

pay so much of the medical bill of the public—a bill the potential of which incidentally still is grossly understated and misunderstood—legislators have seized upon this public conviction of high prices on drug products to attack the industry for its behavior and to use it as the justification for proposals of new regulation and control of a magnitude far beyond anything that has been felt to date.

Senator NELSON. At the end of the first sentence you say: "Or used less wasteful sales methods." Would you elaborate on what you mean by wasteful sales methods?

Mr. SQUIBB. I am talking here, of course, about the expenditures which seem to be large, are actually large for the detail man and for the advertising and promotional methods of one type or another that the industry uses to further the sales of its products. These seem on the surface, to the public and to the industry critics, to be unnecessarily large and unnecessarily indiscriminately used. I develop that a little bit later specifically when I get to some of these areas of expense.

Senator NELSON. All right.

Mr. SQUIBB. The problem that faces the pharmaceutical industry today relative to public criticism of its pricing and profit structure can be stated just that simply. What to do about it, if indeed anything, is not so easy for the pharmaceutical manager to determine. All sorts of complex social forces and economic facts must be understood, sorted out, and balanced against each other in an effort to foresee the long-range effects of this concept of pharmaceutical prices, a concept which is now generally accepted outside of the industry itself.

The only answer that the pharmaceutical industry has given to date is to "tell its story," to "improve its image," to "explain its contributions to medical knowledge and the health of the people." These efforts for the most part, have been ineffectual in changing the mind of the public about the nature of the prices it pays for its drugs, and yet the industry keeps at it with dogged persistence issuing new studies in depth—new comparative analyses of profits country by country and industry by industry, new interpretations of the value of its product contributions, new explanations and justifications for its modus operandi. To all of its critics, temperate or intemperate, expert or lay, legislative or academic, it keeps on saying, in effect: "You just do not understand us—here is the truth which only we can properly explain."

The industry has been primarily concerned, and on doubt properly so, with its own internal problems induced for the most part by reason of its phenomenal expansion and by the possibilities for even further growth in widely divergent areas. It has tried to meet, sometimes successfully and sometimes not, the day-to-day problems arising from a complex product mix in a complex marketing situation all the while keeping a sharp eye on earnings and corporate health. It has tried honestly and hard to produce good products, and has generally not been satisfied to rest on today's achievement, but to press on to something better. It has been diligent within its own self-established limits in assuming its responsibilities, and it is truly hurt by those who suggest anything to the contrary.

However, diligence, devotion to ideals, and just plain hard work do not necessarily imply intelligence and good judgment, and it is in