Mr. PLOTKIN. And also that those two firms—I am wondering if this is part of your hypothesis—were the entirety of the industry, not a sample thereof, but the entirety of the industry. And if you have only two industries in your economy, the entirety of the economy——

Mr. GORDON. All right. Let us assume that I said there were two industries.

Mr. PLOTKIN. I wanted to have——

Mr. GORDON. And two firms in each industry.

Mr. PLOTKIN. I wanted that clarified.

Mr. GORDON. Let us say, year-in and year-out they earn 25 percent, 15 percent, 9 percent, and 7 percent. Industry A, according to your definition, would be the high-risk industry; isn't that correct?

Mr. PLOTKIN. Sir, this is correct. This is a case, and this is typical of cases we considered in drawing up this definition.

Mr. GORDON. All right.

Let me go just a little further. It would also mean that the better firm A performed, all other profit rates remaining the same, the riskier industry A is compared to B. That is also correct, is it not?

Mr. PLOTKIN. Defining risk as the uncertainty of taking a blind choice of getting firm A–1 or A–2, and knowing what your outcome will be, that is correct.

Mr. GORDON. It also means, does it not, if A–1 and A–2 maintained their profit rates, but B–1 and B–2 kept changing back and forth, say, from seven to nine, industry A is still riskier, is it not?

Mr. PLOTKIN. Yes; under these hypothetical situations, that is true.

Mr. GORDON. All right.

Now, Mr. Plotkin, are you going to tell us if you are assured of profits of between 15 and 25 percent, even though your exact rate of return may be uncertain, that this is a riskier use of your money than putting it where the return may be between 7 and 9 percent?

Mr. PLOTKIN. I am going to tell you that, to the extent that one can give me that assurance. In the hypothetical economy which you have drawn, reminiscent of the Senator's hypothetical bumble bee of the previous example which could not fly, that would be true.

Our definitions were not meant to cover cases not relevant to the economy as we know it. This is not a textbook exercise. It is true they break down like any other econometric definitions when carried to the extreme, to reductio ad absurdum.

We performed specific tests against the robustness of these deuctions, against just the type of hypotheses you mentioned, to see whether they hold true in the real world, and whether they would affect those definitions. We have found they would not.

I would like, though, to ask Professor Cootner's comment especially on the point, or Professor Markham, that there is no possibility in industry A of earning less than industry B. The possibility of that describing a real world phenomenon, and what the requirements of that then would be, I would like to ask them to comment.

Mr. GORDON. Mr. Plotkin, it seems to me that the record of the high and stable profitability of the drug industry will speak for itself on the matter of evidence of risk.

Mr. CUTLER. Mr. Gordon, we have asked ourselves these very same questions that you are putting now, to see whether the range, the dis-