conditions the fact that specific drug therapy might be purchased. Two of the greatest drawbacks of sales promotion in drugs stem from these characteristics of demand. First, doctors may be oversold on a drug which is then overprescribed, often for minor conditions where it can do no good and may cause mischief. Although antibiotics are usually cited in this context, other drugs may also be overused and abuse is compounded when it is administered for chronic, rather than acute, conditions.[31] A second drawback, associated with the first, is that patients themselves often insist on unnecessary drug medication.

III. APPROPRIATE DIRECTIONS FOR PUBLIC POLICY

The difficulties involved in reducing prescription drug prices to reasonable levels can scarcely be exaggerated. There are four major parties to the typical prescription drug transaction: the drug maker, the physician, the druggist, and the patient. The only party with any direct interest in reducing drug prices is the patient, and he has by far the least bargaining power. In fact, at the time the transaction is made, his interest in low prices may usually be quite subordinate to his concern over his health. The major interests of the other parties in drug prices lies in different directions.

The drug corporation, whether large or small, has to maximize profits to keep the stockholders happy. The doctor's chief professional interest is in healing, and if he can be made to believe that quality of one drug is superior to that of another, he will be inclined to prescribe it regardless of price. His insensitivity to price is naturally increased by the fact that he does not pay for the medication he prescribes. But the doctor himself is also a business man and may not be entirely unconcerned with maximizing his own net income. It may help his reputation if he is always among the first to prescribe all the new drugs, and it may increase his prestige if he prescribes the higher priced drugs. And as an independent businessman in an age of "organization men," he may even admire the buccaneering tactics of the more flamboyant drug firms. Beyond that, he may well own stocks in one or more drug firms.[32] But whether he likes this or not, he is vitally affected as a practicing physician by the policies of the AMA, which since has in recent years received over half its revenues from the drug companies. Hence under present institutional circumstances, the average doctor has little direct interest in prescribin gthe lower price drugs and is contained within a professional environment which may discourage such tendencies as he may develop in that direction.

At the drug retailing level, druggists, like other dealers, resent price competition because although it is a good servant to the consumer, it is a harsh master to the producer. Druggists, however, are somewhat unusual among retailers in that they have been more active and more successful than the others in securing the passage of laws aimed at limiting price competition and protecting the interests of the existing group of competitors at the expense of the vigor of competition. This fact, in conjunction with the closed profession aspect of pharmacy suggests a relatively poor prognosis for the rapid development of price competition at the druggist level. Even so, the awareness that it is desirable to restrict competition, and even the presence of institutional arrangements which might be used to implement this awareness, do not necessarily combine to produce the hoped-for prosperity of the profession. As long as entry is reasonably possible, and unit profit margins high, low turnover and excess capacity are likely to develop and cancel out the advantages of high price levels.

A satisfactory solution to the problem of high drug prices must await the adoption of a series of related reforms which will alter marketing and prescribing

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[31] Professor Mark Nickerson of the University of Manitoba Medical School reported that the sales of adrenal steroids in the United States and Canada in 1960 was about $250,000,000, and commented: ". . . personally I feel that I am being very liberal when I say that fifty million of that was needed." *Report Concerning the Manufacture, Distribution, and Sale of Drugs,* Restrictive Trade Practices Commission, Department of Justice, Ottawa, 1963.

[32] Dr. Calvin Kunin of the University of Virginia School of Medicine submitted to this Subcommittee for inclusion in the record an article reporting on a survey among medical students, interns, and residents at the University of Virginia Medical Center. Six out of 73 owned stock in one or more drug firms, and 58 of the 67 non-stockholders stated their belief that such stocks were good investments. As these students and residents continue to pursue their careers and increase their affluence, it is likely that many of the favorably disposed non-stockholders will buy stocks. *Competitive Problems in the Drug Industry,* Part 2, p. 734.