mony from the drug companies I am sure in the future about the enormous amount of research they do. It should be clear that drug companies do research to find a patentable product which they can sell at an arbitrary price for the 17 years of the patent life or they do it, and they do a great deal of this, for public relations purposes. Were it otherwise their stockholders would not stand for such behavior. To suggest that drug companies do research because they make a lot of money or that they should have a preferential place in the marketplace because they do research violates the canons of economics in a free enterprise society. I should suspect that being able to make a lot of money on old unpatentable products through the ruse of the trade name game deters rather than stimulates research. Other industries do research also and do not ask for a preferred position in the economy.

This preferred position I think has been defined before this committee again and again, and it involves the fact that the doctor who prescribes the drug does not know the price. If he prescribes by trade name, he frequently may not know what the contents of the drug are in terms of chemicals or generic names. The pharmacist who fills a prescription, if the doctor writes a trade name prescription, must use that item, and the patient must pay for it.

This has been said before, but I think it needs emphasizing, that this is not a free market practice, because the man who pays has nothing to say about what he gets, and he is unable to even shop around.

Senator NELSON. In your State of Georgia, if a doctor prescribes a trade name drug, the pharmacist may not substitute?

Dr. WILLIAMS. No, it is one of the States where legally he may not do this.

Senator NELSON. But if a generic named drug is prescribed, he may substitute a trade name?

Dr. WILLIAMS. Yes, if a generic name is prescribed, since a trade name drug has the same generic name, if a generic name is prescribed, he may either use the cheaper generic drug and pass the saving on to the patient, or he may use the more expensive trade name drug, and charge his usual price.

However, I still think, and I will repeat this again at the end of my statement, that if the pharmacist has a choice, and if the patient has a choice, which he does have in this case, he can shop around, and in the end I think in our economy this will pull drug prices down and prevent monopoly and price fixing, and allow a choice. Maybe I am too much ivory tower and have too much faith, but I think if you give them a choice they will pull the prices down.

Senator HATFIELD. Dr. Williams, I want to ask you a question.

Dr. WILLIAMS. Yes.

Senator HATFIELD. I am not quite clear on your conclusion here that this preferential position in the marketplace, because they do research, violates the canons of economics in a free enterprise society.

Dr. WILLIAMS. I maybe got out of my field and should be caught short on that. What I meant was that there is no choice at present when a trade name drug is prescribed, there is no choice for the person who buys it.