

Mr. CONZEN. I would say, Senator Javits, that this would amount to adopting a national policy of cheap drugs, which in my opinion would be extremely shortsighted and would constitute a direct threat to medical progress and impair substantially the leading role which the United States today has acquired throughout the world. It is a significant part also of what our industry contributes to the balance of payments.

The economics of our company and of our industry are based on innovation, and a cheap drug policy would take this leadership away from our industry and our country.

Senator JAVITS. I do not pretend to expertise, but just as you want us—and I agree with you thoroughly—to encourage initiative and invention in our country in the flowering of the private enterprise system which it represents, I think we have a right to turn to the private enterprise system and say, in view of what has been revealed, that we think you had better have a pretty hard look at your own situation. I don't think the public is going to take very kindly to a 1,800 percentile difference between sales to them and incremental sales, or a 200 or 300 percent difference between domestic sales and sales abroad. I am no inexperienced person in business, as you know, but I do think that a case is being made out here for a very critical review and appraisal by the industry itself of the situation which is being laid before the people of the country. Especially is this true, sir, because a new situation has occurred.

A good deal of what is now paid for drugs is indirectly paid by Government, and hence it becomes a very critical aspect on our part. I tell you again that as one Senator, I am anxious to preserve this system, and I am very troubled about whether these differentials can be justified in order to preserve it.

I would beg the industry itself to give consideration to that, not only in the interests of its own situation, but in the interests of the economic system of the Nation, of which this is a very critically important part. We have always rewarded invention, and we should, magnificently. It is very necessary to us, and yet there is a question of degree even there. That is what I lay before you as an intelligent man heading a very great company.

Mr. CONZEN. May I make a comment, Senator Javits?

Senator JAVITS. Surely.

Mr. CONZEN. On this point, on this differential between U.S. prices and foreign prices, there are a number of other points which I could make. It is a very complex business. But the living standards and purchasing power of people abroad differ greatly from those in our country. The expense of doing business abroad varies greatly from country to country. The purchasing power of an average workman in terms of minutes worked to earn the equivalent of a dollar differs very greatly by hundreds and hundreds of percent compared with the United States.

I have already mentioned the fluctuating exchange rates and the different places in which we do business. The discount pattern differs significantly from each country to each country, and again vis-a-vis the United States.

Senator NELSON. May I ask one question. You referred to the purchasing power of the citizens of these countries.

Mr. CONZEN. Yes, sir.