by forming their own wholesale supply agency, on a cooperative or other basis, they can integrate backward and buy directly from the factory. Hence the independent wholesaler must meet the test of a competitive market, and provide efficient, reasonably-priced services, or find himself by-passed. If all stages of the drug industry were similarly competitive, there would probably be considerably fewer complaints about drug prices.

But at the retail level the pressures of competition do not work as beneficially, and more inefficiencies and impediments to the proper allocation of resources are present. Some inefficiencies are probably traceable, at least in part, to certain of the tactics of drug makers designed to maximize profits at the manufacturer's level: the proliferation of branded products, combinations, dosage forms, etc. which increase the druggists inventory costs; the liberal distribution of free samples to physicians, which probably reduces average retailer drug turnover rates; the economically more complex question of the "discriminatorily" low prices made to large-volume non-profit buyers, which again probably reduces drug turnover rates; and possibly certain aspects of policy on returns of unsold or outdated drugs. But certain of these marketing policies are not without costs to the drug companies as well as the druggists, and it is probably unwarranted to impute any primary hostility on the part of the drug makers toward their retailers. But certain inefficiencies have also been forced upon druggists by the actions of their own spokesmen and trade associations. The National Association of Retail Druggists, for example, was certainly the prime mover in facilitating adoption of the so-called "fair-trade" laws by state after state in the 1930's.[20] And yet although these laws prevented or greatly limited price competition for trademarked drugs, by enhancing the unit profit margins on these items, more dealers were induced to sell them, and the resulting increase in the number of sellers reduced turnover and earnings on these products. And druggists supported the passage of the Robinson-Patman Act, which prevents them from taking advantage of any possible cost savings available through obtaining supplies on competitive bid, and in other ways prevents the lower-cost distributor from benefitting commensurately from the potential economies in his operations.

From this, one might conclude that not all drug price problems originate at the manufacturer's level. The druggist's markup on the average prescription item is no doubt higher than it might be, but then his unit costs are also higher than they might be for many reasons, including those outlined above.

Clearly, the druggist has his problems. But the drug buyer has his problems, too. These include: (1) inability to purchase a low-price generic drug if he has been given a prescription for its brand name equivalent; (2) inability to shop around for the lowest available price on a prescription, regardless of its manner of specification, if the medication is needed quickly for treatment of an acute condition, or if the prescription holder is otherwise suffering marked distress pending the securing of his medication; (3) ignorance of the content of the prescription, in many cases, which can simply mean inability to decipher the prescriber's jargon, or lack of knowledge of the brand and/or generic name of the drug—either of which may give rise to collateral inabilities, such as (a) inability to determine whether or not a generic prescription was actually filled with a brand name equivalent, and (b) inability to determine whether a generic prescription actually filled as written was dispensed at the lowest generic price; (4) buyer ignorance or docility such that he does not even realize that the prescription form is his own property and does not have to be surrendered to the first pharmacist to whom it is presented—who may be the one whose name is on the prescription pad; (5) the frequently poor prospects for reasonable prices present even for the unusual buyer who does shop around for a low price, due to the tradition of hostility among most druggists toward price competition, and the way in which this tradition is fostered and buttressed by the inhospitable attitudes of pharmacy agencies toward price competition and the advertising of prescription prices, by the state "fair trade" laws, by the Robinson-Patman Act, and by still other influences.

How can greater efficiency be obtained in the retail distribution of drugs? The characteristics of an efficiently competitive retail drug market can be broadly outlined in a few sentences. All sellers should act quite independently with respect to pricing policies; no formal or informal arrangements which would facil-

[20] See, the example, Clair Wilcox, *Public Policies Toward Business*, Third Edition, 1966, pp. 707–710.