

1990 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

for which was licensed by Merck to several other firms. Price competition is, however, considerably less in evidence for the later patented antibiotics.

Table I shows how progressively more efficient production methods and continual competitive pressures consequent upon free

TABLE I
PENICILLIN, STREPTOMYCIN AND BROAD SPECTRUM
ANTIBIOTICS PRICES, 1945-60

Date (year; month for price changes)	Penicillin (10 mil- lion units, bulk)	Strepto- mycin (10 grams, bulk)	Broad spectrum antibiotics (16 250-milligram capsules)				
			Chlor- tetra- cycline	Chlor- amphe- nicol	Oxy- tetra- cycline	Tetra- cycline (5 brands)	Demethyl- chlor- tetra- cycline (150 mg.)
	\$	\$	\$	\$	\$	\$	\$
1945 May	60.00						
1946 May	36.00	160.00					
1947 January	21.00	45.00					
1948 July	13.00	10.24					
1948 December	9.50	8.19	15.00				
1949 February	9.50	8.19	10.00				
1949 March	7.50	5.00	10.00	10.00			
1950 February	4.75	3.15	8.00	8.00			
1950 April	4.75	3.15	8.00	8.00	8.40		
1950 May	4.75	3.15	6.00	6.00	8.40		
1950 November	4.75	3.15	6.00	6.00	6.00		
1951 September	3.75	3.15	6.00	6.00	5.10		
1951 November	2.50	3.15	5.10	5.10	5.10		
1952	1.15	3.24	5.10	5.10	5.10		
1953	.95	1.70	5.10	5.10	5.10	5.10	
1954	.75	1.70	5.10	5.10	5.10	5.10	
1955	.44	.90	5.10	5.10	5.10	5.10	
1956	.52	.75	5.10	5.10	5.10	5.10	
1957	.79	.88	5.10	5.10	5.10	5.10	
1958	.70	.88	5.10	5.10	5.10	5.10	
1959	.28	.38	5.10	5.10	5.10	5.10	5.10
1960	.21	.36	5.10	5.10	5.10	5.10	5.10

Source: Federal Trade Commission, *Economic Report on Antibiotics Manufacture*, Washington, 1958, Section II, pp. 164, 179, 180, 192; *Senate Hearings on Administered Prices in the Drug Industry*, Part 24, p. 13664.

entry made possible the precipitous decreases in the prices of the extremely important drugs penicillin and streptomycin. 'Broad spectrum' antibiotics prices have acted very differently. Lederle quoted an initial price of \$15.00 for sixteen 250-milligram capsules of chlortetracycline, possibly overestimating the inelasticity of demand. Within 2 months, Lederle reduced its price to \$10.00, at which price Parke, Davis entered the market in March 1949. On February 1st, 1950, both sellers cut prices to \$8.00. In April 1950 a new rival, Pfizer, entered the market with oxytetracycline, selling