lower prices. This would merely increase the monopoly power of the large firms in those few markets where price competition exists, and would therefore increase that part of the profits of the large firms which constitute monopoly returns. The obvious remedy is to provide adequate inspection. Food and Drug Administration Commissioner Larrick testified at the hearings that adequate ethical drugs inspection could be obtained at a cost of an additional $3,418,000.[47] For the 22 largest firms in the industry in 1958, net profits before taxes amounted to $562 million.[48] A simple computation may throw some light on the nature of the alternative. A reduction of net profits before taxes of $7.121 million would cut federal income tax receipts by 52 percent of this amount, or by $3.705 million. The net gain would therefore be the $7.121 million saved by drug customers, less the $3.703 million lost in tax receipts, or the needed $3.418 million. If adequate drug inspection could establish confidence in lower priced drugs to the extent that the resulting competition would lower major drug firm prices and profits by as little as 1.27 percent before taxes, the savings realized would pay for the expanded enforcement program. To this, the substantial benefits obtained by the elimination of inferior drugs must be added.

Nowhere is the policy of fostering imperfection of market information so much in evidence as in the controversy surrounding the issue of prescription by brand name instead of by generic name. Drug advertisements must, according to law, mention the appropriate generic name, but the generic name is universally given in much less prominent type face,[49] and is sometimes concealed by its appearance in an unlikely place in the advertising copy, or else is suppressed in favor of the full and formidable chemical nomenclature. These generic names do not lend themselves to practical use. Drug makers are free to designate the generic name for any new compound they market, and generally do so in such a way as to insure minimum use of the generic name in favor of the brand name.[50] To take a single example from among thousands, the compound with the brand name "Darvon" is burdened with the generic name dextropropophyphene hydrochloride.[51] Dr. Frederick H. Meyers of the University of California epitomized the predicament of the medical profession by commenting that ". . . unless these generic names are disciplined, the *United States Pharmacopoeia* will eventually become the dictionary of a nonsense language." [52]

Such generic names are at the very least inappropriate, since the generic name need serve no other purpose than simple identification of the compound. The definitive and adequately descriptive name is the chemical name, which is a verbal summary of the molecular structure, and which may considerably exceed in length even the most prolix examples of generic names. The generic name is usually merely an essentially unenlightening encumbrance, useless to chemist, pharmacist, and physician alike. An interesting contrast is provided by the procedure for designating new names for insecticides. Rules exist which require that names be short, distinctive, easily spelled, and in conformity with accepted scientific usage.[53] No such rules exist in the case of pharmaceutical preparations for human use.

The efforts made to suppress the use of generic names have been very effective. Medical schools teach doctors to prescribe by generic name.[54] In practice, physicians have proved vulnerable to the usual advertising appeals, and about 88 percent of all prescriptions are written in terms of brand names.[55] By this means, 88 percent of the prescription market is removed from the sphere of price competition.

---

[47] *Id.*, pt. 22, at 12132.

[48] Data submitted by firms to the Subcommittee. Profit estimate obtained by multiplying total sales by the 25.8 per cent weighted average sum of profits after taxes and taxes. Subcomm. Report 31.

[49] Dr. Austin Smith of the Pharmaceutical Manufacturers Association was at one point during the hearing unable to locate the generic name on an advertisement for a drug called "Dimetane" until given a magnifying glass by the Subcommittee counsel. Hearings on Administered Prices, pt. 19 at 10931.

[50] Drug-naming procedures are described in *id.*, pt. 21, at 11499, 11675, 11868.

[51] *Id.*, at pt. 21, at 11775–76.

[52] *Id.*, pt. 18, at 10401.

[53] Testimony of Dr. C. O. Wilson of Oregon State College, *id.*, pt. 21, at 11505.

[54] A survey sent to the 82 medical schools in the United States in 1960 brought 77 replies. Sixty-four schools teach only generic terminology; three teach generic and brand names together; and ten used brand names only under certain circumstances, such as the monopolization of a patented generic compound by a single firm. Subcomm. Report 226.

[55] 1958 National Prescription Survey, Pharmaceutical Extension Service, Rutgers University, as reported in Hearings on Administered Prices, pt. 15, at 8776.