

If you look at the period from 1949 to 1960, the BLS index is practically stationary, whereas the PMA index declined almost continuously.

From 1961 on, the BLS index showed a decline and the PMA index continued to move downward as it had to that date. There is a comparison made in the last two columns of the movement since 1961, you can see from this that the BLS index declined to 94.9 whereas the PMA went down only to 95.8.

Mr. GORDON. Looking at page 10-A, we see that all of the drug prices fell over the years. There are large drops in the early 1940's and 1950's.

Dr. FIRESTONE. Yes.

Mr. GORDON. Do these drops account for the full decrease which occurred between 1940 and 1949?

Dr. FIRESTONE. Not entirely. There are a few years in which the prices did rise.

Mr. GORDON. I am talking about the decline.

Dr. FIRESTONE. Well, there have been declines in practically every year but the last four.

Mr. GORDON. They account for most of the declines, do they not?

Dr. FIRESTONE. Yes.

Mr. GORDON. Now, it is my understanding that the late 1940 and early 1950 drops are accounted for by the price drops in penicillin in the early forms and the early forms of steroid hormones which are unpatented or at least freely available and can be supplied and sold by many firms.

Is that a fair statement?

Dr. FIRESTONE. No, sir, it is not, because a little further on I discuss a patented and nonpatented index. You will find the index on the nonpatented products show practically no change, whereas the patented index accounts for practically all of the change in prices.

Mr. GORDON. You say the drop in penicillin prices has nothing to do with these drops?

Dr. FIRESTONE. I did not say that. I said the drop in penicillin prices was at a time when penicillin was still under patent protection.

Mr. GORDON. Penicillin was never under patent protection. The Government owned the patent on that, sir. Maybe that is why that index of yours on patented products shows a decline.

Dr. FIRESTONE. Yes, but some forms of penicillin did carry some form of patent protection based on developments of the companies that produced these products.

Mr. GORDON. But when did they come out? They were marketed fairly recently, were they not?

Dr. FIRESTONE. No, this goes back into the 1940's.

Mr. GORDON. Penicillin G was not patented. It was freely available. The U.S. Government developed and patented the fermentation process used in its manufacture. The patents were put in the public domain.

Dr. FIRESTONE. The information I have is that these are covered by patents.

Mr. GORDON. We will come to that.

Dr. FIRESTONE. We come to page 11.

Before detailing the construction of the PMA Wholesale Price Index of Ethical Pharmaceuticals, I should like to state that I have