

Register

Log in

 Workspace



All Content

Images

Search journals, books, images, and 

Search 

Browse 

[About](#) [Support](#)

Tools 

JOURNAL ARTICLE

Event Studies in Economics and Finance

A. Craig MacKinlay

Journal of Economic Literature

Vol. 35, No. 1 (Mar., 1997), pp. 13-39 (27 pages)

Published By: American Economic Association



<https://www.jstor.org/stable/2729691>

[Cite](#)

Read and download

Log in through your school or library

Alternate access options 

For independent researchers

[Cookies Settings](#)

Accept Cookies

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing "Cookie Settings". For more information, please see our [Cookie Policy](#).

Event Studies in Economics and Finance

A. CRAIG MACKINLAY

The Wharton School, University of Pennsylvania

Thanks to John Campbell, Bruce Grundy, Andrew Lo, and two anonymous referees for helpful comments and discussion. Research support from the Rodney L. White Center for Financial Research is gratefully acknowledged.

1. Introduction

ECONOMISTS are frequently asked to measure the effects of an economic event on the value of firms. On the surface this seems like a difficult task, but a measure can be constructed easily using an event study. Using financial market data, an event study measures the impact of a specific event on the value of a firm. The usefulness of such a study comes from the fact that, given rationality in the marketplace, the effects of an event will be reflected immediately in security prices. Thus a measure of the event's economic impact can be constructed using security prices observed over a relatively short time period. In contrast, direct productivity related measures may require many months or even years of observation.

The event study has many applications. In accounting and finance research, event studies have been applied

deficit.¹ However, applications in other fields are also abundant. For example, event studies are used in the field of law and economics to measure the impact on the value of a firm of a change in the regulatory environment (see G. William Schwert 1981) and in legal liability cases event studies are used to assess damages (see Mark Mitchell and Jeffrey Netter 1994). In the majority of applications, the focus is the effect of an event on the price of a particular class of securities of the firm, most often common equity. In this paper the methodology is discussed in terms of applications that use common equity. However, event studies can be applied using debt securities with little modification.

Event studies have a long history. Perhaps the first published study is James Dolley (1933). In this work, he examines the price effects of stock splits, studying nominal price changes at the time of the split. Using a sample of 95 splits from

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing "Cookie Settings". For more information, please see our [Cookie Policy](#).

[Cookies Settings](#)

Accept Cookies

Journal Information

The Journal of Economic Literature (JEL), first published in 1969, is designed to help economists keep abreast of the vast flow of literature. JEL issues contain commissioned, peer-reviewed survey and review articles, book reviews, an annotated bibliography of new books classified by subject matter, and an annual index of...

Publisher Information

Once composed primarily of college and university professors in economics, the American Economic Association (AEA) now attracts 20,000+ members from academe, business, government, and consulting groups within diverse disciplines from multi-cultural backgrounds. All are professionals or graduate-level...

Rights & Usage

This item is part of a JSTOR Collection.

For terms and use, please refer to our [Terms and Conditions](#)

Journal of Economic Literature © 1997 [American Economic Association](#)

[Request Permissions](#)

Explore JSTOR

By Subject

Get Access

By Title

Get Support

Collections

LibGuides

Publisher

Research Basics

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing "Cookie Settings". For more information, please see our [Cookie Policy](#).

[Cookies Settings](#)

Accept Cookies

News

Webinars

For Librarians

For Publishers



JSTOR is part of [ITHAKA](#), a not-for-profit organization helping the academic community use digital technologies to preserve the scholarly record and to advance research and teaching in sustainable ways.

©2000-2022 ITHAKA. All Rights Reserved. JSTOR®, the JSTOR logo, JPASS®, Artstor®, Reveal Digital™ and ITHAKA® are registered trademarks of ITHAKA.

Terms & Conditions of Use

Privacy Policy Accessibility

Cookie Policy Cookie Settings

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing “Cookie Settings”. For more information, please see our [Cookie Policy](#).

[Cookies Settings](#)

Accept Cookies