

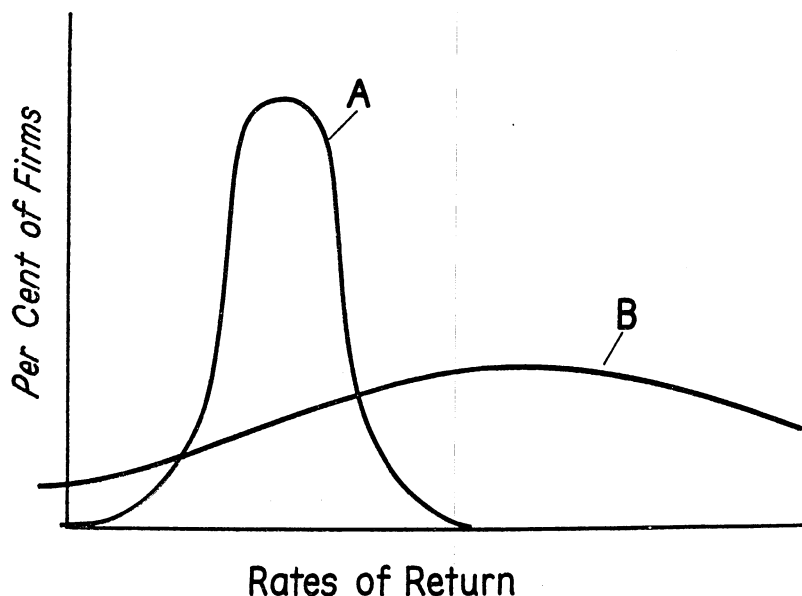
cally, and practice has shown this—they run out all the way to the end of the positive line and to the end of the negative line with very, very small probabilities.

It is a measure of the weighted distribution, so that you get a picture of the center of gravity, where most of the events occur; not just what is the highest and the lowest. The initial scholarly investigation which tried to rank industries by the highs and lows got those atypical companies which would make the industry look very high or very low, and did not find any answers that correspond to commonsense.

Here we are talking about gambling ventures or stock market activity as viewed by an investor. How does this help us qualify industries, individual industries?

(The chart follows:)

DISTRIBUTION OF RATES OF RETURN EARNED BY FIRMS IN INDUSTRIES A AND B IN A PARTICULAR YEAR



Mr. PLOTKIN. Consider now, and I have not done any fancy footwork, these are precisely the same curves, I just relabeled the axis, because I wanted to use the analogies, these are the distribution of rates of return in two industries.

Here we standardize for the different size that companies might retain by relating the return, the amount of money you get back, to the amount invested. The chart shows rates of amount of returns in hypothetical industries A and B in a particular year. Here we have