

Mr. GROSSMAN. In other words, if we were to regulate the drug industry, you would be able to say assuredly that we would have a serious diminution of investment, is that correct?

Dr. WHITNEY. Yes, if you reduce their profits, you certainly will. They are the No. 1 industry in profits, in my opinion, over the last 17 or 18 years. The FTC just reported that the other day. Although they have been criticized this morning or this afternoon, still they have issued that, and they have been the No. 1 industry in attracting capital.

Mr. GROSSMAN. I do not pose to be an economist, but I wonder, on page 2 also, whether you really believe—you said “Adam Smith spoke of ‘an invisible hand’ by which the search for profit leads to the general good, and also wisely said that we expect our dinners from the self-interest, not the benevolence of butchers and bakers.” Do you still believe that?

Dr. WHITNEY. Did you understand how I explained that? I will give it to you again in different words. A higher profit, where consumer demand is greater, attracts capital into making that product and selling to consumers. Thus the consumer gets what he wants. Now, is it clear?

Mr. GROSSMAN. He gets what he wants. He gets it at a better price, you would say?

Dr. WHITNEY. The only alternative is to have perhaps the Government make the thing. Under a free system—we have found that a free system works well. Under our free market system, he gets it by paying enough to induce the capital to go in. He pays more where he wants the product most.

Mr. GROSSMAN. I take it you would agree with, I think, Mr. Plotkin, who said earlier that the FTC reports give an improper image to the profits of the drug industry?

Dr. WHITNEY. Oh, no. I am not saying that. I did not understand all of the argument to and fro, because some of it was put forth in a low voice. I do not want to be in the position of criticizing the FTC report.

Mr. GROSSMAN. In other words, they say the drug industry is the most profitable industry.

Dr. WHITNEY. Their figures show the year 1966, the latest figures, that this is the most profitable. I ran that back a few years and found that compressors and pumps and the auto industry, were running along on that level, too.

Mr. GROSSMAN. You say on page 3 that new capital will avoid an area with the continuing risks of this industry. Can you tell me where you see the continuing risks? I know we have heard from other people where they see continuing risks, but I wanted to get your opinion.

In other words, an industry that has made money over the last 16 years, where are the continuing risks? When does a risk become a contingency and when does a contingency become so infinitesimal that we are talking about a straw in the wind?

Dr. WHITNEY. It is that straw, whatever it is, that has kept people like me from investing in the drug industry. We are afraid that although science in the last 20 years has discovered wonderful new drugs, it may not do it for the next 20 years. I can go on from that, but that will be one point.