

COMUNICATO n. 1509 del 04/06/2017

Sky-High Drug Prices in the US as a Result of "Big Pharma"

Drug prices in the United States (US) are at least double than what they are in the rest of the world. Large American pharmaceutical corporations, nicknamed "Big Pharma" argue that these sky-high prices are what allows them to invest more in innovation and research and development. However, William Lazonik, professor of economics at UMASS Lowell, in his talk at the Trento Festival of Economics argues that these funds are not being invested as Big Pharma's statements would suggest. He says that instead Big Pharma is using high drug prices to invest in stocks to further inflate their stock prices, creating more profit for themselves.

In the US the most useful drugs are not the ones most often produced, instead, drugs that are most likely to produce the highest profits are produced. This kind of production, explained Lazonik, is to increase the value for shareholders because pharmaceutical corporations are the most financialised amongst all of the American industries. This is supported by evidence that shows that these corporations have the highest amount of registered activity in buybacks and dividends within the American stock market. Big Pharma spent approximately \$2.5 trillion on buybacks and dividends in 2015 alone.

Not only are Big Pharma corporations investing heavily in themselves to increase shareholder value, they are likely to make mergers and acquisitions of other pharmaceutical companies. Additionally, the CEOs of Big Pharma companies paying are receiving outlandish salaries. Former Gilead CEO, John Martin, received a \$19 million salary in 2014, however, Lazonik explained that once the value of his stock options, his real pay amounts to \$190 million for 2014. These huge amounts of funds have nothing to do with investing in innovation or research and design for new drugs.

Lazonik has a plan for how the pharmaceutical sector can be restored in the US. First, buybacks would be banned because their purpose is only to manipulate the stock market, which benefits bankers and hedge funds. Second, executive pay would need to be regulated; by connecting executive pay to company performance rather than stock price, incentive is given to ensure that the company is performing efficiently and effectively. Third, there should be some kind of representation within corporate boards for workers and taxpayers, this allows for more and diverse input of opinions into how the company is run. Finally, a government programme should be launched with the cooperation of businesses to invest in collective and cumulative careers.

These proposals from Lazonik would make it so that pharmaceutical companies were operated more like companies that provide public services because pharmaceuticals can be seen as a necessity. If Big Pharma were run more responsibly, it is less likely to develop the most profitable drugs instead of those that could have the greatest impact for the greatest number of people. It would also be more likely that the drugs produced by these corporations would be more affordable and more accessible.

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