

CORRESPONDENCE

DAMON BIOTECH'S PRE-PUBLIC INVESTMENT—SEMANTICS AND ECONOMETRICS

To the editor:

In the July 1984 issue (p. 619), the article entitled "Initial Public Offerings of Biotechnology Companies 1980–1983" states, "Damon Biotech was excluded from further analysis because the amount of true pre-public investment was not disclosed by the organizing company, Damon."

This is a puzzling comment since, in accordance with all Securities and Exchange Commission regulations, the Damon Biotech prospectus of June 3, 1983 clearly states that Damon Biotech had an obligation to Damon of \$10,26,402 to repay the parent company for amounts it had directly advanced to Damon Biotech over a number of years.

Perhaps the author can clarify why this figure was not included.

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The article concerning IPOs was an attempt to apply econometric/statistical methods to the actual experience of biotechnology companies in "going public." Thereby, I hoped to establish a "reality"-oriented understanding as opposed to the oft heard bio-hype.

The assumptions underlying statistical model-building with observational data have many arcane features, i.e., of little interest to the ultimate consumer of the results, as in the problems of measuring unemployment. My comment regarding the "true pre-public investment" of Damon Biotech seems to be an example of culture clash: the word "true" has one set of meanings at the SEC and another set in the hallowed halls of scholarship.

My usage considered only in terms of econometrics, and thus fell within this second universe. Damon Biotech's pre-public investment was not included with the others because the moments of the distribution of the measure of its pre-public investment were unlikely to be the same as the other companies' moments. Simply put: with all save Damon Biotech, the companies sprang up de novo with quite simple counting of pre-public investment as cash-on-the-barrel. Damon Biotech, however, was a gleam in someone's eye long before the accountants had to carefully attribute

its pennies—especially in regard to good old overhead. Thus, pre-public investment in the case of Damon Biotech is not "true" statistically with respect to the others. God bless the SEC.

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BIOBUSINESS WORLD DATA BASE

To the editor:

In his review (BIO/TECHNOLOGY 2:566; 1984) of our published report, *Biobusiness World Data Base*, Cetus chairman Ronald E. Cape poses several objections. Paradoxically, he himself proceeds to refute them in the course of his critique. As the editor who retitled and released this suppressed government draft report, may I here match up his rhetorical queries with his own replies:

First, Cape asks, "What logical relationship might exist between such an ambitious title and its supposed contents?"

Presumably, his challenge to the title does not take issue with its first word, "Biobusiness," which is what the document is all about—maintaining U.S. competitiveness in the biotechnologies. As for the phrase "World Data Base," he himself describes the report's 124-page appendix as "...a useful country-by-country review of how the commercialization process is evolving," and adds that "...18 tables...provide a broad spectrum of relevant information...on the size of the world wide market for biotechnology derived products...and several tables...identify cooperative arrangements among U.S. [and] foreign firms...."

In commending this fact-filled appendix, Cape "...wonders why this section was not simply published alone"—that is, excluding the section containing 12 policy option papers. Here again he provides his own answer: "This [policy option section] makes the document less dry and more readable...[It is] very instructive and possibly the most valuable aspect of this volume."

He demands, "Why would a draft report of the U.S. government be published by McGraw-Hill's *Biotechnology Newswatch*?" But later on, he states, "...it is commendable that the editors of *Newswatch* are making the draft Working Group report available to the public. [It] represents an important step forward in compiling in a single volume a critical mass of material necessary to determine and articulate policy options."

At one point he hints that our release of this material may be "the biotechnology equivalent of the Pentagon papers." To which I must respond: we came by the document licitly and found it neither classified nor copyrighted. Indeed, when I later asked Bruce Abell, press officer to the President's science advisor, when the White House intended to publish the report officially, he replied, in essence, "Why should we now that *Newswatch* has done so?"

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The reader may be well advised to read Dr. Cape's comments in their entirety and in context in the June issue.

INDIA MEETING DISCRIMINATION

To the editor:

The VIIIth International Biotechnology Symposium took place in New Delhi, India, from February 19 to 25, 1984, with the slogan "Biotechnology—The Obvious Answer." Unfortunately, it wasn't the obvious answer for Israeli scientists—or for me, for I decided at the last minute to protest by not attending and not giving my plenary lecture. My reasons are detailed in the following paragraphs.

I first suspected that India was going to be a problem for the Israeli scientists in March 1983, when I learned that the Israelis had not yet received announcements of the meeting. In April 1983, I wrote Dr. T. K. Ghose, chairman of the Organizing Committee of the National Sympos-