we have taken to the lack of predictability or uncertainty that faces persons making investments in the various industries.

We then see what type of pattern is established, and whether the drug industry shows evidence of being out of line with the risk return pattern.

Senator NELSON. May I interrupt a moment? Is that the chart which you show with the dots on it, and a circle around the drug industry?

Mr. PLOTKIN. They finally end up on the chart with the dots. But my first charts go to show the definitions behind each dot, the definition of risk and the definition of the return. It is a very straightforward demonstration without mathematics.

Senator NELSON. And the graph line on that chart represents the average for all industries?

Mr. PLOTKIN. No, sir. That represents a statistical relationship between risk and return which, I think, can be most easily explained after the other definitions are put forward.

The basic unit of concern in this analysis, as any risk analysis must be, must be the individual company. Mr. Gordon has properly pointed out that that is the unit of decisionmaking.

It is within the individual company that the balance between expected returns and expected risks is struck. However, this does not imply that the only or best source of information about risk expectations is historical company information. Let us pause here, it is the expected risk on a venture that we ary trying to measure, not something about the past, but from the past gain information about investors, opinions about how risky are particular ventures.

Senator NELSON. In context, what do you mean by the word "venture"?

Mr. PLOTKIN. A venture, I am using it in its general sense, can be viewed by an individual as a gambling proposition, the rolling of dice in the game of "craps" or the drawing of cards in the game of blackjack; it can be viewed in the industrial undertaking as being a new biological active agent in a research and development program, or the design of such as a new car, which could be either a Mustang or an Edsel.

Senator NELSON. You are talking about a risk venture, a high-risk venture?

Mr. PLOTKIN. I am talking about any venture, and I want now——

Senator NELSON. Any investment venture by anybody?

Mr. PLOTKIN. Yes, sir. I want to see whether I can find a pattern among industries that show some of the ventures undertaken by certain industries seem to be less risky than the ventures undertaken by other industries.

I believe this goes to the heart of the question you are asking before, to show the results that have been claimed by various witnesses.

Management, it is our contention, forms its risk expectations not solely in the past profit history, of its own company, but also on the diversity of histories that other companies undertaking similar "ventures," to use the term again, other companies within its industry undertake.

Likewise, entrepreneurs considering entry into an industry, will assess the general riskiness of the industry by examining the range of corporations active, and most importantly or previously active, in that