tician always starts out with a null or negative statement, a null hypotheses. We are examining into the discussion—although it is not what the purpose of this entire investigation was—to see whether or not there is evidence, based on these definitions, alone, sir, that the drug industry is outstanding, is out of the pattern, that is, for the risks encompassed.

So, measured by our definitions, it does not yield a nonnormal return to its investors.

The answer comes from a statistical sense, not from a judgmental sense, by saying how far is that versus how far is something down there, but applying standard statistics, and the tests, there is nothing to suggest in fact, that leads us to reject he hypothesis that point 4 is outside of the distribution traced out by the rest of the points here. But this hypothesis can be applied to any of the points, and this test can be applied to any of the points.

When applied to point 3, there is doubt that it is within the normal pattern traced out, this upward rise in pattern. That is the limit of our abilities as statatisticians and econometricians to make the statement.

I would not want to seem that my testimony is making any other statement but that on a measure of risk, which has shown to have economic viability, making good commonsense and good practical sense when viewed against the stock market, and applicable across all industries, no matter what the cause or the source of risk, the drug industry does not seem to violate that pattern.

This does not say that everything is rosy and perfect, and it does not even say such an analysis cannot be pushed to say how much should the rate of return be.

When an economist catches a solid repression line he really means a gray area within which he cannot distinguish, and above or below which he says points fall outside of the pattern. There is no evidence that the drug industry is not in this hazy, gray area. This is not my assertion, but any econometrician or any statistician can do the tests for himself and, using standard confidence intervals, 95 to 99 percent would be led to the same conclusion to reject the hypothesis that the drug industry is out of the normal pattern.

Senator NELSON. In your judgment, what are the most important factors that go into your conclusion that the drug industry is a high-risk industry?

Mr. PLOTKIN. The most important factors that go into my conclusion are that I believe that I have a good and workable hypothesis of risk and return in the American economy, that higher returns are given with higher risks.

I believe, and we have submitted this to arbitration of scholarly members of my profession, in MIT, Chicago, Stanford, the Rand Corp., that there is a workable definition of return and risk proposed, and, fitting that pattern, there is no evidence of a violation of the normal pattern.

I do not know, have no expertise, have no prior beliefs, about why this point should be there and not down here or not here. I am speaking only from the evidence.

I am raising this to a contending hypothesis which someone else might come up with the alternative quantifiable measures.