

Dr. MARKHAM. But you cannot read that table without concluding that it has taken Cutter a very long time indeed to recover from that particular incident and they are not back yet to where they were just before it happened.

Senator NELSON. I am not sure that this is the real factor involved. The first year after it happened they went down from 16.8 to 5.5, but the next year they were up to 13.7.

Dr. MARKHAM. You are omitting 1 year. They went from plus 16 to minus 17.

Senator NELSON. Oh, I see. Then they went up to a plus 13 2 years later. Figures are figures. I do not know what that proves. I do not even know how much they had invested in polio vaccine and what other factors might have been involved. All I am saying is that sure, it is true that if a company has a lot of products and they each represent only a small percentage of sales and one gets knocked out, that is not going to be a substantial loss. Then you go on to say if a firm has only one or two products and one gets knocked out, it is catastrophic.

You have presented 29 companies here. They are manufacturing, according to Mr. Cutler's educated guess, 75 to 80 percent of all the perscription drugs in America. So they are the ones who are the biggest in the marketplace. Can you show me any of those, anything significant among several of those 29 that indicates the kind of risks you are talking about that has seriously damaged them?

Dr. MARKHAM. If you are asking me as a professional economist, I have a difficult time putting myself in the position of president of Cutter in the year 1955. But as an economist standing on the sideline, I have no difficulty whatsoever being impressed with a firm who goes from plus 16 percent rate of return on his equity to minus 17 percent because a product has encountered this risk. It seems to me fairly evident on its face. I do not need to look much beyond that.

Senator NELSON. Let me ask you the question, who are you impressed as an economist with what happened between 1950 and 2 years later, 1952, when they went from 19 percent to 3.2 and the drop did not involve polio vaccine at all?

Dr. MARKHAM. That may be very true. I have not examined to see what caused that drop in rate of return. I am impressed also with that decline in the rate of return.

Senator NELSON. How do you know that the decline to minus 16.55 had anything to do with polio vaccine if you cannot explain to me what caused them to go from 9.5 to whatever in a 2-year period?

Dr. MARKHAM. I made this statement earlier, Senator, I make it again: I have not traced through the sales of any one of these products into the revenue accounts of these firms. The timing here is so close with the problem of the polio vaccine, I think the reasonable inference is that that was one of the risks that the firm encountered in the year 1955.

I have also made it clear I have not tried to catalog every single risk that Cutter or any other pharmaceutical firm might encounter. It is perfectly possible that a confluence of all five, seven, or 10 major risks tended to drive its rate of return from 20 down to 3 percent over the previous time that you have indicated. I have not studied that.

Senator NELSON. So as a scholar, maybe you would recognize that the same factors were at work in 1955, when they dropped to minus