Senator NELSON. Now, they would not sell anything to New York City or the Defense Supply Agency, if they were charging $17 or $18 a hundred because they would be outbid every single time. So they offer a price of one-tenth or one-fifteenth as much. On the other hand, they go into the retail market and charge the $17 or $18 a hundred or whatever it may be, depending upon the drug, several times as much, and do manage to hold a share of that market and make a substantial profit. This is the part that is difficult to understand, unless it is simply the fact that the trade name has become well enough established with the doctors who will prescribe their drug regardless of what the price is.

Mr. SQUIBB. That is exactly, of course, what has happened. There is no price competition or very little price competition at the so-called retail level. If you get your trade name established with your doctors through your promotion activities and your advertising and the genuine value of your product, the largest drug chain in the country or the smallest drugstore or any buying organization of the retail pharmacist still has to pay the $16 because the price is established and protected for competitive purposes. There is not any price competition that the manufacturer has to worry about at that level, and he is very happy, I think, about this.

Senator NELSON. Go ahead.

Mr. SQUIBB. Value, continuing at the top of page 4, value on the other hand, is often far above any of the prices set for the product. If health and indeed life itself are measured in terms of dollar value against the cost of the medicines that contribute to them and in many cases guarantee them, drug products give probably the finest value of anything that can be purchased today. Yet, in spite of these tremendous values, the public belief persists that prices of drugs are too high and costs inflated by unnecessary and wasteful operational procedures by their manufacturers.

The reason for this seems to be in the unusual, to say the least, pricing policies of the pharmaceutical industry. It must be understood, however, that the industry operates in a complex—partly controlled and partly open—market in which it deals on a direct basis with the widest possible range of customers both in terms of their capacity for product utilization, and in terms of their competitive and noncompetitive natures.

At the retail level, that is the retail pharmacy, prices on direct sales to pharmacies large and small—some are very large, others very small—are affected by Robinson-Patman. Identical prices must be charged to the largest chain and its smallest independent competitor for the same drug package.

Senator NELSON. I am not an authority on the Robinson-Patman Act. That act does not prohibit a company from giving advertised price reductions for quantity purchases, does it?

Mr. SQUIBB. As long as it gives those advertised quantity price reductions to everybody on an equal basis, and that they are really bona fide quantity price reductions.

Senator NELSON. That they are related to the cost?

Mr. SQUIBB. Related to the cost. They have to be related to the cost and also related, as I point out here in this paragraph, to what the