

# Healers Under Siege

by Doug Bandow

**T**he Food and Drug Administration has approved a drug to combat non-Hodgkin's lymphoma. That's good news for cancer patients in America and around the world. But you wouldn't know it, given the vicious political campaign being directed against the pharmaceutical industry.

America's drug makers are under attack. Congressmen would like to cut prices, and the expansion of Medicare will encourage Uncle Sam to regulate drug access and prices directly.

State legislators are debating their own draconian price-control schemes. The media, such as the PBS show "Frontline," have targeted the drug makers. Trial attorneys, left-wing activists, and state attorneys general are filing lawsuits charging pharmaceutical firms with everything from racketeering to fraud.

This assault is not new. Drug companies have been under pressure for a decade. When the Clinton administration attempted to nationalize American health care, it sought to demonize the drug makers, as well as most doctors and hospitals.

Unfortunately, years of demagoguery advanced for political profit are having an impact. Public opinion of the industry has been falling sharply.

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While the American people have yet to agree with Al Gore's grotesque comparison of the drug makers to the tobacco companies and "big polluters"—there is little that he would not say to win a vote—they are increasingly turning on an industry that has done so much to improve their lives. Harris Interactive reports that those who believe the drug makers are doing a good job of serving consumers fell from 79 percent to 57 percent from just 1997 to 2001.

Yet new pharmaceuticals are responsible for almost half the reduced mortality from different diseases between 1970 and 1991. Columbia University's Frank Lichtenberg figures that every new drug approved during that time saves over 11,000 life-years annually. And the benefits continue. He estimates that fully 40 percent of the increase in average life span between 1986 and 2000 is due to new drugs.

"Three decades ago medical technology was rather primitive by today's standards," says Dr. E. M. Kolassa of the University of Mississippi School of Pharmacy. "Today, physicians have at their disposal medications and technologies that provide for the immediate diagnosis and treatment of most of the disorders that affect modern man."

Hundreds of new drugs are in development for cancer, heart disease, strokes, Alzheimer's, infectious diseases, and AIDS. Consider the last: Two decades ago there was no treatment for AIDS. By 1987 there was one drug, AZT. Now there are 74 anti-

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AIDS drugs available and another 100 in development.

Similarly, pharmaceuticals offer the best hope of combating any future outbreak of SARS, which has killed over 700 people. In fact, the quickest solution is to find an existing medicine that works. Laboratories are currently screening some 2,000 approved and experimental drugs to see if they are useful in fighting SARS. Gurinder Shahi, a doctor in Singapore, explains: "Given how little we know about SARS and the reality that it is killing people, it is justified for us to be daring and innovative in coming up with solutions."

Daring innovation is most likely to come in a competitive, profit-driven market. After all, today's medicines exist only because there is a bevy of sophisticated pharmaceutical companies devoted to finding drugs to heal the sick.

Isn't this serving consumers well?

Ah, but prices are high. Too high, in the view of myopic, vote-seeking politicians. "There's no question that prescription drugs cost too much in this nation," claims Senator Jim Jeffords of Vermont.

Why, yes. They only save lives. Extend our life spans. Moderate our pain. Control our nausea. Eliminate our need for surgery. Treat our allergies.

Why should we have to pay for such products? The outrage. The horror. Drugs should be free. Or at least a lot cheaper.

## **If Life Were Different**

It would be nice if they were, of course, but people who believe prices can be lowered legislatively are living in the world as it

ought to be. Everyone ought to be rich and beautiful. Everyone ought to be paid a million dollars a year for working ten hours a week. Everyone ought to have a Mercedes at a Yugo price. Everyone ought to have a mansion for the price of a shack. And everyone ought to have all of the pharmaceuticals now available, but for less money.

Unfortunately, pharmaceuticals do not appear outside company doors every morning as manna from heaven appeared in the Promised Land for the ancient Israelites. Instead, firms review numerous plausible substances: of every 5,000 to 10,000 checked, 250 make it to animal testing. About five reach human trials.

Only one gets past the Food and Drug Administration (FDA) onto the market. That *one* has to pay for the research costs of the other 5,000 to 10,000. It isn't easy.

Thus the real cost of pharmaceuticals is not making the pill that patients swallow. It's the research that goes into developing the pill—as well as the other 9,999 substances that never made it to market. The pill's price also has to cover the cost of running the company and complying with burdensome FDA requirements.

The Tufts Center for the Study of Drug Development estimates that companies spend nearly \$900 million over a ten- or 15-year period to develop each drug. America's major research firms alone spent \$32 billion on R&D last year.

Nevertheless, some politicians would control prices directly. For instance, legislators in Maine want to impose prices they think are fair, and are threatening retaliation if any company tries to pull out of the market in response. Washington State already demands

superdiscounts for some of its programs.

But government can only confiscate the drug makers' existing inventory. It can't force them to keep making drugs to be confiscated in the future.

Adopting Canadian- or European-style controls will result in a Canadian- or European-style drug industry and patient access. These countries do their best to free ride on America, but their pharmaceutical industries are weak and getting weaker.

Moreover, their ill citizens have far less access to important medicines. A group called Europe Economics points out that patients often wait years for life-saving products.

Still, America's political air is filled with other alleged panaceas, such as reimportation of drugs from Canada. Yet prices are lower there because the government imposes price controls and litigation costs are less.

(The country is not full of profit-minded tort attorneys.) Imposing Canadian (or Mexican, or Afghan) prices in the United States would mean the drugs would not be developed in the first place.

Politicians also are pushing a range of use restrictions—formularies, reference pricing, and more. Yet every attempt to stop people from using new medicines endangers their health and threatens to increase health costs elsewhere. For instance, Frank Lichtenberg estimates that replacing 1,000 older prescriptions with newer drugs raises pharmaceutical costs by \$18,000, but cuts hospital costs by \$44,000.

Everyone in America has a stake in lowering health-care costs. But they also have a stake in maintaining quality health care. If the pharmaceutical industry succumbs to the demagogic campaign against it, we will all suffer the painful consequences. □



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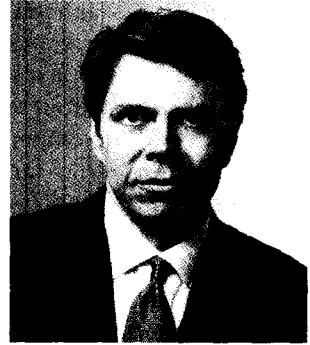
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## Oblivious to the Obvious

"Ironically, the birth of a child is registered as a reduction in national income per head, while the birth of a farm animal shows up as an improvement."

—PETER BAUER (1991)

**E**ach passing year makes me more and more aware of human beings' astounding capacity for overlooking the obvious. I have in mind here not those parts of reality that can be understood only with specialized training—say, professional economists' knowledge that the elasticity of a demand curve isn't its slope. Nor do I have in mind aspects of reality that can be known only through experience—say, the reality that French chardonnays taste very different from California chardonnays, or that the Boston Red Sox are destined never again to win a World Series.

Instead, I refer here to aspects of reality that are vivid, overwhelming, and plainly in everyone's sight. Nevertheless, many people remain oblivious to this reality.

My chief example is the continuing, widely held belief that population is the enemy of material prosperity. Newspapers, magazines, and water-cooler conversationalists routinely pronounce, as if it were as palpable as gravity, that a large and growing population of human beings implies widespread poverty and misery. Foundations—

including the world's richest, the Bill and Melinda Gates Foundation—devote billions of dollars to the cause of population "control."

Population Connection (formerly Zero Population Growth), a chief proponent of policies to limit population growth, announces on its website: "We want people everywhere to join our cause so that, together, we can make the world better, safer, and less-crowded." U.S. Representative Carolyn Maloney of New York says that slowing population growth is required if we are to "stop hunger and preserve our world's resources."

But no evidence exists to support a belief in the dangers of large or growing populations. Indeed, all the evidence, most of which is plainly in view of everyone, is that more people mean *more* prosperity for everyone.

Probably the richest 23 contiguous square miles on the planet is Manhattan. It is also a speck of earth that is among the world's most densely populated, with each square mile, on average, packed with 67,000 residents. More than 1.54 million people live on Manhattan and some 2.12 million people work there—all amidst the millions of visitors who flock to that island every year.

According to conventional belief, Man-

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