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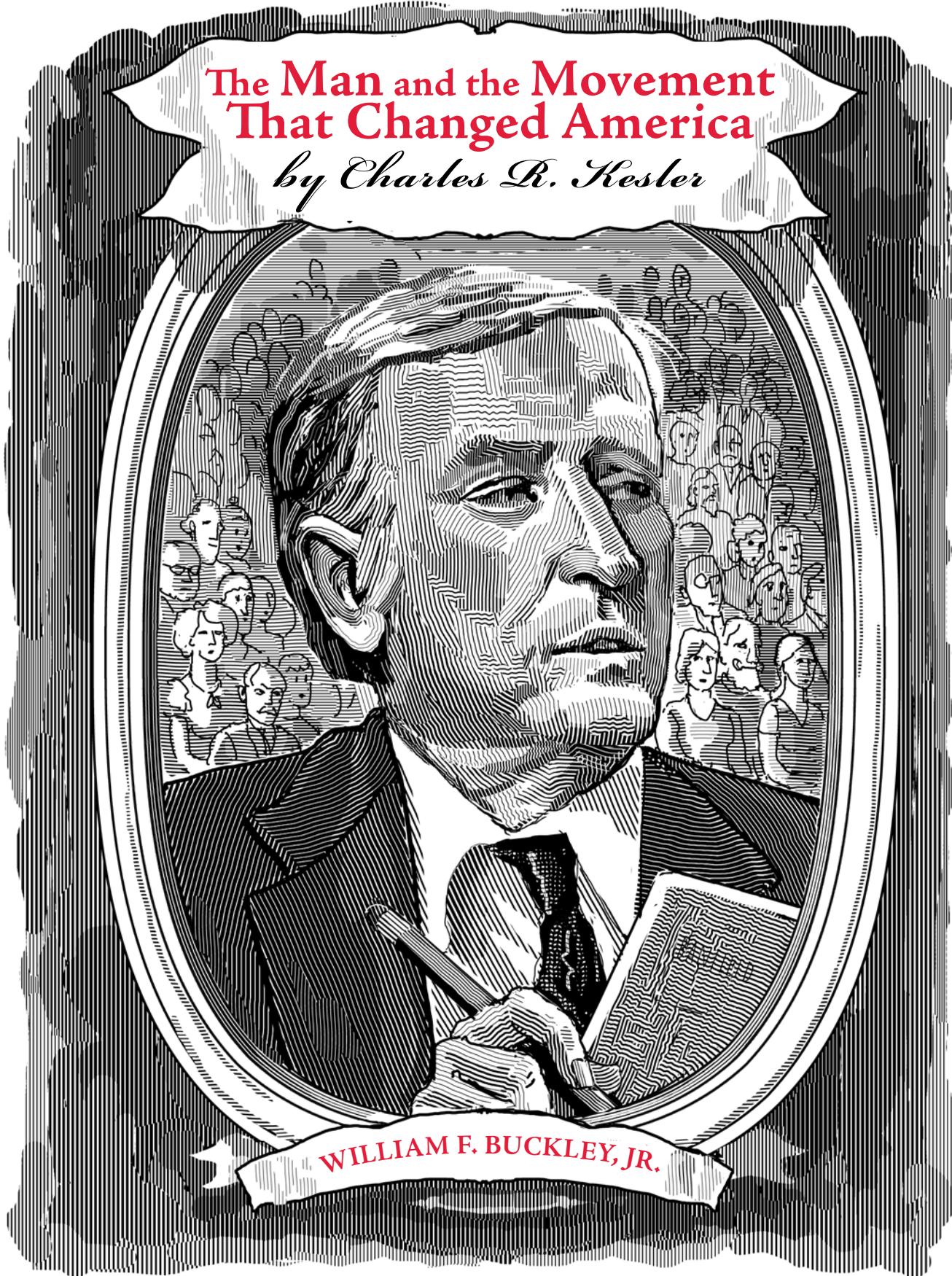
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## GOOD FOR WHAT AILS US

*The World's Medicine Chest: How America Gained Pharmaceutical Supremacy—and How to Keep It*, by Sally C. Pipes.  
Encounter Books, 120 pages, \$24.99

**P**HARMACEUTICAL COMPANIES ARE among the most maligned industries in America. They are the targets of trial lawyers, Hollywood writers, progressive activists, as well as Democratic politicians, and, increasingly, Republican ones. Yet every day, these companies provide life-saving, life-extending, life-transforming therapies to millions in the U.S. and around the world, as Sally Pipes ably reminds us in *The World's Medicine Chest: How America Achieved Pharmaceutical Supremacy—And How to Keep It*.

The relentless cultural and political assault on pharmaceutical companies carries real-world consequences, argues Pipes, a health care policy expert and head of the Pacific Research Institute. Regulators who are on the fence about approving a new pharma product may be loath to give an industry that is so vilified the benefit of the doubt when making a decision. Jurors who hear trial lawyers denounce pharmaceutical companies' alleged misdeeds will be more apt to impose huge judgments against the companies. And smart young scientists might choose careers in other industries, such as food, fabrics, or even the defense industry, rather than risk being villainized as working for such a disparaged industry. These realities impose real costs on companies, pushing prices higher and reducing innovation.

The most destructive of these harmful actors are the politicians. Their incendiary rhetoric undermines public understanding and even stokes outright hatred of the sector—the sort of irrational fear and loathing sickeningly displayed in Luigi Mangione's assassination of UnitedHealthcare CEO Brian Thompson. In this climate, politicians then suggest political fixes and legal punishments that hit pharma companies at almost every stage of the process—from policies that make it easier for them to be sued and taxed to outright price controls and importation of already price-controlled foreign products.

Pipes's principal aim is to expose the immense damage caused by price controls. Such impositions on the industry are an attempt to reduce costs that ultimately harm the ability

of these companies to create innovative products. She shows that American companies first came to dominate the international pharmaceutical market in the 1990s as a result of free-market policies that promoted innovation. This enabled the U.S. to out-innovate and out-research companies in Germany and England that in previous decades used to lead the life science industry. As a result of American openness, many of the world's best scientists came here for the chance to innovate. Today, Pipes notes, more than 40% of scientific workers at pharma companies are immigrants.

**S**HE ALSO SHOWS THE POWER OF AMERICA'S sustained leadership in drug innovation. Eight of the ten top-selling pharmaceutical products over the last 25 years have been from U.S. companies. Furthermore, America dominates the small biotech firms that are the real engine of future pharmaceutical innovation—"85% of small biopharma firms are U.S. based." These dynamic companies often get gobbled up by bigger pharma players once they reach a certain size, but the small biotechs have a greater capacity to generate new ideas than larger, more bureaucratic corporate titans.

The clear and present danger, Pipes warns, is that U.S. government officials are increasingly targeting the industry, which could stifle the innovation on which both health progress and also American economic dominance depend. Price controls sound nice, but they have the unfortunate effect of getting in the way of innovation. One of the main reasons that European companies are not as good at developing new drugs is that their price controls reduce the incentives to work on expensive new products. If you can't recoup your investment, you're unlikely to make that investment. Pipes reminds readers that the high price for pharmaceutical products in their early years when they are under patent protection "is not greed, it's math."

So, what's the solution? The answer is to build pro-innovation policies that enable the U.S. to dominate research and development at every link of the process. As Pipes writes,

"[a]mong America's greatest advantages in pharmaceutical science, are relatively free markets for prescription drugs, as well as our rigorous, well-enforced system for protecting intellectual property." Sacrificing our advantage would help international rivals such as the Chinese and drive away talented foreign scientists who currently bring their talents here.

**I**N ORDER TO HELP MAINTAIN INDUSTRY dominance, Pipes provides an array of far-sighted policy ideas that would make drugs more affordable without sacrificing the innovation that helps create breakthrough products. Her agenda includes reforming pharmacy benefit managers (the middlemen who negotiate drug prices between drug companies and the insurers) by increasing price transparency, promoting generics and biosimilars by reducing regulatory barriers to their development, promoting accelerated approval pathways at the Food and Drug Administration, improving our drug payment systems by linking price to product effectiveness, and increasing protection of American intellectual property from international copycats. All are smart ideas that would benefit patients.

Although American politicians do not seem inclined to move in this pro-pharma direction, Pipes has the right prescription. Only by enabling pharmaceutical investment, innovation, and, yes, profit can the United States continue to be the leader in the development of new life-saving and life-extending products. Right now, we could be on the cusp of a biomedical revolution built on significant recent advances in artificial intelligence, informatics, and genomics. Following Pipes's wise advice, the U.S. would be best positioned to succeed in this new era, and ensure American health in the 21st century.

*Tevi Troy is a senior fellow at the Ronald Reagan Institute, a former deputy secretary of Health and Human Services, and the author, most recently, of The Power and the Money: The Epic Clashes Between Commanders in Chief and Titans of Industry (Regnery Publishing).*

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