practices and bring about price competition at both the manufacturing and retail levels. The elements of such a solution would include:

(1) Abolition of drug product patents and compulsory licensing of drug process patents at reasonable royalty rates.

(2) Outlawing of brand names for drugs, with the requirement that drugs be identified and hence advertised and sold only by use of the generic name(s) of the active ingredient(s) in conjunction with the company name of the seller.

(3) Provision of FDA with sufficient authority, staff, and funds to permit it to carry out a drug inspection program adequate not only to prevent the sale of substandard drugs but also the plausible insinuation of the possibility that substandard drugs might be on the market.

(4) Elimination of unnecessary barriers to entry of new drug firms into the industry. If a drug has been cleared for marketing as the result of adequate data compiled by one applicant, the same drug should be approved for marketing by any firm capable of producing the identical drug. Unnecessarily burdensome requirements by way of conducting studies which merely duplicate existing studies should not be imposed. In this regard, the suggestion of FDA Commissioner Goddard before this Subcommittee that such drug data submitted to FDA be made a part of the public record is an excellent one.

(5) Provision of the medical profession with more accurate, systematic, and objective drug data. If the price competition injected into the industry as a result of reforms succeeds in reducing profit margins and eliminating the detailman and if the medical profession does not then respond by subscribing adequately to independent newsletters, the provision of a publicly sponsored newsletter, similar to the *Prescribers Journal* in England may become necessary.

(6) Exertion of every feasible effort to infuse more price competition into drug retailing. Serious consideration should be given, at all relevant levels of government, to the liberalizing of the requirements for operating drugstores and dispensing prescriptions, so that the further development of lower-priced outlets such as discount pharmacies and drug mail order houses can be stimulated.

(7) Recognition of the possibility that even the above reforms may not be sufficient to reduce drug prices. If after a reasonable period of time, prices have not declined sufficiently, consideration should be given to such additional reforms as (a) compulsory licensing of imports of patented drugs: (b) complete abolition of drug patents; and (c) price control or public utility regulation. The interrelationships of these recommendations may briefly be summarized.

As has been ephasized by other witnesses, the absolute nature of the drug patent privilege in this country is paralleled only in Panama and Belgium. All other countries with drug patent laws provide either for the denial of drug product patents, for compulsory licensing under certain circumstances, or for both. The abolition of product patents and the making available of compulsory licenses on patented drug production processes will increase the number of firms, both large and small, making and selling each type of drug. This will stimulate price competition, particularly since the small firms will naturally be selling at low prices in order to counter the initial advantage of the highly advertised brands. But the limitation of promotion to generic name plus drug company name will reduce the relative appeal of the major firm's drugs in the market, and this, coupled with the cancellation of disparagment efforts by adequate FDA inspection, will make sales promotion efforts less differentially profitable. And since production costs are low, price competition between large and small firms will greatly reduce unit profit margins and in time will reduce the ability of major firms to engage in sales promotion contests among themselves.

By such means, drug prices might in time be very substantially reduced. Drug firm spokesmen claim that even if all profits were eliminated, prices would not be cut by more than 15 or 20 per cent.[33] But this overlooks the amounts spent on

[33] Dr. Harold Burrows, for example, testified before this Committee to this effect: "If Parke, Davis, for our 1966 year, had reduced our prices by 20.5 percent, we would not have made any money . . . This is the maximum margin that we are talking about . . ." *Competitive Problems in the Drug Industry, op. cit.*, Part 2, p. 612.