

Mr. GROSSMAN. Do you think it will also help if the larger firms will cut down on its advertising?

Dr. SCHIFRIN. Definitely, because you will not be advertising a trade name trying to make it seem something different from other products with generic equivalency.

Mr. GROSSMAN. So a lot of wasted effort is cut down?

Dr. SCHIFRIN. Right.

If you could eliminate the waste, it would reflect on the consumers in two ways: They would either pay less for what they get or get more for what they pay.

Senator NELSON. I thank you very much.

We will take a 5-minute recess and then hear Dr. Steele.

(Recess.)

Senator NELSON. Our next witness is Dr. Henry Steele, professor of economics at the University of Houston, Houston, Tex., and an economist with very distinguished credentials.

We appreciate very much your coming to testify today, Dr. Steele. You have presented to the committee a very detailed and well-prepared analysis of testimony given by the economists representing the Pharmaceutical Manufacturers Association before this committee as well as additional material. You may present this material in anyway you see fit. All of your statement, as well as your critique of the presentations of the economists for the PMA will be printed in full in the record.

You may present your material in any way you see fit.

**STATEMENT OF HENRY B. STEELE, PH. D., ASSOCIATE PROFESSOR
OF ECONOMICS, UNIVERSITY OF HOUSTON, HOUSTON, TEX.**

Dr. STEELE. Thank you, Senator Nelson.

I would like to read the first half dozen pages or so from my major statement and then turn to the supplemental statement commenting on the PMA presentations, if I may.

I greatly appreciate the privilege of being invited to make this statement before this subcommittee, and it is my hope that the information which I am able to present will be of some use to you in your deliberations regarding the vitally important economic problems arising out of the market context within which the drug industry operates.

I am an academic economist with major research interests in industrial organization and the regulation of industry, and have done much work in the area of medical economics and drug industry regulation.

I received my Ph. D. degree in industrial economics from MIT in 1957, and since then have been engaged in teaching and research, as well as in consulting for private firms, U.S. Government agencies, and foreign governments. At present I am an associate professor of economic at the University of Houston. My research in the drug industry has continued over the last 7 years, and I have written three articles on drug industry economics and regulation and coauthored two articles on the supply and distribution of physicians' services, all of which have appeared in professional economics journals.

In March 1965, I presented a paper on drug industry regulation before the University of Illinois Medical School at the invitation of