

profits might be concentrated in a certain product line. However, on the basis of the returns that we have, and bearing in mind that these are estimates, pretty largely made by adjusting the impact of, say, the withdrawal of a product on gross revenues or on gross margins, it does turn out that in the limited number of returns we have already received, it is not unusual to find that 50 percent of the estimated profitability of a firm is accounted for by its leading product in any one of these 3 years. And it is equally not unusual to find that the top two leading products often account for as much as, say, 65 to 70 percent of the estimated profit of the firm. This is only an arithmetic way of saying that sales are not distributed over a wide range of products so that any one of them happening to encounter any of these risks, the revenue impact would be slight. The fact is that they are concentrated and when a leading product, if and when it does encounter one of these risks, the firm is at least vulnerable to a very significant shrinkage in its profit or revenue, and this, therefore, seems to us to add up to some reinforcement of the possible quantitative impact of these potential risks.

Senator NELSON. Looking at your comments on page 2, we discussed at some length the five items listed as peculiar, or somewhat peculiar, as you put it, to the drug industry.

Then, in the middle of the page, you state:

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.

That is what I was asking you a while back. Can you provide these instances or are these the ones that have not materialized?

Dr. MARKHAM. Yes, sir; we are compiling lists of some of these. I gave you some examples—or at least one example—of each of the five as we went through. I am certain that we can provide you with, in case you are interested in them, a much more complete list than this.

Senator NELSON. Well, that is entirely up to you. I would say quite frankly, with what you have presented, the record is not convincing. The record does not, in my judgment, as an ordinary lawyer, contain specific items sufficient to support the five assertions you make. It just does not.

Now, you do not even have to be a lawyer to conclude that. If you want to prove your case, I think you have to come in with a pattern such that you use to prove any situation. You would have to come in with evidence that proves the case that these five characteristics are, as you put it, somewhat peculiar to the industry and that they have had adverse effects that makes this industry a risk industry in order to develop a substantial case. Otherwise, quite frankly, I do not believe it and I do not think anybody else reading the record will. You say you can provide illustrations in a sufficient number to prove the point should the committee wish you to cite them.

Then you tell us, if I understand you correctly, that you really do not have them yet. The drug industry has argued those five points for years, so anybody could have discovered them. But the drug industry