

Dr. MARKHAM. Oh, considerably greater. I happen to have followed rather closely the steering defect in Mustang. It does not affect the market at all. What you do do is you incur some, the dealer or the manufacturer—I am not so sure how they share it—you call in to have this particular problem corrected right away. This does not happen in the case of drugs. You cannot just call in the thousand bottles of pills that you sold and say, we will try to correct this. It just does not happen that way. It is not a mechanical defect, in other words, Senator, that you can take the current output in inventory and say, well, we incur some slight expense to eliminate this particular risk.

Senator NELSON. Do you know how many cars were recalled last year?

Dr. MARKHAM. No, sir; I do not. A substantial number. But I would say that is not the same kind of risk at all. I happened to take one back myself.

Senator NELSON. I do not have the figure on costs, because I do not know if it is available. But there were over 4 million cars recalled in 1 year's time. I assume—maybe Mr. Cutler would have an answer to that, too—I assume the manufacturer pays the dealer for handling that aspect.

Mr. CUTLER. Just from memory on this, I am not sure of the 4 million figure, but in any event, a figure of that magnitude is the number of cars that had to be inspected to determine whether they might contain the particular defect. The number that contained the particular defect that had to be repaired was far smaller.

Senator NELSON. Correct.

Mr. CUTLER. That is a part of the warranty cost that every company incurs and factors into its pricing. Compared to the removal from the market of a product such as MER-29, or a decision such as in the case of meprobramate that it will be subjected to drug abuse, the effect of the latter restrictions would be far greater. In any event, we concede that the automobile is a very high risk industry, with almost the identical rate of return as this industry.

Senator NELSON. Go ahead.

Dr. MARKHAM (reading). 5. The development of quality control problem which necessitates withdrawal of a product from the market until the problem is traced and alleviated.

I offer as just an example, Cutter's polio vaccine.

This list of risks is only illustrative and we make no pretense that it is complete. Moreover, we do not mean to suggest that other industries do not confront risks. The study just presented to you provides abundant evidence that American manufacturing industries confront varying degrees of risks and that these risks are strongly correlated with profitability.

Our study of individual pharmaceutical manufacturer's experience reveals that these risks are not simply potential but that most have in fact materialized in recent years. We can provide illustrations in sufficient numbers to support this point should the committee wish us to cite them.

The most important issue to which Mr. Conrad's and my study is directed, however, is not the frequency with which such risks actually materialize, but the magnitude of the loss in profits and revenues the