Mr. SQUIBB. Well, you have to regulate the whole performance of an industry that is engaged in this type of activity; quality, its practices of distribution, its practices of promotion, presentation of its products.

Senator NELSON. Theoretically, as to quality, with a sufficient number of personnel to inspect, the present required standards are designed to insure quality, although these standards are not always complied with as we know from drug recalls and various other things. But there is legally at least a quality standard established for this industry. This is true maybe of some other industries, too.

Mr. SQUIBB. Oh, yes. Every industry has its quality standards.

Senator NELSON. I take it from what you were saying about profits that you are simply setting some limits. You think the pricing practices as now exist ought to be reformed, and as you have stated, at the very least, the standards for pricing should be set to accord with the standards of normal economic and industrial pricing practices and profits.

Your other sentence is: "Probably it must go further."

Mr. SQUIBB. Yes.

Senator NELSON. I am assuming what you are saying is that the industry at least must conform to normal practices and might even have to go further than that in some cases.

Mr. SQUIBB. Perhaps go further than that, because it is so urgently under the eye of people who are concerned with health care problems today.

Senator NELSON. As to your comment about social responsibility, I think it is interesting to read a statement from page 139 of the report of the Committee on the Judiciary of the U.S. Senate, June 27, 1961:

> In industry generally, the views expressed by Jefferson and Franklin with respect to patent monopolies appeared to fade rapidly, but for a time they continued to prevail in the drug industry, reflecting a recognition of the peculiar and unique relationship of this industry to the public health. In 1854 when Dr. E. R. Squibb, founder of E. R. Squibb & Son, managed to distill for the first time pure ether of uniform strength, he declined to take out patents. Instead he published his discovery in September of 1856 issue of the American Journal of Pharmacy. The essential difference between most other countries and the United States on this matter is that the views held by Dr. Squibb have continued to prevail abroad but have long since been abandoned here.

But at least it was a matter of discussion and concern over 100 years ago when your great grandfather founded your distinguished company.

Mr. SQUIBB. That is right, and I think it always will be. It always will be from the very nature of the problem we are dealing with.

I would like to continue on page 11 and point out this area here which I think adds a little bit to what we are talking about right now.

A pharmaceutical company management—now enjoying, let us say, a 10-percent return on sales after taxes—sets its objective for the next year at 12 percent—and then 15 and even 18 percent over a 5- or 10-year plan. Often in the past this type of profit objective has been obtained through new products and intensive marketing programs. Recently, such growth has been more exceptional in actuality, although it still is quite possible. However, pharmaceutical firms still project and plan for steady growth in profits, as does most industry. These pressures