

The greater amount of drug firm contributions have been earmarked for special projects. For example, the AMA-ERF student loan program has received \$1.7 million and the Institute for Biomedical Research \$300,000. The total during this same period in unrestricted funds is \$228,000.

Your fourth question refers to AMA news stories which report the association's net worth. A comparison is made of the years 1965 and 1967, and the reason for \$5 million increase in net worth is questioned.

The net worth of the American Medical Association from January 1, 1966, to December 31, 1967, increased \$4,704,266. As shown on page 11 in our testimony of March 18, 1969, our gross advertising revenues in JAMA and the 10 specialty journals in 1966 was \$12,331,320. In 1967 the total was \$12,524,000, an increase of less than \$200,000. On the other hand, during the same 2-year period receipts from AMA membership dues increased over annual receipts of the preceding calendar year 1965 in the amount of \$4,161,954. Further, during this same period income from investments of reserve funds amounted to \$1,414,133. Thus, the increase from dues and income from investments of reserve funds was \$5,576,087, an amount greater than the increase in net worth.

Advertising revenues derived by the AMA are a component of its total publishing activities. The revenues do not, as the question suggests, provide "profits." Any increase in net worth reflects, in general, an excess of all income over all expenses. If the 1966-67 2-year increase in net worth is to be related to any separate factors, it reflects physician membership dues and income from our investment portfolio, and not advertising.

You next ask about the increase in value of our investment portfolio during the same 2-year period and question whether the portfolio contains "any investments directly or indirectly in drug firms?" The answer is "No."

The investment policy of the American Medical Association, which is strictly adhered to, can be found in the Proceedings of the AMA House of Delegates of November 28, 1960, and as reaffirmed by the AMA Board of Trustees in May 1969. The prohibition is direct: "No funds shall be invested in a company whose primary activities make it a part of the pharmaceutical industry."²

In general, the association seeks to attain sufficient liquid reserves to permit it to continue operations for 1 year should all income be cut off. For example, the association's 1969 budget is \$29.5 million. If all income should be reduced to zero, the expenses involved in producing the income, approximately \$10.2 million, would similarly be reduced to zero. The net amount, then, needed to maintain program operations for the fiscal year would be \$19.3 million. This may be compared to the actual total of our liquid reserves, of approximately \$13 million.

Mr. Chairman, I have reviewed our portfolio and can unequivocally state that there are no investments included, directly or indirectly, in drug firms. Further, we have been assured by our investment managers, Eaton and Howard, of Boston, Mass., that the stated policy of the association has been carefully followed.

² Footnotes at end of statement.