TABLE 3B.—AVERAGE PROFIT RATES OF LEADING COMPANIES AND ALL OTHER COMPANIES IN 35 PRODUCER GOOD AND MINING INDUSTRIES, 1963–65

Industry	Leading companies [1]		All other companies	
	Number of companies	Average rate of return 1963–65 [2]	Number of companies	Average rate of return 1963–65 [2]
Chemicals	4	15.7	39	10.0
Aerospace	4	15.5	13	11.1
Machinery, construction, and material handling	3	13.7	4	9.6
Office and business equipment	4	13.0	10	10.9
Machinery, general industrial	2	12.9	3	10.9
Electronic products	4	12.2	26	10.6
Electrical products	4	12.0	26	12.0
Oil	4	12.0	21	9.1
Vending machines	3	12.0	3	11.7
Miscellaneous metalwork	3	11.9	4	7.2
Machinery, oil well	3	11.7	3	11.7
Auto trucks	2	11.5	3	12.5
Oil, crude producers	4	10.7	5	10.7
Machine tools	4	10.6	4	11.4
Auto parts and accessories	4	9.9	13	12.7
Machinery, steam generating	2	9.6	2	3.9
Abrasive products	3	9.6	4	8.7
Textile products	4	9.4	11	9.6
Building materials, roof	4	9.4	6	8.8
Copper	3	9.0	3	10.7
Machinery, industrial	4	9.0	7	10.8
Containers, paper	4	8.7	7	10.2
Coal, bituminous	3	8.7	4	7.9
Paint	2	8.6	3	10.6
Machinery, metal fabricating	4	8.6	9	9.2
Railroad equipment	4	8.4	7	9.2
Building materials, cement	4	8.4	6	7.7
Paper	4	7.9	13	10.7
Containers, metal and glass	3	7.9	3	10.0
Machinery, agricultural	3	7.8	3	14.1
Steel	4	7.6	19	8.0
Machinery, specialty	4	7.5	12	12.3
Building materials, heat	4	7.0	11	11.3
Blast furnaces	2	7.0	2	5.6
Aluminum	2	6.3	3	6.0

[1] The group of leading companies consists of the 4 largest companies except when fewer than 8 companies are included in the sample for an industry. In this case, the sample companies are divided evenly between the 2 groups with the largest firms going into the group of leading companies. If there is an odd number of companies in industries having less than 8 sample companies, the median company is placed in the all other company category.
[2] A 3-year simple average of company profit ratios.

Source: "Underlying Data for Study" by Conrad and Plotkin, "Risk and Return in American Industry—An Econometric Analysis."

Senator NELSON. Thank you very much, Dr. Mueller, for your very instructive presentation.

Do you have any questions, Senator Scott?

Senator SCOTT. If your conclusions are correct, that the high profits of the drug industry are due primarily to the high entry barriers—your table 1 shows three industries where the industry variance in return based on their book value exceeds drugs—would you therefore conclude that the profits of radio broadcasting, book publishing, and gold mining are also high because of the high entry barrier characteristic of those industries?

Dr. MUELLER. First, I do not think gold mining was among these, but in these other industries I think the high entry barriers go a long way toward explaining the level of their profits. But I have not studied them individually as I have drugs.

Senator SCOTT. There is an old quotation in the publishing business, "Making many books, there is no end."