at $17.90. Claims that brand name differences mean quality differences must be dismissed. Prednisone is listed in the *United States Pharmacopoeia*, which specifies standards of purity, potency and identity which must be met by all makers, and there is no therapeutic gain in producing drugs to a higher purity exceeding them.[36] They are enforced by Food and Drug Administration inspection. No producer of prednisone, large or small, had ever been accused of irregularities in connection with prednisone products as of the date of the hearings. For prednisone, all sellers must stay within the potency tolerance, between 90 and 110 per cent of the level claimed on the label, whether their products are branded or are sold generically. Since the cost of the active ingredient is typically about one-third of total factory cost, there can be no appreciable savings in aiming at the lower limit. Furthermore, the firm that sells the product may not manufacture the bulk powder, or even do the tableting. Parke, Davis, in 1958, made none of its own bulk powder, while the smaller companies bought their bulk powder largely from Pfizer and Merck (who are reported to have met Syntex's lower prices) as well as from Syntex and Formet. Further evidence of the reliability of at least some of the lower-priced sellers is given by the fact that both Premo and Chase were allowed to make sales to the Military Medical Supply Agency, which makes thorough inspections of the facilities of all low bidders on government drug purchase contracts.[37]

No brand name preference is given for purchases by government agencies or by hospital formularies. Here, small firms may compete with large firms in terms of price, and large firms, especially on government contract bids, may have to cut their prices drastically, and in such a way that something may be learned of their costs and pricing policies. Sales were negotiated by the Veterans' Administration with Merck and Schering in February 1958 at a price of $136 per bottle of one thousand 5-milligram tablets of prednisone. In March 1958 competitive bidding was instituted; Merck cut its bid to $95, Schering dropped to $68, but a small firm, Panray, obtained the contract with a low bid of $38.50, or 28.3 per cent of the price negotiated the month before. Competitive bids submitted to the Military Medical Supply Agency at about the same time showed Merck bidding $75, Schering $79.74, and another small firm, Chase, obtaining the contract with a low bid of $41.50. In April 1958 Merck and Schering entered their previous bids, and Premo was the low bidder at $38.40. In December of the same year, Schering cut its

[36] Testimony of Dr. Walter Modell of Cornell University, ibid., Part 21, p. 11610.
[37] Testimony of Captain H. R. Fahlbusch of the Military Medical Supply Agency, ibid., Part 21, p. 11547.