

for better profits, quite normal and accepted elsewhere as good business practice, take on peculiar overtones when sales of essential health care products are involved. The consent of more and more profits from the miseries of the sick, the aged, and the malnourished segment of the population seems to run counter to the swelling trend toward State-supported medicine. If the Government takes over the responsibility of ameliorating or improving the health of a large part of the Nation, this should not result in enriching beyond normal levels at the very most those who participate in the job. Expenditures for medicine by tax-supported Government agencies bring with them strong pressures, both sociological and economic, for the avoidance of profiteering, waste, and misappropriation. The latter two pitfalls are the responsibility of those who administer the program—the first is the prime responsibility of the supplier, in this instance the pharmaceutical manufacturer. Until and unless he sees this clearly, the threat of Government-imposed profit regulations will always be imminent. Profit objectives must be made subordinate to productivity objectives.

Senator NELSON. Some of the testimony we have had from the industry, and other statements made by members of the industry and the medical profession have asserted that in order to attract capital for the purposes of expansion and for research, these higher profit rates are necessary because of the great risk and so forth. Do you have any comment about that?

Mr. SQUIBB. I commented on risk in my earlier paper. I do not feel that the pharmaceutical industry itself, under the definition of the word "risk," as I understand it, is a risky business. It is a profitable business, one in which most of the large companies have been long engaged and have many years of profit history behind them. While it is true that a given product in their structure may come and go and may often be relatively short-lived, their financial risk, it seems to me, in my experience, has been very little in the pharmaceutical business.

A well-managed pharmaceutical company is as good an investment, as good a place to put your hard-earned dollars, as safe a spot as any I know of. I do not think that there is a risk involved here in terms of what is commonly thought of as a risky speculative sort of a business. The drug business is not.

Senator NELSON. I have one other question I intended to ask some time back. Although it is not directly related to the context of your present statement, I would like to ask it here.

The committee staff has gathered statistics on prices of a number of drug products manufactured in this country and sold in foreign countries. We have found by checking through the State Department and the embassies in a number of European countries as well as Latin America and others that it is quite common for the price charged in the marketplace here to be anywhere from 50 percent higher to twice as high or even 10 times as high as a price charged by the same company for the same product in Paris, London, Berne, Switzerland, Rome and elsewhere.

I have not been able to get an explanation that is satisfactory to me as to why that differential—why the manufacturer of a drug here, ships it overseas, and charges a lower price abroad. What justification is there for charging a lower price to people in foreign countries than charged to our own nationals?