why drug firms spend so much on detailmen is because of their peculiar ability to disparage, with relative impunity, quality of the products of the low-priced generic firms. The conscientious physician is naturally vulnerable to having his confidence in low-priced drugs undermined by such disparagement since he is personally not in a position to evaluate the relative quality of drugs. Whenever a buyer lacks full information on the nature of the product at the time of purchase selling efforts take on some of the coloration of a "confidence game" where the buyer is induced to take the seller's word for it that his product is better than his rivals'. It is suggested that to be unknown is to be suspect in the drug industry, and that it is common knowledge that most generic drugs are subpotent, adulterated, etc., and may even be made by counterfeiters. Thus the physician may be induced to equate low price with low quality and hence shun generic prescribing. Hence drugs priced 90% below the market may account for less than 10% of all sales. For these reasons there is no other industry in existence where the disparagement of the quality of lower priced products can so completely substitute for price competition.

Is there any substance to this disparagement? There should be very little reason to suppose that low price need be associated with low quality. If anything, doctors should be more hesitant to prescribe by brand name, since counterfeiters (who make more on $100 bills than on nickels and dimes) naturally specialize in the high-priced brand name drugs. As far as economic motivations to save costs by cutting corners are concerned, these should be minimal in drugs. The strength of the positive motivation—cost reductions—is relatively small, since neither the costs of quality control nor of the active ingredient itself are particularly large components of total cost. For a major firm, quality control costs seem to range from about one to three percent of the sales dollar, and although the figure would probably be higher for a small firm, it should still not be a controlling factor in costs. And while official compendia specify a certain range of allowable variation for drug potency, the typical range is only about 90 to 110 percent. But since the cost of the active ingredient in a given drug is usually only a minor part of total cost, the cost saved by orienting the production process to produce an average content of 90 percent of stated label potency would save at most only 10 percent of this cost. Furthermore, it would inevitably mean the production of a number of substandard drugs and would expose the firm to punitive actions by the FDA. This brings up the negative aspect the deterrents to substandard performance. Both generic drugs and their brand-name equivalents must meet official standards specified in drug compendia. Experts have testified that there is no therapy gain to be achieved by producing to purity standards "exceeding official" "minimum" standards. The products of all producers are held to the same inspection standards, and a small firm will be even more strongly motivated than a large firm to conform to the regulations since the impact of a given fine will be much more disruptive to its finances.

Brand name firms have alleged that there is no therapeutic equivalency even among drugs which satisfy the requirements of official compendia. I sympathize with such witnesses as Dr. Solomon Garb, who professes to find this sort of argument both elusive and baffling.[24] I respect Dr. Garb's opinion and share his suspicion that the differences are trivial and that they cannot be meaningfully specified. It is very hard to follow drug industry arguments which suggest that because no two drugs, or capsules, are absolutely identical, that one should buy brand names and shun generic names. The emphasis on the unique nature of each pill is reminiscent of the philosophical doctrine of nomanilism, which implies that no generalizations are possible since everything is in a unique category by itself. I submit that drug firms are more pragmatic than nominalistic in their serious moments.

The most authoritative testimony of this point would appear to have been given by Dr. Lloyd Miller, Director of Revision of the United States Pharmacopeial Convention, before this Subcommittee, in stating that "there are not

[24] Dr. Garb expressed himself as follows: "It seems to me that if any group of drug manufacturers wish to use the argument that their brand name drugs are better because of certain differences, and that the doctor knows what these differences are, they should show how the doctor finds out these differences . . . I think the differences are trivial, but my point is I do not know that they are trivial, because I cannot find out why they are. I have never been able to find out what the difference is between one brand of the drug and another brand of the drug." *Competitive Problems in the Drug Industry, op. cit.*, Part 2, p. 545.