as compared to the cost of supplying the other, assuming both are operating in the same market, the answer is probably no. Probably the companies would have to charge substantially higher prices to hospitals and to the Government, and perhaps a little bit lower prices to pharmacies in order to average out if the Robinson-Patman Act applied to sales to hospitals and to the Government. If Congress thinks that is what ought to be done, let the Congress do it and the companies will comply with that.

I assume no one here is suggesting we should raise the price to hospitals and to the Government. The implication seems to be that we ought to bring down the pharmacy prices to hospital and Government level. If we did that, these figures you have before you conclusively demonstrate that for companies earning 18 percent, if they reduce their prices by two-thirds on 70 percent of their business, they would be out of business. There is no answer for that that I know of.

Senator NELSON. Go ahead.

Dr. WHITNEY. I first want to make one personal statement about Mr. Grossman's first having said that I have shown all the way through this interest in the investor. I am not an investor. I am not such a quixotic person as to want to help the investor in drugs. I have never been one of them. My first interest is in the health of the public. My interest in this industry is as a tool to that end.

3. Although a case can be made for various special provisions for low-income persons with heavy outlays on drugs, no case can be made for helping them by reducing the prices to everyone. Milk is not sold at a cut price to all so that low-income groups can afford more of this healthy food.

Senator NELSON. Just as an aside, I might say that in the school lunch program, it is sold at a low price to everybody, for 3 cents a glass.

Dr. WHITNEY. To make that relevant, to all schoolchildren. You would not want to put that to the whole population, I take it?

Senator NELSON. No, just to schoolchildren. I just wanted to point that out.

Dr. WHITNEY. How many dollars and cents would be saved by consumers if the industry's earnings could be brought down to average without damaging production incentives? I have seen nothing specific on this from industry critics.

Let us look at profit figures for 1966. The FTC–SEC reports earnings before income taxes on stockholders' equity for all manufacturing as 61 percent of those for drugs. The drug profit margin—also before taxes but on sales, not equity—was 19.7 cents per dollar. Sixty-one percent of this would mean a return on equity equal to that of all manufacturing, but the price would be brought down only 7.7 of the 19.7 cents. Now drug manufacturers received perhaps $1.4 billion of the $3.05 billion in prescriptions dispensed by community pharmacies. Reducing this $1.4 billion by the 7.7 percent would bring revenues down $108 million. This is 10.8 cents in $3.05, or 12.4 cents in a typical $3.50 prescription.

Some critics lightly assume that the pharmacist will reduce his selling price by the same percentage that his acquisition cost falls. Certainly under the professional fee system this does not happen.

This is not all. First, someone will have to make up the corporate income tax payments lost and the money now being reinvested by