

a very minor and even useless victory. Distribution costs of all kinds have to be weighed—their benefits and their burdens. The possibility that we are extending life today to a drug distribution pattern that should have been made obsolete long ago if not for the fear of outraging special interests should be given real objective consideration in the light of today's requirements, not those of a general or more ago.

Among the approaches that could be taken by Government to the pharmaceutical industry is that of the public utility concept by which operations and profits are subject to close scrutiny and regulation as are those of electric and telephone companies, and common carriers. Here rates are subject to approval by Government commission, and profits controlled within generally approved limits. Price approval could similarly be given for drug products with the entire financial operation of the industry subject to review and control to establish levels of performance. This is a most drastic alternative to possible reforms, but one which is by means unrealistic or inconceivable.

Thirty-five years ago these words were published:

The manufacture and distribution of medicines, because of their intimate relation to the health and welfare of a community or nation, partake of the nature of public utilities. In view of the shifting of control from professional to financial hands, manifested by recent developments in the drug industry, the public interest may require "regulation" of the industry, through the guarantee of a fair return to investors and the limitation of prices to be charged to consumers.¹

They are even more applicable today.

Senator NELSON. Who said that and where was that published?

Mr. SQUIBB. That was published in a book by the University of Chicago Press, "The Cost of Medicine" by Dr. Fischelis and Dr. Rorem in 1932, analyzing the costs of medicine at that time which were certainly an entirely different situation than the bedrock costs today. Yet they saw this problem of special responsibility for an industry which at that time was just a fraction in terms of the sales dollar of what it is today.

Senator NELSON. What is the total drug sales today?

Mr. SQUIBB. Well, the prescription sales in 1932 were probably one-twentieth of what they are today.

Senator NELSON. What are they today?

Mr. SQUIBB. They are \$2 billion or some such figure, and the figure back in 1932 might have been \$30 million at the most. It is one of the most astonishing growths in industrial history. The impact of this growth of the prescription business in this country since the war, since 1950 really, is the thing that has brought to the industry all of its headaches. It is inevitable when you become very important in terms of dollar volume that new regulatory problems be picked up, and yet the industry does not always appreciate this. I think this is interesting that way back in 1932, 30-some years ago, two men looking at the industry from a philosophical point of view arrived at this particular conclusion.

These are some of the principal approaches governments can and should consider to the problem of drug pricing. The extent that any of them are necessary depends upon the immediate reaction of the

¹ "The Costs of Medicines," by C. Rufus Rorem and Robert P. Fischelis, pp. 233-234.