

And there are new publishing companies in the field all the time. I know of one within the last 6 months. Is it so difficult to enter the publishing field?

Dr. MUELLER. I think we would have to make a distinction here. These are the profits of leading concerns which Arthur D. Little have included, and it is hard to enter, I would say, magazine publishing and make a profit return comparable to Time and Look and the others in the industry that have a very strong position. If you write a book, you can find someone who will publish it for you. You would not very likely end up with these industry leaders, however.

Senator SCOTT. Over the last 20 years, perhaps the easiest industry to get in has been the radio broadcasting industry, as an example. Would your parallels apply to this? Because if they do, it is some sort of a criticism of the Federal Communications Commission, it seems to me.

Dr. MUELLER. I would not want to be in the position of being up here criticizing another regulatory agency. I would rather be criticizing my own bureau, which I know best. And we all can stand some criticism, I am sure.

But, again, I think what this measure that I am referring to here, the product differentiation entry barrier, captures the fact that the industry leaders that have a very strong position—say the networks. I do not have the numbers with me, but I looked at them in making this analysis. You have something comparable to automobiles where you have very strong firms at the top of the heap which earn persistently high profits, and then you have a range coming down to the weaker ones, and then there are a large number of firms which are making rather modest profits. I simply took the Arthur D. Little data, which showed profits for leading firms essentially and not for all firms in the industry. It is completely consistent with this analysis to find a number of enterprises which have very strong positions because of product differentiation. In drugs a number of enterprises can enter the easy-entry part of the business, say, producing penicillin under a generic name. Here you do not make much money because it is extremely competitive.

Senator SCOTT. You have said that the concentration of the drug industry is high because of the patent privilege. Would you suggest to the committee an alternative to the existent patent policy?

Dr. MUELLER. I am not up here today making any such suggestion on patent policy. I might say on that point, after listening to the testimony of Professor Markham and several of his colleagues last month, in which they spoke of the short-life cycle of drugs, one might draw the inference that 17 years is an extremely long period to enjoy the patent privilege in this industry.

Senator SCOTT. Because if they were testifying before the Patent Committee their life cycle might grow longer.

Dr. MUELLER. I expect they might have.

In the case of specific drugs, such as tetracycline with which I am somewhat familiar, the patent privilege is still valuable, even though it has only a few years to run.