Mr. PLOTKIN. They have experts in their organization in each industry using the Department of Commerce SIC, standard industrial classification numbers, based on the type of product sales of the individual companies, who will assign, admittedly arbitrarily, companies to various industries. Because this is a standard reference source, we have elected to use it rather than make up our own industries, which could be somewhat objectionable or at least questionable as to whether the results were influenced by our own selection.

As I admitted earlier in my statement, I have some serious qualms about particular items—should one company be here or there. But we have done careful studies to show that the results are not sensitive to any one company moving in or out of an industry.

Sir, if this would help, I might add that these data sources have been used for similar studies in a number of university campuses—MIT, Chicago, Stanford—by diverse scholars for many purposes, always relying on these classifications as a general, widely accepted usage. The First National City Bank, in their monthly letter, often lists industry by industrial classification, and it is quite similar to the ones appearing on Compustat tape.

Senator NELSON. You used 29 companies in the drug industry?

Mr. PLOTKIN. Yes, 29, sir.

Senator NELSON. Is that all the drug companies listed in Standard & Poor?

Mr. PLOTKIN. To the best of my knowledge, it is all the drug companies listed in Standard & Poor. It even contains a company of exceedingly high profitability which, by their own admission, Standard & Poor now say should not be in there. That is the Gillette Co. Rather than take the chance of influencing the outcome by my personal selection, and Arthur D. Little take a chance by its exercising judgment, we decided to go by what is an industry standard and used in all academic circles.

Senator NELSON. In what grounds does Standard and Poor's select them? Eliminating Gillette, are these the 29 largest companies?

Mr. PLOTKIN. To some extent, they are the largest in that these would be the actively traded, the ones that information is most readily obtainable on. If I can paraphrase the Standard and Poor's description, they try to select that group of companies actively traded on the New York and American Stock Exchange which represent the overwhelming majority of assets or sales in any given industry. Obviously, this necessitates a different number of companies as industries are more or less concentrated. In the autos, with four, you have 100 percent of them.

Senator NELSON. Are any of the large drug companies closely held and not actively traded?

Mr. PLOTKIN. Squibb, I believe, is closely held. It certainly is not actively traded, and for the Standard and Poor's standard, it is not included in here. Mr. Conrad, who is an expert in the chemical field, in trading in that field, might be better able to elucide on this point.

Mr. CONRAD. Standard and Poor's data here includes whatever they could gather that was publicly held and also what they could back up in discussions with the companies and through SEC registration statements, proxy statements, and so forth. There are eliminated from this