

that bothers me rather than the price. We never expect to be able to compete with drug houses that for their own good and sufficient reasons have elected not to be research oriented, and there are a number of them. Obviously, if you have no research program, you can afford to sell at a smaller margin of profit than can a strongly research-oriented company such as Parke, Davis. Our sales policy has to be such as, hopefully, to produce an economic climate in which we will be inspired and encouraged to spend money for research.

Somebody has to spend money for research, if the health and well being of this country and of the world is going to be advanced. I think that the ethical pharmaceutical industry, including Parke, Davis, has made a significant contribution in that field, and we hope to continue to do so.

If by way of advocating so-called "low" prices we are going to discourage the research-oriented pharmaceutical manufacturers from continuing to pursue research for new and improved products, then the health and well being of this country and of other countries in the world are going to suffer, unless there is a substitute for such research.

Perhaps some people might advocate the Government as a substitute. For myself, I would prefer to place reliance on private enterprise supplemented by whatever may be appropriate for the Government to do in this field.

Senator JAVITS. Mr. Burrows, I too would prefer to place the emphasis on private enterprise, which I think is more productive, but I think private enterprise must also meet public interest standards. That is the purpose of our hearing, and I am very pleased that you are cooperating, as are the other witnesses.

I would like to ask you this question because I think it is very pertinent. First let me make a correction: I used the figure of 20 times \$1.36. That is increase. I gather that it is somewhere in the area of 10 to 12 times, because your listed price is \$17.88. I correct that.

I would like to ask you this question. Based upon the practices of your industry, is it, in your judgment, necessary to price an item at 10 or 12 times the price at which it is sold to the categories of city, county, State and Federal agencies, in sales to the retail druggist in order to deal with the manifold cost, including reasonable profit problems? It seems to me that would be way, way out of line. But you tell us. Is it, in your judgment, legitimate and honorable business to charge 10 or 12 times the city, State, county and Federal agencies price to the retail druggist? Is it necessary, in terms of your business?

Mr. BURROWS. It is necessary to charge somebody. Let me put your question somewhat in reverse. If Parke, Davis, for our 1966 year, had reduced our prices by 20½ percent, we would not have made any money. So on a worldwide average of all that we make and sell, and despite this item of 10 times or 12 times which you have mentioned, and taking everything that we do as a whole, had we realized 20½ percent less than we did realize, we would make no money. That is the maximum margin that we are talking about, assuming that we maintain our present level of research expense and the like.

Senator JAVITS. Mr. Burrows, if I may—I apologize for interrupting, sir, but I would like to pinpoint the question of the internal structural difference between the sale to the governmental agencies and the sale to the retail druggist. It seems to me that, even accepting your