



## Essay III

### SPRING TERM 2001 CLASS

#### 15.141, "Economics of the Health Care Industries"

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#### Directions:

Your answer should be between three and five double-spaced pages. E-mail your answer (in Microsoft Word format) to the class instructors.

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...by **5:00pm on Friday, May 18, 2001**. Feel free to e-mail either or both instructors if you have any questions.

#### Essay:

Two neighboring, hypothetical countries share a number of similar attributes, but differ with respect to their experience with pharmaceuticals. One of the countries permits direct to consumer (DTC) drug promotion of all types (health seeking/reminder ads; drug promotion ads with adequate provisions for detailed information), and has twice the annual per capita expenditure on pharmaceuticals, compared to the other. The second country does not currently allow DTC advertising, but is considering the possibility. All options remain open.

- (1) Make a list of questions you would need to answer to help determine whether DTC ads are driving the expenditure difference on pharmaceuticals, experienced by the two countries.
- (2) For each question you listed, offer an approach to find the answer.
- (3) What advice would you like to be in a position to give the second country that would help with its decision whether to permit DTC drug advertising?