



[illegible]

1. *Pharmaceutical industry* – The pharmaceutical industry is the largest of the three industries, with sales of \$10.5 billion in 1997. It is the only industry in the sample that has a significant number of firms that are not publicly traded. The industry is characterized by high R&D expenditures, high barriers to entry, and high profit margins. The industry is also characterized by a high degree of concentration, with the top five firms accounting for more than 50% of sales.

[illegible]