Administration to insure fully adequate drug plant inspection and control of drug advertising.

It is something of an anomaly that the United States patent laws permit drug product patents; about two-thirds of the countries in the world prohibit them on grounds of public policy, and all but three of those which do permit such patents have provisions for compulsory licensing. Drug product patents should be abolished; drug process patents should be subject to compulsory licensing at reasonable royalties. This may or may not reduce the volume of research done by private drug firms. In turn, a possible diversion of drug research effort from private to public channels may or may not improve the efficiency of resource allocation in this sector. In many foreign countries, drug research has been immensely productive in the absence of drug patents. In the United States, patent protection has allowed prices to be maintained at very high levels and has detrimentally affected the nature of research. With prices enormously above costs (defined as raw material cost plus production cost plus a competitive rate of profit on the investment in productive facilities), the pressure to obtain more volume is inevitably diverted into lavish selling expenses, and into the 'research' of molecular manipulation.[77] Basic research by drug firms may be of questionable productivity, but the high salaries paid absorb all too large a fraction of those very scarce human resources qualified to engage in basic biochemical and pharmacological research. It is common knowledge in the industry that each major firm's research programs duplicate those of their rivals; witness the near-simultaneous discovery of many antibiotics and corticosteroid hormones by two or more firms. The total productivity of drug research efforts would arguably be increased by a partial shift from private to public and university channels.

The Food and Drug Administration should be given sufficient additional funds to allow adequate inspection of all drug producers, large and small. It should also be given the authority to regulate all drug advertising and labelling, with a view toward eliminating brand names in favor of identification by generic name plus the name of the seller.

Such reforms, properly implemented, might for the first time

[77] Abundant evidence was presented during the Senate Hearings to show that much drug product 'research' is misnamed, and could more appropriately be referred to as product development and product promotion. Dr. A. D. Console, former medical director of Squibb, testified to this effect, adding: 'I think the majority of it [drug firm research] is in that category . . . with many of these products, it is clear while they are on the drawing board that they promise no utility. They promise sales', ibid., Part 18, p. 10380. See also the testimony of Dr. H. J. Weinstein, former medical director of Pfizer, ibid., Part 18, pp. 10243–4