The Case for High Returns: A Study of the Pharmaceutical Industry

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This project analyzes the abnormal returns that the larger pharmaceutical firms generate by studying such variables as R&D expenditures, demographics, and market structure and their effect on the abnormal returns pharmaceutical firms generate for their stockholders. A company's abnormal return is the difference between the return on that company's common stock and the market return. The principal hypothesis is that investment in research and development, the aging population, and increasing generic market share, significantly affect the abnormal returns generated by pharmaceutical firms. This project will also examine how other aspects of the pharmaceutical industry distinguish it from other industries and how these characteristics may account for the abnormal returns that pharmaceutical firms generate for their shareholders.