

justifiable. Since the assertion is continuously made, it would be helpful to the committee if the economists could place before us a genuinely convincing case to prove the claim.

Mr. CUTLER. That is just what we hope to try to do, Mr. Chairman.

Senator NELSON. Well, I don't know whether you are the one to respond to this. If not I would want to ask one of the later economists.

Last week we had as a witness Mr. George Squibb, former vice president of the E. R. Squibb Co., now a consultant to the Squibb Co., with 30 years of experience in the company. On this question he states:

The industry cannot cite its risk from the uncertainty of research results or from product obsolescence as the reason for the price differential—for some of it no doubt, but not much because year after year the profits of the industry are far above the average for other major industries, and currently appear to be improving rather than worsening. The risks of the pharmaceutical business seems to those outside it to be pretty ephemeral in view of the impressive profit performances of the last two decades. Indeed, it is the consensus of the industry's critics that more risk is needed to make it more sensitive to the normal influences of competition.

Then I asked a question of Mr. Squibb:

My I interrupt at this moment? Some of the testimony we have had from the industry, statements from the industry and the medical profession, as a matter of fact, have asserted that in order to attract capital for the purposes of expansion and for research these high profit rates are necessary because of the great risk and so forth. Do you have any comment about that?

Mr. SQUIBB. In terms of risk, I commented on risk earlier 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 companies have long engaged, and most of the companies have many years of profit history behind them. And while it is true a given product in their structure may come and go, or be relatively short-lived, however the risk, the financial risk, it seems to me in my experience, has been very little in the pharmaceutical business. A well-managed pharmaceutical company has as good an investment, is as good a place to put your hard-earned dollars, as safe a spot as any I know. I do not think there is a risk involved here. In terms of what is commonly thought of as a risky speculative sort of business, the drug business is not.

Here is a rather clear, sharp statement about a distinguished member of the pharmaceutical manufacturing industry.

Dr. COOTNER. That is certainly an empirical proposition and I am sure it is really going to be a matter of whether Mr. Squibb or the witnesses who are going to discuss this question here are more convincing to you.

I don't necessarily think just because somebody has been in an industry he necessarily is more convincing than an economist, but that is perhaps because I am an economist and not a member of industry.

Senator NELSON. I will buy that because a lot of people in the industry don't think anybody outside of it is qualified to comment on it. If we will both agree that those outside are qualified to comment as well as those inside I will accept that. You do not wish to respond to that?

Dr. COOTNER. I think, I am in no—

Senator NELSON. Fine.

I didn't know whether somebody else would.

Just out of curiosity, as a former member of the Henry George Society, what is the Econometric Society? Is that a group of economists, professional economists of a special kind?