losses for companies failing to break even. I would say petroleum exploration would be a good example of this. If you take the companies which only show profits and average their returns, the industry looks better than if you take companies which incur losses. In such an industry, if you take their returns and add them in, it is not clear that the average ex post rate of return on all investment in a risky industry should always necessarily be higher than in a safe industry where losses are very rare. This is, of course, one of the major weaknesses of statistical measurement of the risk rate of return hypothesis: the data are usually available only for the largest firms in an industry, which because of their very size face relatively less risk than small firms (since riskiness is basically a property of individual investment projects, and not of the firm itself, which is collection of many projects) the small ventures which fail, or do not get included in the blue ribbon listing of firms, may so regularly make losses that total industry rate of return is significantly depressed.

II. STATEMENT OF PROF. SIMON WHITNEY

(A) While I am in general agreement with almost all of Professor Cootner's statements, I find myself in strong disagreement with the majority of Professor Whitney's. Time does not permit the criticism of more than a limited number of these statements.

(1) Whitney's statement as a whole is based on the implicit assumption that if private drug firms don't do drug research, it just won't be done. But great sums of public money are now spent on research in health and medicine. Even if drug industry reforms do reduce private drug research, there is reason to believe that the researchers could be more productively employed by universities, foundations, and government agencies in doing much the same type of research.

I would like to comment now on the statement of Prof. Simon Whitney and preface my comment by saying that I am in general agreement with almost all of Professor Cootner's statements. The only thing wrong with them is they are rather irrelevant. But I find myself in strong disagreement——

Mr. GORDON. You say you are in general agreement. Yesterday, Dr. Mueller of the FTC, stated:

> Thus Conrad and Plotkin unwittingly have made a case for the inference that a substantial part of the high profits earned by drug companies are really due to advertising-and-promotion-created barriers to entry, rather than risk. This, of course, coincides with the conclusion of nearly every economist who has studied the drug industry.

Dr. STEELE. I would agree with that. I would regard myself as one of those who agree with the statement.

But the Cootner statement is different from the Conrad and Plotkin statement. The Cootner statement says, really, very little about the drug industry, just discusses the problems of risk and so on.

Mr. GORDON. I see. He doesn't discuss the drug industry at all.

Dr. STEELE. Not really.

Whitney's statement as a whole——

Senator NELSON. Doctor, has anyone done a study to find out how much research has been done by Government in the health field—by