I thank the members of this committee for affording me the opportunity of presenting to them some of the salient aspects of my studies of the operation of this industry.

First, let me speak to what the economist calls industry performance—a concept of many facets, but one that essentially deals with the effectiveness with which the industry, in its operations, serves the goals of society. Industry performance thus deals with such matters as technological progress, the development of new products, changes in production levels to correspond to changes in the pattern and size of consumer demand, the efficiency with which development, manufacture, and marketing are done, and the reasonableness of prices charged consumers.

The different dimensions of performance in the ethical drug industry fall under two headings—"product performance" and "market performance." Product performance may be measured by such things as (a) the magnitude and quality of the industry's effort to develop new and better products, (b) the tangible results of this effort, i.e., the number of discoveries and new products flowing from research and development, and (c) the human and economic impact—better health, longer life, and greater productivity—resulting from these tangible results of industry research and development.

In this regard, it is apparent that the drug industry is a highly research conscious industry, in basic research as well as in applied research and development. It has made available to the public over the years a large number of new and better products; and these products, together with advances in other areas of health, have had dramatic impact on our mortality rates, our longevity, and on our general well-being. Many dangerous illnesses have been brought under control; much of the discomfort and even the hopelessness of illness have been checked. The drug industry, along with other sectors of the health industries, deserve credit for the contributions it has made in this respect.

But the record also shows clearly that the product performance of the industry needs qualification and contains serious flaws. A number of authorities have demonstrated that the research performance of the industry is exaggerated by industry officials so as to justify the very large profits of the large drug firms (an illogical argument, by the way). Furthermore, the R. & D. performance is quite small compared to the promotional and advertising outlay, which generally runs four times as large. Beyond questioning its magnitude, critics have contended convincingly that much of the research is imitative, wasteful, and aimed at patent procurement rather than progress. Further, many of the so-called "new drugs" coming to market represent duplications of existing drugs, combinations of drugs representing no therapeutic improvement over their components taken separately, or new items that are the result of molecule manipulation rather than substantive therapeutic advancement. We have heard or seen cases of ineffective drugs, harmful drugs, drugs without adequate warnings, dangerous drugs coming to the market as part of the "new drug flow" for which the industry claims credit.

Senator Nelson. May I interrupt a moment?

Dr. Schifrin. Yes, sir.