

3796 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

it appears that large drug companies should have little difficulty obtaining adequate capital for growth should they choose to go into the market for it. Actually, however, their earnings are large enough to preclude the frequent need for equity capital.

If new Federal regulations concerning drug safety, drug efficacy, and drug advertising have had any significant effect in reducing drug profits, this is not evident in recent drug company profit statements.

The "Reasonableness" of Drug Prices

Whether prescription drug prices set by the major manufacturers are "too high," "reasonable," or "too low" is obviously a problem which cannot be resolved to the mutual satisfaction of all manufacturers and all consumers.

It appears, however, that current drug prices at the manufacturer's level are marked by these characteristics:

1. They reflect research and development costs which are relatively high in comparison with other industries, and which include a substantial degree of effort yielding only duplicative or "me-too" drugs and combination products that