loads of very fine highway construction outfits with a long, long stable history in every State in this Union—highly profitable, highly successful. But if you took a look at that industry as a whole, you would have to, I would think, by your measurement or any other measurement, say it is a high-risk industry. A lot of people get into it who do not belong there. But it is not a high risk for the people who have the capital and the knowhow and get into the business. Now, how do you evaluate that factor?

Mr. CONRAD. One point I would like to make is that we hope to show by the testimony that will follow now that in the drug industry, at the point we are at, regardless of performance in the past, the firms, the highly successful firms, are subject to a set of risks which could put them into a great deal of trouble.

Senator NELSON. A set of risks that are not common to or comparable with other types of risks, in many other industries?

Mr. CONRAD. Correct. They are somewhat, in some sense, peculiar to the pharmaceutical industry. Those firms, large or small, successful or unsuccessful, are all subject to these same risks in the pharmaceutical industry.

Senator NELSON. I read the list of factors—some seven of them, I believe, that you list——

Mr. CONRAD. Five, I think.

Senator NELSON. Well, whatever it is.

But anyway, I did not see anything in your evaluation. You listed what you considered to be peculiar risks, some of which, when we get to them, I have doubts about whether they are peculiar risks. I think they are a security factor in the industry. But did you consider other factors of special insurance, so to speak, in the marketplace that no other industry has when you made this evaluation? Such as the fact that a drug established after 17 years in the marketplace, with its patents, still continues to hold a high volume selling at several times the cost of comparable drugs? Did you consider that protective factor which is not found, to my knowledge, in any other product area in the marketplace in this country? Did you consider that?

Mr. CONRAD. We did and we will address ourselves to that.

Mr. CUTLER. Sir, if we could go to Mr. Conrad's and Professor Markham's paper right now, I think these questions are germane to that paper.

Senator NELSON. All right, but before we do, the biographical sketches of these gentlemen will be inserted in the record at this point.

(The biographical material follows:)

BIOGRAPHICAL SKETCH OF JESSE W. MARKHAM, PH. D.

Present position: Professor of Economics, Princeton University.

Education: A.B., University of Richmond, 1941; A.M., Harvard University, 1947; and Ph. D. Harvard University, 1947.

Professional experience:

Has served on the faculty of Vanderbilt University, Harvard University and Princeton University.

Acting Director and then director of the Federal Trade Commission, Bureau of Economics, 1953–55.

Has acted as consultant to the Federal Communications Commission, the Brookings Institution, the U.S. Department of Justice, the Tennessee Valley Authority and the Office of the Special Representative on Trade Negotiations.

Participant in a Ford Foundation inter-research program on the economics of technological change and economic growth.