INTRODUCTION

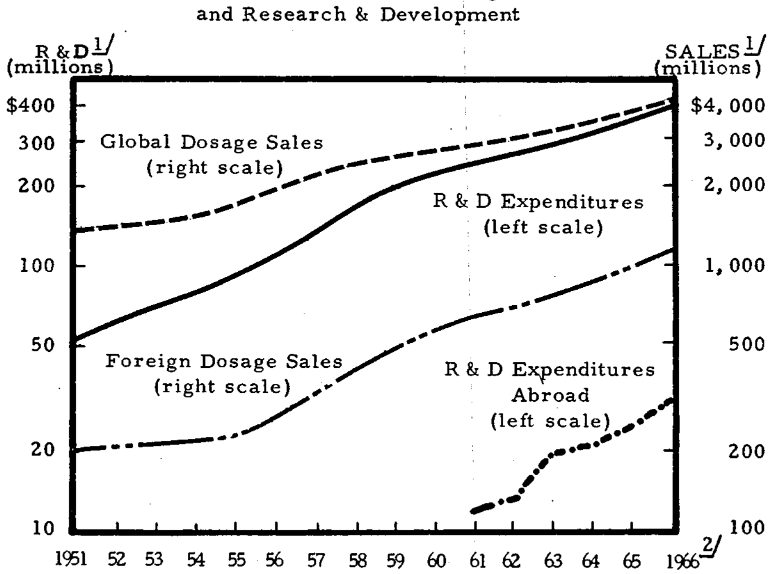
The ethical pharmaceutical industry has experienced a faster growth than many other sectors of the economy. Between 1951 and 1965 dosage sales of ethical drugs grew 35 percent faster than the national output of all goods and services.

New and therapeutically more effective drugs have paved the way for the ethical drug industry's rapid growth. It is estimated that the industry has invested some $7 million in research and development costs for every new and significant drug that has reached the public in the past decade. The industry continually invests in the future. While sales doubled in the 15-year period shown in Chart 1, research and development expenditures increased sixfold.

A significant portion of every sales dollar is devoted to drug research activities. For instance, in 1965 companies sponsoring research allocated 10.5 percent of their U.S. domestic and export sales revenue to R&D activities directed toward the discovery and development of human-use and veterinary-use pharmaceuticals and biologicals.

Chart 1

Growth Picture of Ethical Drug Sales and Research & Development



1/ Plotted on semi-logarithmic grid.

2/ Estimated.