

in the New York City area, including New Jersey, with its type of pressures and the type of area we have there, I think it is a major problem. There have been many recent examples of stolen goods and substandard goods, in and around New York, to indicate a very substantial activity of this sort. But I think it probably diminishes as you move away from New York City. It is probably a major problem in Chicago. I am sure it is in Los Angeles, but in small areas it is not.

Senator NELSON. Is it more of a problem to a brand name firm than a nonbrand name company?

Mr. SQUIBB. Yes, it is more of a problem to a brand name.

Senator NELSON. Why is it more of a problem there?

Mr. SQUIBB. Well, in the first place he is probably the target, the brand name man.

Senator NELSON. Pardon?

Mr. SQUIBB. The brand name man is probably the target of the black market medicines, as they generally are counterfeits of a given brand name in a pre-established market or it is an imitation of it or it is some stolen goods of the brand name, or it is some kind of a deception practiced on a brand name. Therefore the man with the brand name product has to take leadership in this. Nobody is trying to imitate a generic product. They could not have the monetary rewards from imitating a generic phenobarbital that they get from Luminal, the brand name product. I think the misrepresentation in this area is a direct attack on a brand name product which is producing a sales and price level which is worth while for the criminal to submit his own product.

Mr. GROSSMAN. Mr. Squibb, I would like to ask you first of all as to your concept of treating the industry as a public utility, do I take it that you would advocate this if they did not take steps, corrective steps, or do you advocate it at this time?

Mr. SQUIBB. No, I do not advocate it at this time. Obviously this is the last resort to be imposed upon an irresponsible industry which shows that it cannot police itself. I do not advocate it. I would be very dismayed if that were necessary.

Mr. GROSSMAN. What would be the methods short of using this public utility concept that you would advocate now?

Mr. SQUIBB. I think that the industry has to restore its reputation among the general public and among the legislative bodies, Congress, State and Federal, that it is operating within reasonably normal economic limits. It has a sense of responsibility which I have tried to stress through my presentation here, and I believe it can do that.

Mr. GROSSMAN. I do not know, I presume you are aware that the FTC has just published new figures which show that the drug industry is now the No. 1 industry in terms of profit.

Mr. SQUIBB. Yes, I saw that. It was in the paper, I believe, yesterday in the New York Times.

Mr. GROSSMAN. It now surpasses the automobile industry.

Mr. SQUIBB. Yes. In 1966, drugs are the most profitable industry. I think this will probably be an occasion of congratulations internally in the industry, "We are really going great and stockholders will like this," and all kinds of things and the Wall Street analysts will greet this and the stock will turn up. I think that our problem is what this