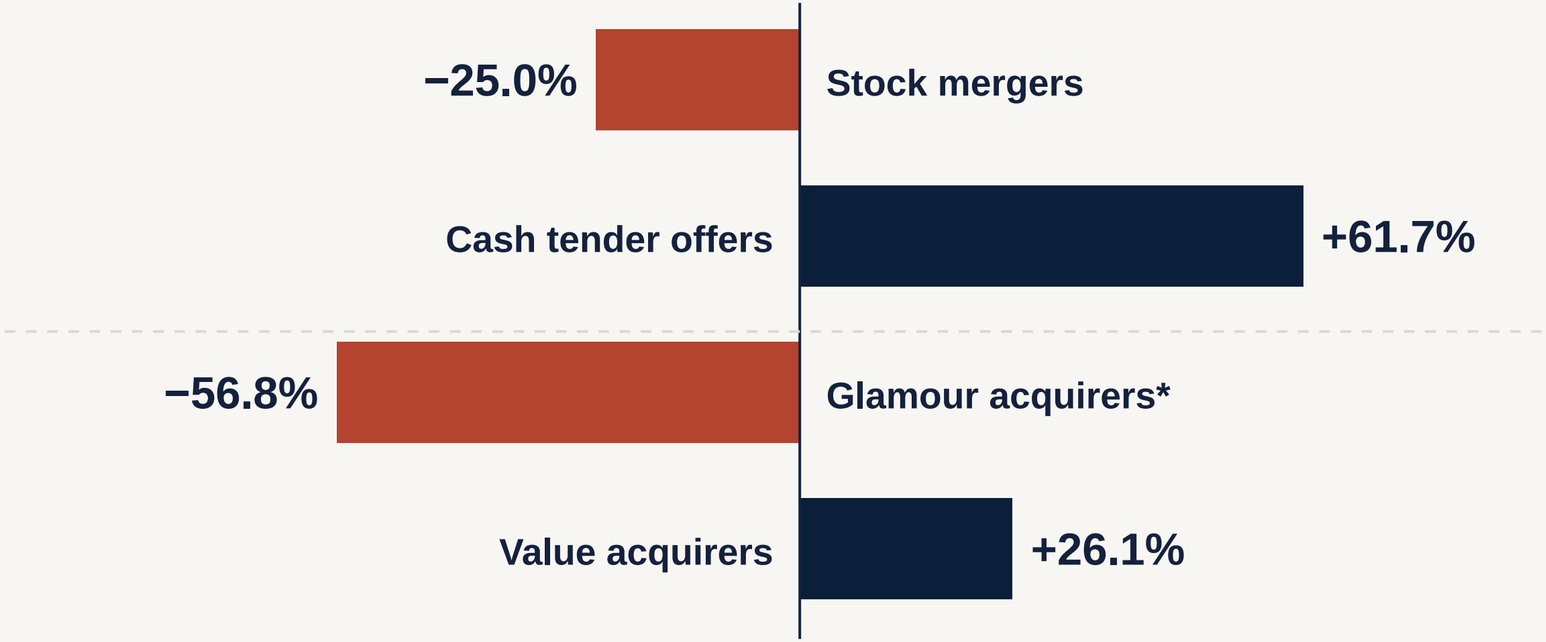

**37%**

of all buyback dollars are spent by firms sitting just below the consensus EPS threshold.

Those firms then invest less: effects equal to about 10% of average capex, 3% of R&D and 5% of employment.

Source: Graham, Harvey & Rajgopal (2005); Almeida, Fos & Kronlund (2016), 385,488 firm-quarters. *Against a 12% cost of capital; 59% said they would take the project.

# In 1970–1989 acquisitions, stock-financed mergers returned −25% over five years, against +61.7% for cash tender offers.




**6.64**

Tobin's q of large-loss acquirers, against 2.70 for everyone else. 71.6% paid in stock.

Source: Loughran & Vijh (1997), five-year excess returns; Rau & Vermaelen (1998), 36-month raw returns in mergers (*bias-adjusted: about −17% vs +7.6%); Moeller, Schlingemann & Stulz (2005).

# In four episodes, an expensive share price was turned into a lasting claim. In the 1980s, buyers used cheap debt on underpriced companies instead.

| Era | The operation | The number |
|---|---|---|
| **1960s conglomerates** | A multiple spent as currency for earnings | **LTV: $169 → $4.25 a share** |
| **1972 Nifty Fifty** | A price spent by the buyer | **0.54× index wealth after 29 yrs (24-stock subset)** |
| **1999–2000 TMT** | Paper currency plus physical overbuild | **Implied sector P/E of 605** |
| **2021 listings** | Securities issued at peak narrative | **7 of the 25 worst destructions on record** |
| **1980s, in reverse** | Cheap debt against underpriced equity | **$346bn to targets, 51% of decade dividends** |

Source: Fesenmaier & Smith (2002); Ofek & Richardson (2003); Bessembinder (2023); Jensen (1988).

PART 3 OF 5

# How long a spread lasts

## How long can it keep earning?

> The 17 best-performing US stocks since 1925 each turned $1 into more than $50,000, at an average of only 13.5% a year. At that rate it takes about 86 years. Profitability carries over from one five-year period to the next far better than growth, so part of that duration can be judged in advance.

# The median listed life is 90 months, which is how a firm can earn its cost of capital while its median stock loses money.

**~50%**

of US firm-years since 1970 show a positive ROIC − WACC spread

**−6.9%**

median lifetime buy-and-hold return of every CRSP stock, 1926–2025

**59%**

of firms had lifetime returns below one-month T-bills

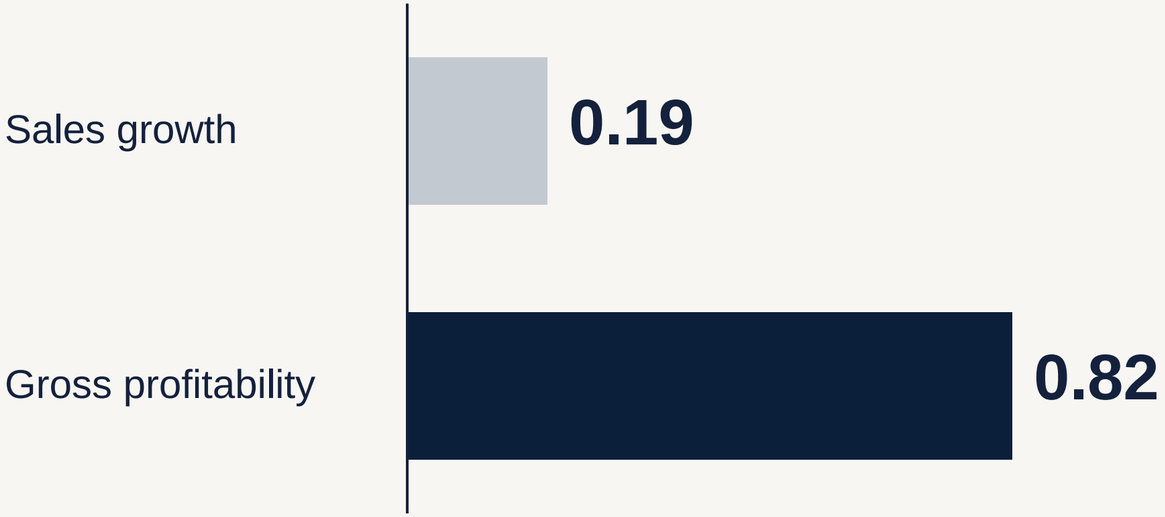
**90**

months: the median time a stock stays listed

Source: Mauboussin & Callahan, Competitive Advantage Period and Birth, Death, and Wealth Creation; Bessembinder (2018, 2026).

# Five-year correlation is 0.82 for gross profitability and 0.19 for sales growth.

Five-year serial correlation, ~1,000 largest global companies

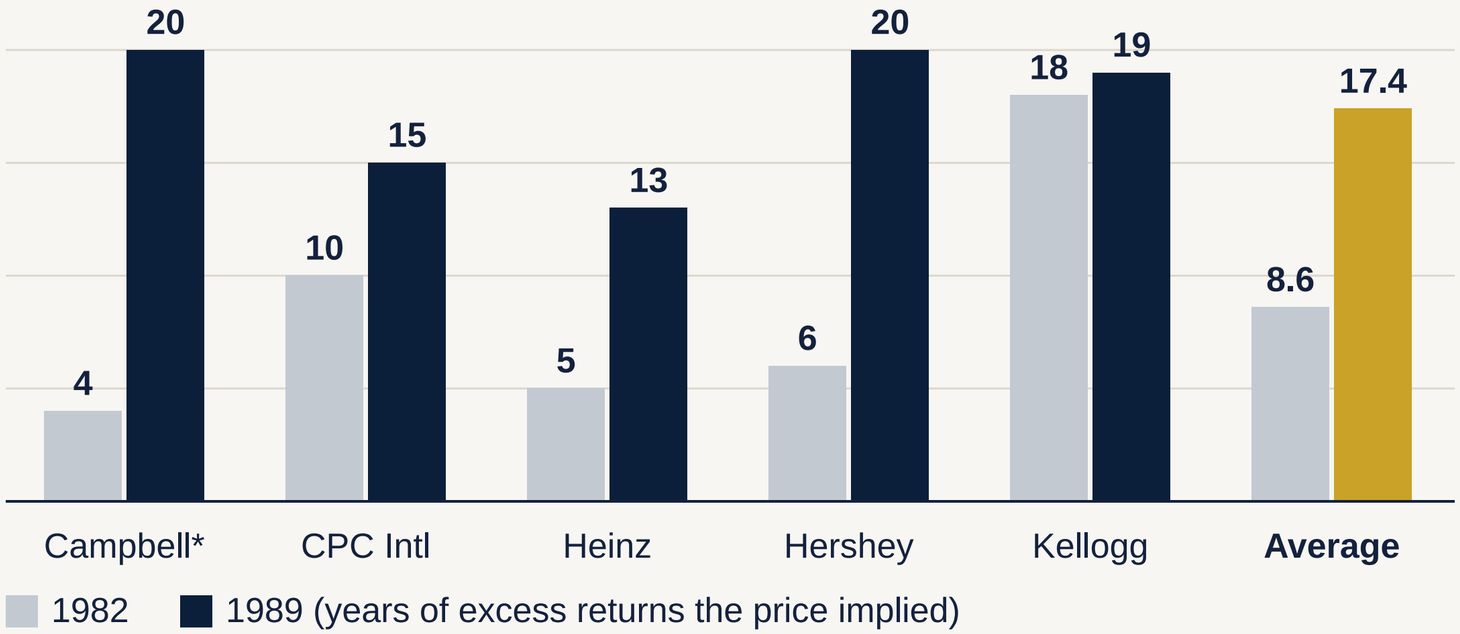



In practice a five-year revenue growth forecast is close to a guess, while today's profitability is a fair guide to profitability five years out.

Source: Mauboussin, Callahan & Majd, The Base Rate Book (Credit Suisse, 2016).

# Food stocks re-rated in the 1980s mainly because the market roughly doubled how long it expected their excess returns to last.

Market-implied competitive advantage period, packaged food companies, in years




**~2/3**

of Microsoft's rise in value from 1986 to 1996 came from a longer implied advantage period: 8–10 years at listing, 17–20 by 1996.

Intel, 1996: the implied period went from about 5 years to 9, which accounted for 65% of that year's $45bn gain.

Source: Mauboussin & Johnson (1997), Competitive Advantage Period, CSFB. Implied periods are the authors' estimates.
*Campbell normalised for takeover rumours.

# Altria and Nvidia reached the top of the wealth tables by very different paths. Altria's route was much more visible in advance.

PURE CASE: ALTRIA

## Duration route

| | |
|---|---|
| What you bet on | **Profitability (r = 0.82)** |
| Speed | **A century** |
| Volatility | **Low for the return** |
| Forecastable | **Partially** |
| Capture by owners | **Good** |

PURE CASE: NVIDIA

## Magnitude route

| | |
|---|---|
| What you bet on | **Growth (r = 0.19)** |
| Speed | **Mostly since 2016** |
| Volatility | **Violent drawdowns** |
| Forecastable | **Largely not** |
| Capture by owners | **Poor** |

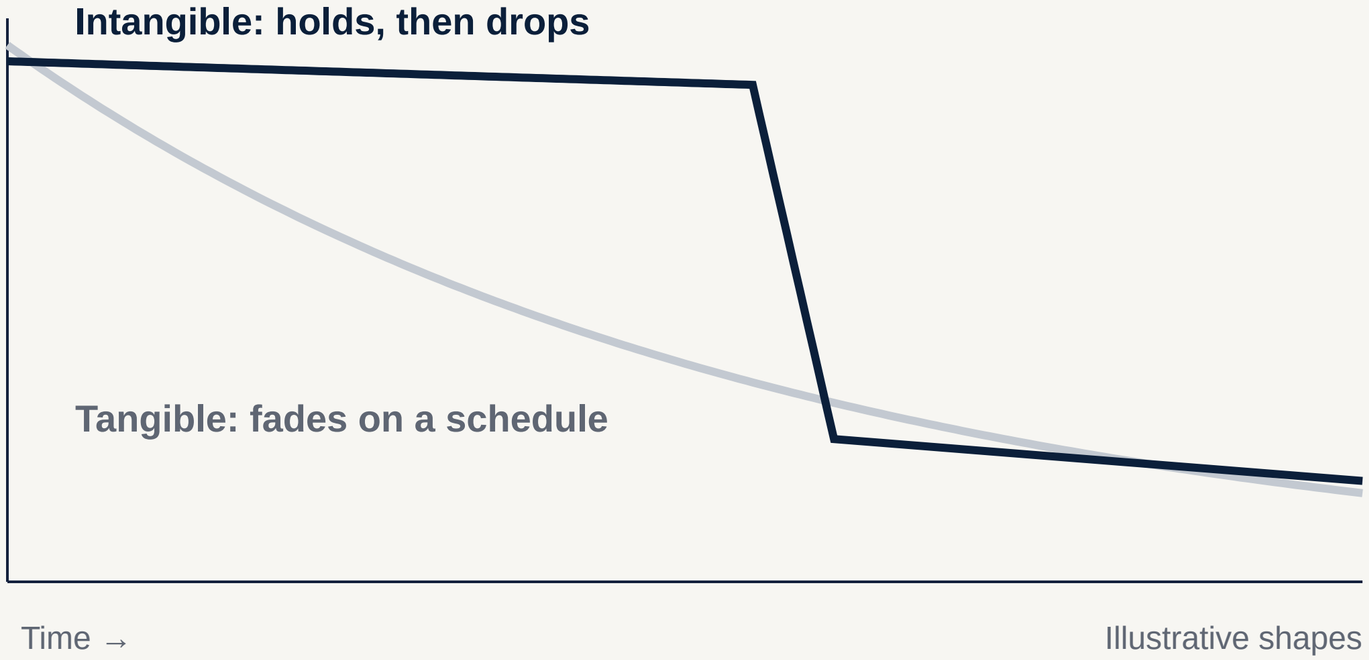
Source: Bessembinder (2024, 2026); Mauboussin & Callahan (2016); Morningstar Mind the Gap (2025). Route classification is Lantern derived inference.

# Six states a company can be in, defined by its spread and what it does with capital.

| State | Definition | Evidence |
|---|---|---|
| **Compounders** | Positive spread, growing capital, slow fade | Top-25 creators = $17.6tn, a third of all wealth |
| **Harvesters** | Positive spread, no growth, returning capital | Altria: highest cumulative return through 2023 |
| **Saturators** | Spread fading, reinvestment continuing | Middle eight deciles: $103bn vs top's $890bn |
| **Transferrers** | Business creates, owners do not receive | Sears: $6bn of buybacks, then Chapter 11 |
| **Destroyers** | Negative spread, and growth speeds the loss | 25 worst = 14% of all losses from 0.1% of stocks |
| **Resurrectors** | Negative spread with restructuring option | 1980s: 70% of divested assets to strategic buyers |

Source: Bessembinder (2023, 2024); Mauboussin & Callahan; Bhagat, Shleifer & Vishny (1990). State taxonomy is Lantern's.

# Intangible advantages can fail suddenly, which a fixed percentage margin of safety may handle poorly.




**27 → 47%**

intangible share of corporate capital, 1972 to 2010.

Where fade is gradual, a discount to fair value works. Where it can drop off a cliff, name the breakpoint and what to watch. The AI build-out rests on power, chips and buildings, and those can be counted.

Source: Peters & Taylor (2017), working paper version. Curves are illustrative archetypes of error structure, not fitted data.

PART 4 OF 5

# Getting the return

## Can the investor capture that duration?

> Often not. The 20 best US stocks of 1985–2024 had a median worst drawdown of 72% and took 4.3 years to get back to par.

# Whether a company creates wealth and whether its owner collects it are measured over different periods.

THE COMPANY

## Creation

The question

**Does the spread last?**

Measured over

**A corporate life**

Evidence

**Best 17 stocks since 1925: 13.5% a year, kept up for decades**

THE OWNER

## Capture

The question

**Can the owner hold through the path?**

Measured over

**A holding period**

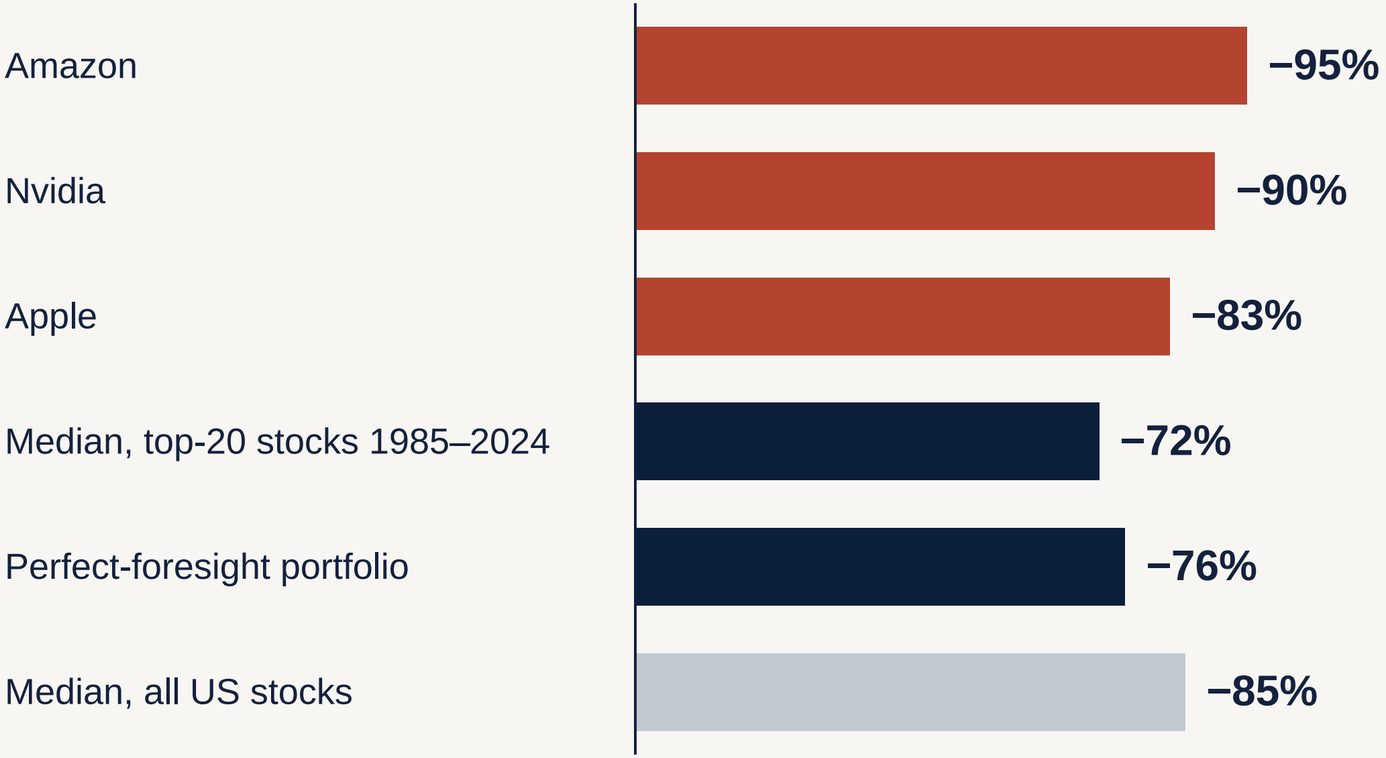
Evidence

**A perfect-foresight portfolio still fell 76% in 1929–32**

Source: Bessembinder (2024), Which U.S. Stocks Generated the Highest Long-Term Returns?; Gray, Even God Would Get Fired as an Active Investor (1927–2016).

# Amazon fell 95% and Nvidia 90% on the way to becoming two of the best stocks of the last 40 years.

Maximum peak-to-trough drawdown




**4.3 yrs**

median time back to par for the 20 best stocks, which compounded at 19.2% a year.

54% of all stocks never return to par.

Source: Mauboussin & Callahan, Drawdowns and Recoveries (2025); Gray, Even God Would Get Fired as an Active Investor (1927–2016).

# Prices swing far more than the cash flows behind them can explain.

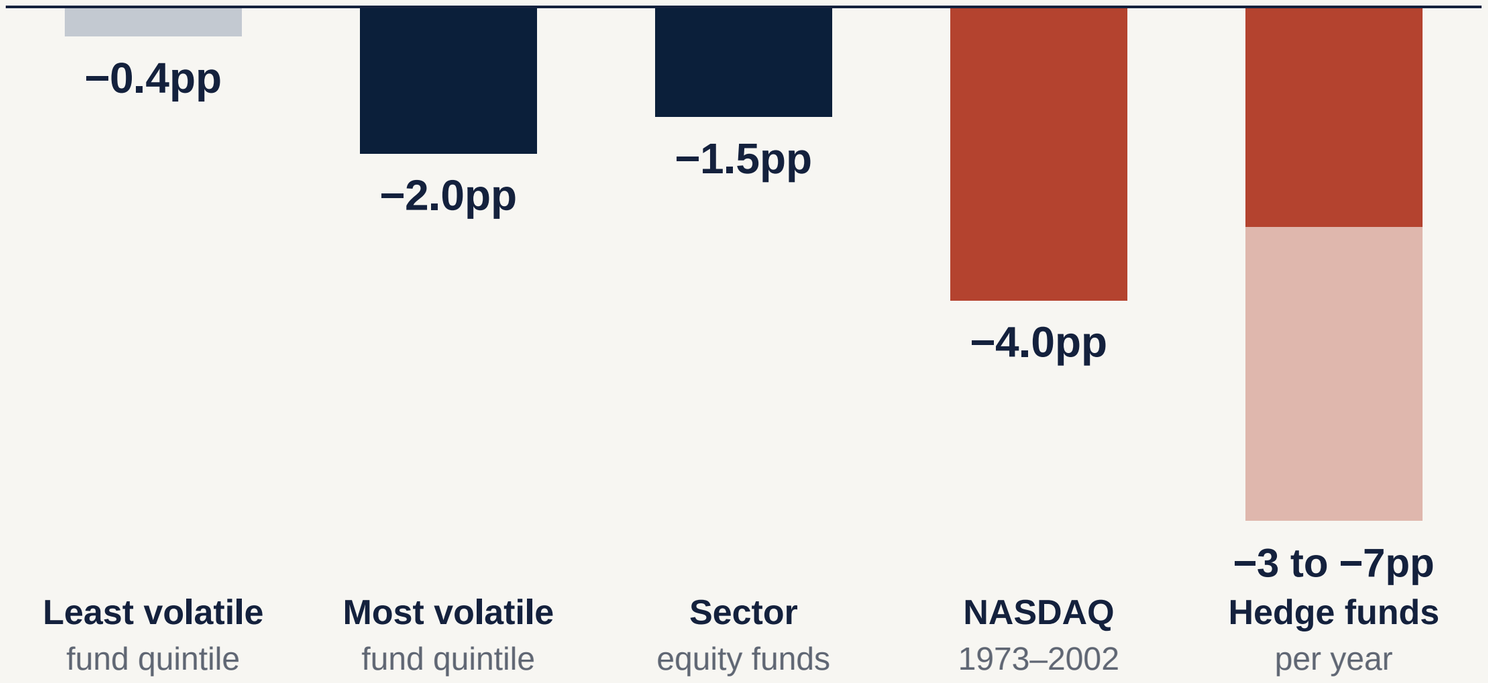

Two samples: S&P Composite 1871–1979; fixed Dow portfolio 1928–1979

The 1929–32 crash could not be explained by later dividends: real dividends ran well below trend only in 1933–35 and 1938.

Source: Shiller (1981), Do Stock Prices Move Too Much to be Justified by Subsequent Changes in Dividends?, NBER WP 456. Series detrended and in real terms.

# Investors lose the most where volatility is highest: 2.0 points a year, against 0.4 in the calmest funds.

Investor (dollar-weighted) return minus fund return, per year




Part of the gap is supply. New stock and thematic funds arrive near the top, and the median US IPO of 1975–2021 lost 22% over five years.

Source: Morningstar, Mind the Gap (2025); Hayley (2014); Dichev & Yu (2011).

PART 5 OF 5 · APPLYING IT

# The numbers show duration decides the outcome. They cannot say why one company's spread lasts four years and another's forty.

Competition erodes about 21% of a spread a year. What follows is how to reason about a company that appears to beat that rate, and which mechanisms to check.

# Start from the record of similar cases, then argue your way off it.

A curriculum project: the plan versus what comparable teams had taken


About 40% of the comparable teams never finished at all.

## 1 in 3

new founders described their own success as certain. They put the odds for a business like theirs at 59%.

The valuation equivalent is a model assuming fifteen years of excess returns when similar companies have averaged about three and a half.

Source: Kahneman & Lovallo (1993), Timid Choices and Bold Forecasts, Management Science 39(1); founder figures from Cooper, Woo & Dunkelberg (1988), as cited there.

# Six possible reasons a spread lasts longer than average, none of them tested on the data.

### 01 DECISION HORIZON

A spread underwritten for 20 years is defended by people whose tenure and vesting run a few years.

**Check:** Tenure and vesting of whoever allocates capital

### 02 HELD OR RENEWED

A patent or licence expires on schedule. A brand or learning loop lasts only while it is funded.

**Check:** Is renewal spend funded, or cut to make the number?

### 03 CULTURE

It makes whatever is true last longer, good habits and bad. GE made the habit of hitting the number durable.

**Check:** What, specifically, is being made durable?

### 04 TRUST

Shows up as low churn and pricing power, and can go quickly after one serious failure.

**Check:** Retention and pricing after the firm's last failure

### 05 NARRATIVE

A story raises the price, and a high price becomes a budget management can spend.

**Check:** Issuance and deals done at high multiples

### 06 CHARACTER

Matters most when management has a high multiple, stock to spend and a target in view.

**Check:** What management did the last time it held that currency

Mechanism hypotheses from the study, not measured findings. The decision-horizon link is a named open question nobody has tested.

# Six questions to answer before assuming a long advantage period.

### 01 SPREAD

Is ROIC above the economic cost of capital once intangibles, goodwill, leases and buybacks are corrected?

### 02 RENEWAL

What expenditure renews the spread, and is it being funded or harvested?

### 03 DURATION

What observable mechanism lets the spread outlive the ~3.6-year base rate? Held or renewed?

### 04 MORTALITY

What could end the corporate or competitive life before that duration expires?

### 05 CURRENCY

If the valuation is high, what can management spend it on, and what permanent claim results?

### 06 CAPTURE

Can the actual owner survive the volatility and holding period needed to receive it?

An advantage period has to be earned before it is entered: base-rate duration → evidence for extension → renewal mechanism → breakpoint and falsifier → valuation.

CONCLUSION

# Most of the $91 trillion came from a small group of long-lived companies, and owners collected it only if they held through deep drawdowns.

## Created

mostly by companies that kept a moderate spread for decades. The average advantage lasts about three and a half years; the 17 best stocks since 1925 compounded at 13.5% a year for most of a century.

## Destroyed

largely when an inflated share price paid for something permanent, such as an acquisition or new capacity.

## Captured

least often in volatile stocks. Investors in the most volatile fund quintile trailed their own funds by 2.0 points a year.

The base rate is where analysis should start. Moving off it takes evidence about the specific company.

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APPENDIX

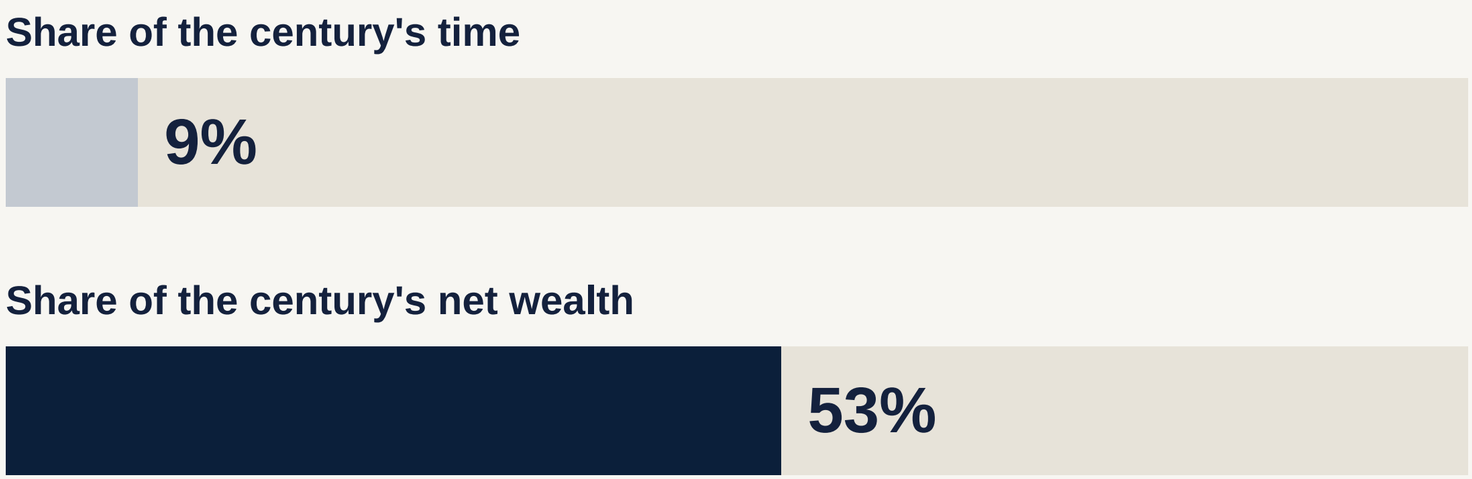
# Context and caveats

## How the market changed, where the aggregate return came from, and what to cite with care.

> Figures on the market as a whole. They describe past aggregates and are not a forecast.

In this part: how fast recent wealth was made · supply at the top · the odds for a single stock · the missing middle · concentration · the return decomposition · where inputs sit · findings since overturned · what would prove us wrong · sources

# 2017–2025 created more net wealth than the previous 91 years combined.




**$48.4tn**

created 2017–2025.

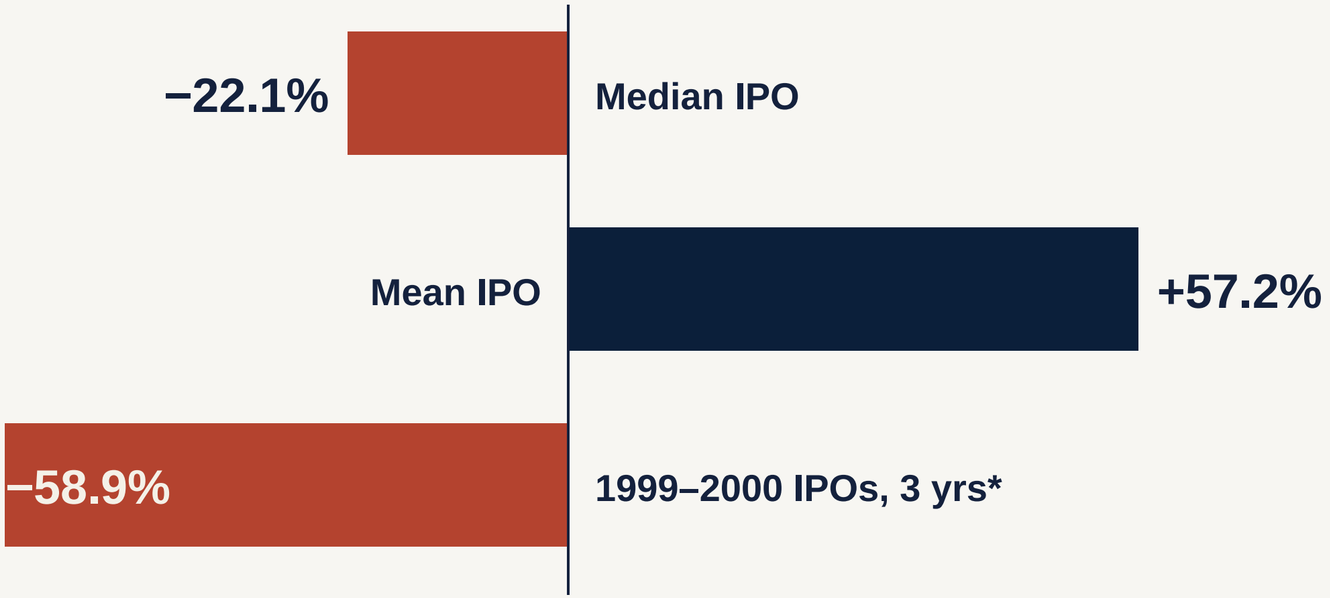
**9.3%**

of all net wealth since 2016 came from Nvidia alone.

Source: Bessembinder (2026). Share calculations are Lantern derived.

# Across 9,195 US IPOs from 1975 to 2021, the median stock lost 22% over five years from its offer price.

Five-year return from offer price, 9,195 US IPOs, 1975–2021

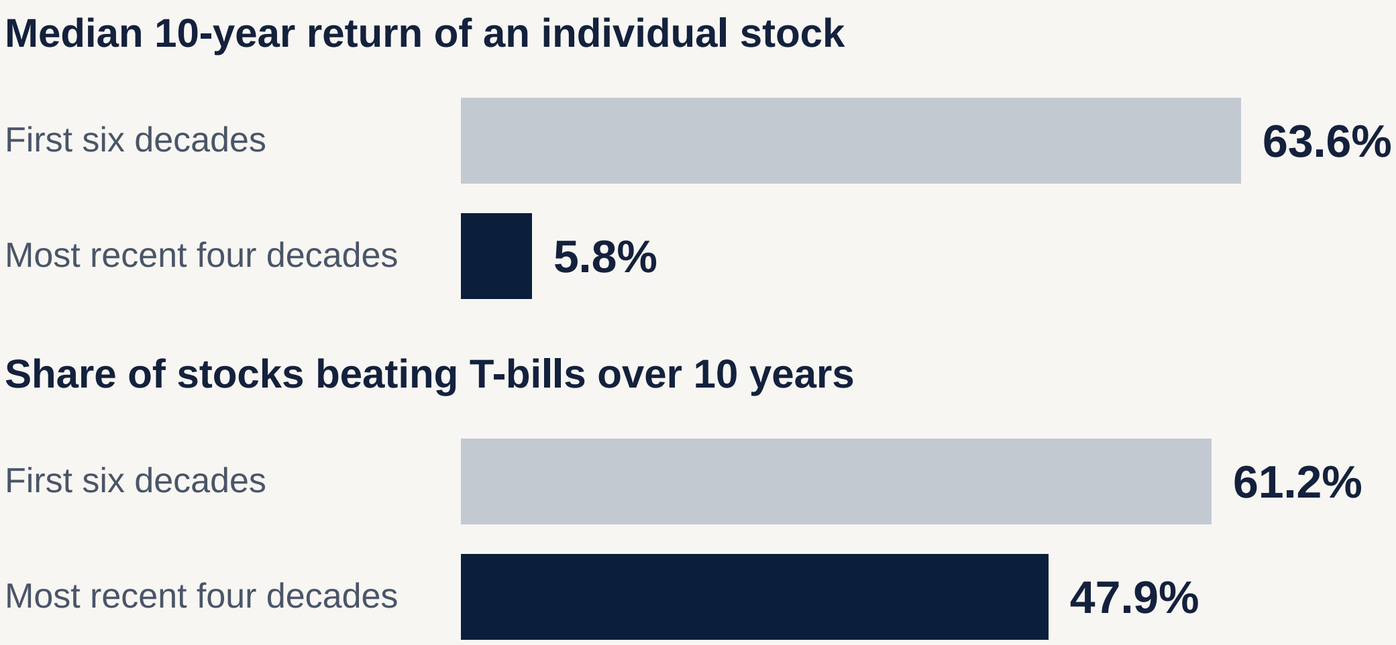



**−30%**

risk-adjusted loss of specialised ETFs over their first five years, driven by overvaluation at launch.

Source: Ritter, IPOs: Updated Long-run Statistics (2026); Ben-David, Franzoni, Kim & Moussawi (2023). *1999–2000 cohort is style-adjusted and measured from first close.

# Over the same decades, the odds for a single stock got materially worse.




A stock picked at random in recent decades has had worse odds than one picked in the first sixty years of the data.

Source: Bessembinder (2026), decade sub-samples of CRSP.

APPENDIX · MARKET CONTEXT

# Listed US firms fell from about 7,300 to 4,200, and many smaller, riskier companies are now held privately.

Listed US firms, 1996 → 2022

**7,300 → 4,200**

Micro-caps, share of listings

**56% → 33%**

Average listed-company age

**12 → 20 yrs**

IPOs per year

**282 → 124**

PE buyouts, share of M&A delistings

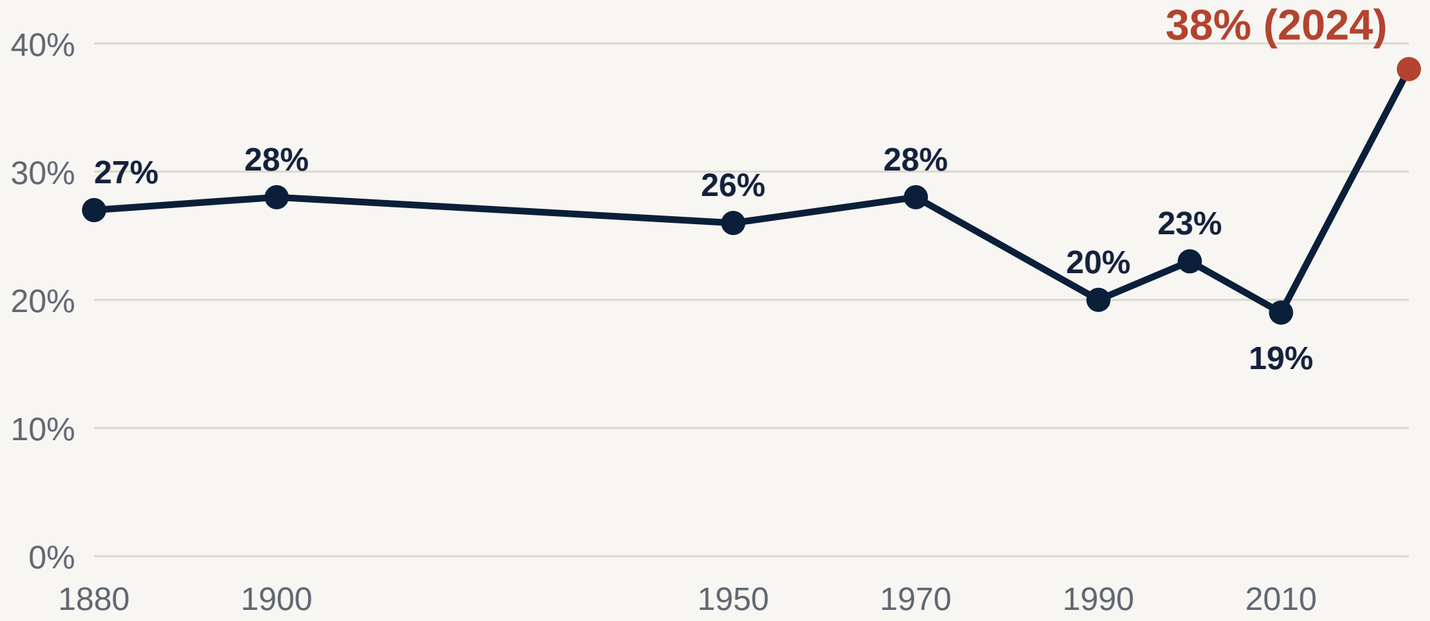
**<2% → >20%**

Intangibles, share of corporate capital

**27% → 47%**

Source: Mauboussin & Callahan, Birth, Death, and Wealth Creation; Doidge, Karolyi & Stulz (2017); Ritter (2026); Peters & Taylor (2017).

# The top 10 stocks hold 38% of the S&P 500, the highest reading in a 145-year series. In 2010 the share was 19%.




**39.3%**

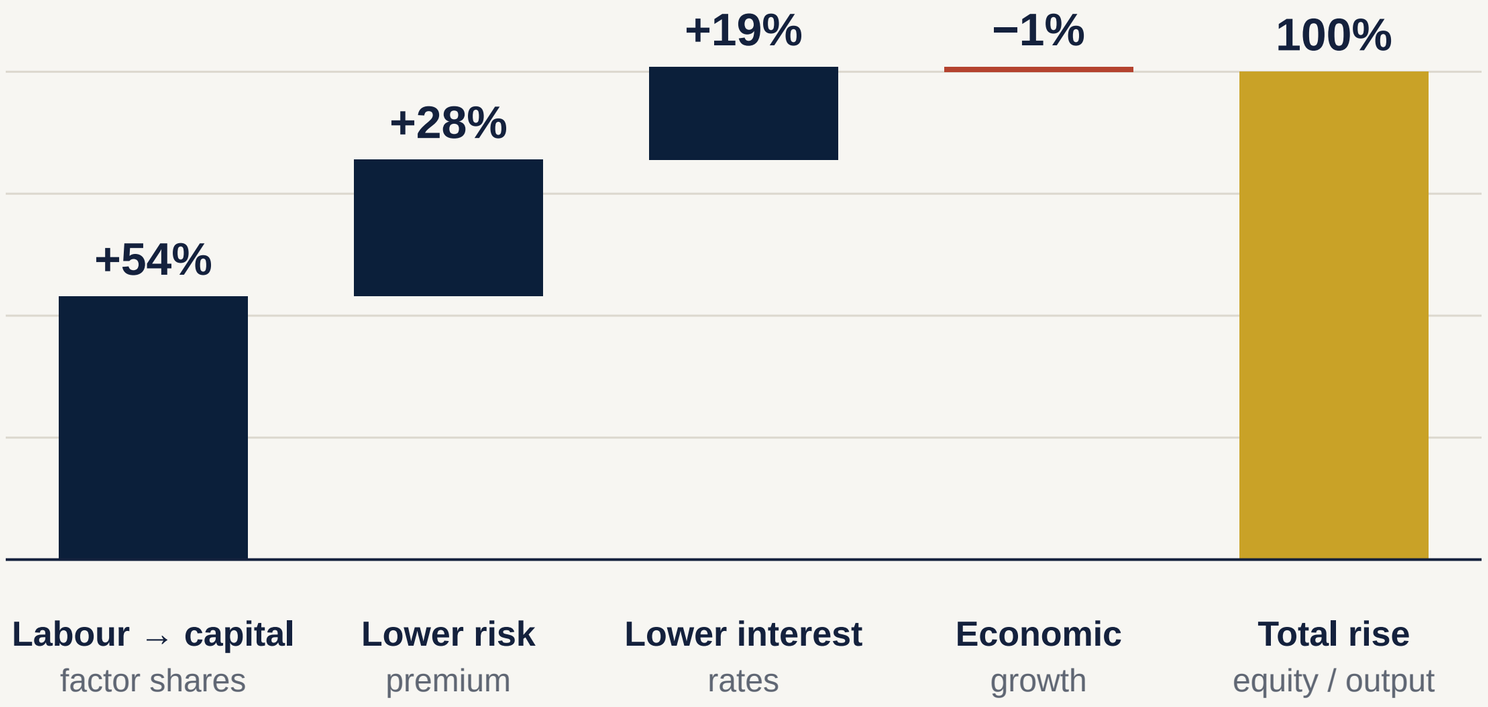
of the entire 2025 increase in US market cap came from the Magnificent Seven.

Between 1880 and 1970 the share sat between 26% and 28%.

Source: Visual Capitalist, top-10 share of S&P 500 (Finaeon, S&P, Citi); Damodaran, Data Update 2 for 2026.

# Economic growth contributed almost nothing to the rise in the US equity-to-output ratio from 1989 to 2017.

What explains the rise in the US equity-to-output ratio, 1989–2017




**2.6%**

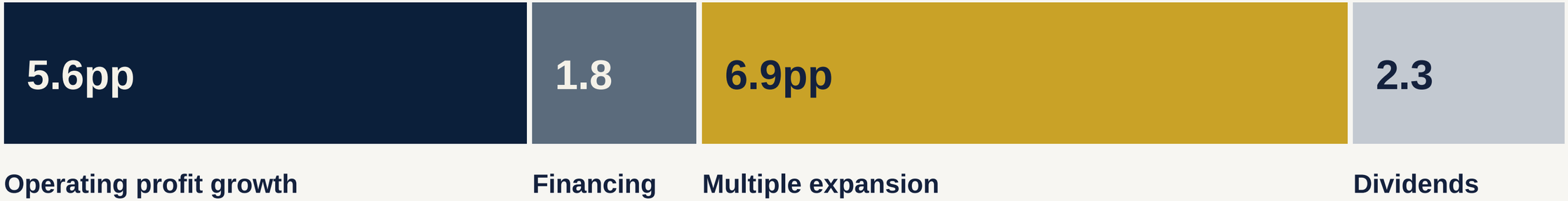
real growth in corporate value added, 1989–2017, when stocks soared. It was 3.8% in 1966–88, when they did poorly.

Source: Greenwald, Lettau & Ludvigson (2025), How the Wealth Was Won, JPE 133(4).

APPENDIX · WHERE THE RETURN CAME FROM

# Only about a third of the last decade's S&P 500 return was operating performance.

S&P 500 annualised total return 2012–2021: **16.6%**




Across 1900–2010, re-rating added only **0.2 points** of a 9.5-point annual return.

A rise in valuation multiples lifts returns once and does not keep adding to them.

Source: Mauboussin & Callahan, Total Shareholder Return; Bogle (2012). Operating share of ~34% is Lantern derived.

# Valuations are near historic highs, and real interest rates are well above their 2013–18 level.

Shiller CAPE

**~40.7×**

Long-run mean 17.4× (Sept 2026)

Effective tax rate, large profitable firms, 2018

**9%**

16% in 2014

Real 10-year Treasury yield, Sept 2026

**2.60%**

0.84% in 2013–18

Top-10 share of S&P 500, 2024

**38%**

Highest in a 145-year series

Source: GAO-23-105384 (latest year 2018); FRED DFII10 (14 Sept 2026) and CBO (2020); Visual Capitalist; multpl.com (CAPE). Arithmetic on past components, not a forecast.

APPENDIX · READ BEFORE CITING

# Five of the most-cited destruction findings have been cut or reversed.

| As usually cited | Current status |
|---|---|
| M&A destroyed $240bn of acquirer value | **Period-qualified: post-2009 mega-deals create value** |
| Diversification destroys 13–15% of value | **Shrinks once selection is corrected, sometimes to a premium** |
| Buybacks earn +12.1% four-year drift | **Gone for 2003–2012 events** |
| Investors lose 1.3pp/yr to bad timing | **Cut ~85%, to −0.21pp genuine** |
| Investors lose about 1.2pp a year to timing | **Re-examined: 0.10% a year** |

> The most robust findings in this study sit in the tails, where averages hide much of the effect.

Source: Alexandridis et al. (2017); Campa & Kedia (2002); Ikenberry et al. (1995); Fu & Huang (2016); Hayley (2014); Fulkerson et al. (2026).

APPENDIX · PRE-REGISTERED

# What would prove this study wrong.

| Claim | It fails if… |
| --- | --- |
| **Duration** | Controlling for industry, the level of ROIC predicts long-run wealth better than how long the spread lasts |
| **Spending the price** | Stock-funded deals by high-multiple buyers stop underperforming cash deals out of sample. Post-2009 data already pushes this way |
| **Capture** | The investor return gap proves flat across volatility once fund-size growth is controlled for |
| **Factor shares** | The labour share reverts materially without equity valuations compressing |
| **Saturators** | The middle deciles' near-zero economic profit turns out to be an artefact of expensed intangibles |

Stated in advance so the study can be checked. The stock-deal test is live and unresolved.

SOURCES AND DISCLOSURES

# Every figure traces to a published source.

### Base rates & demography

Bessembinder (2018, 2023, 2024, 2026) · Mauboussin & Callahan, Birth, Death, and Wealth Creation · Doidge, Karolyi & Stulz (2017) · Ritter (2026)

### ROIC, economic profit & fade

Mauboussin & Callahan: Competitive Advantage Period; ROIC and the Investment Process · Mauboussin, Callahan & Majd, The Base Rate Book · Bradley, Hirt & Smit (2018) · Peters & Taylor (2017) · Mauboussin & Johnson (1997) · Kahneman & Lovallo (1993)

### Transfer: M&A, buybacks, incentives

Moeller, Schlingemann & Stulz (2004, 2005) · Loughran & Vijh (1997) · Rau & Vermaelen (1998) · Graham, Harvey & Rajgopal (2005) · Almeida, Fos & Kronlund (2016)

### Capture, eras & macro

Morningstar (2025) · Hayley (2014) · Ben-David et al. (2023) · Greenwald, Lettau & Ludvigson (2025) · Ofek & Richardson (2003) · Jensen (1988) · Damodaran (2026) · Shiller (1981)

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Lantern calculations are identified where they appear. The full written study lists all 53 sources with the specific figures taken from each.

IMPORTANT INFORMATION

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