

In other words, we will be giving the doctor quite a bit of information, more than he has now.

Is this going far enough?

Dr. COMANOR. I think that is an important step forward. Whether or not that would be sufficient is a question which is very difficult and I am not prepared to say definitely that it is.

Mr. GROSSMAN. But it would be a step forward?

Dr. COMANOR. I think so.

An alternative proposal would be to create a new institute in the National Institutes of Health which would be responsible for evaluating existing information on the therapeutic properties for new drugs, carrying out their own studies where necessary, and also for providing the accumulated information freely to all physicians.

In this manner also, an independent source of information about both current and new drugs would become available. By whatever route this is achieved, however, it seems clear that the relatively small level of expenditures required for these purposes would pay for itself many times in terms of limiting the effects of heavy advertising outlays and in terms of lower prices for prescription drugs.

While a new source of information will not solve all of the competitive problems which exist in the pharmaceutical industry, and restrictions on competition will remain because of the current operation of the patent system; because of the practice of trade name prescribing; and because of the problem of drug substitution or the lack thereof at the level of the pharmacist, still Federal action in this direction should make an important contribution toward improved medical practice as well as toward lower prices for prescription drugs.

Mr. GROSSMAN. Independent economists have previously recommended compulsory licensing as one means of making the industry more competitive.

Would compulsory licensing lead to lower prices?

Dr. COMANOR. The patent system currently operates to provide a form of chemical product differentiation in the sense that competition exists on the basis of different chemical entities. While it is true that different products compete with one another, the patent system increases the extent to which competition is based on different chemical entities. And this always provides an important element of uncertainty to the physician. He is never quite sure whether one product is better than another.

For this reason, it increases the effectiveness of advertising. It permits advertising to have a major impact on prescribing habits, on the entry of new firms, and on price competition.

With compulsory licensing, we might expect to find new firms enter the industry, competition take place on the basis of the same chemical compound, and here, advertising would probably be less effective than it is currently, especially if further information were provided to physicians. And we might expect to find a higher degree of price competition, and as a result, lower prices.

Mr. GROSSMAN. Now, would that lead to less research by the drug companies?

Dr. COMANOR. With compulsory licensing, we would expect to find different firms competing on the basis of the same chemical com-