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USA

It's Time to Socialize Big Pharma

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We don't have to leave ourselves at the mercy of the most profitable sector on Earth to get the drugs we need. We must nationalize the pharmaceutical industry and turn the medicines millions rely on into public goods.

In the early days of the coronavirus outbreak in the United States, Health and Human Services secretary Alex Azar sparked viral outrage. When asked at a congressional hearing about whether any potential COVID-19 vaccine would be made affordable to all, Azar refused to be drawn into a promise. "We would want to ensure that we work to make it affordable," he replied, "but we can't control that price, because we need the private sector to invest ... Price controls won't get us there."

His answer was lambasted by commentators: Senator Bernie Sanders called it "an outrage," and Representative Jan Schakowsky tweeted that Azar was "giving Big Pharma a blank check." The Verge insisted the move "could put everyone's health at risk."

And yet, in the context of a system that relies on a profit-driven pharmaceutical industry to produce lifesaving drugs, Azar's answer was relatively mundane. These companies' business models are predicated on high prices and weak regulation, not altruism and the common good.

The multiple pharmaceutical firms currently working to develop vaccines and treatments are doing so in hopes of producing valuable commodities, something that by definition not everyone will get to have. If Azar's critics were correct to be irate, and in their belief that COVID-19 drugs ought to be universally accessible, the recipient of their anger should have been the system responsible for drug production itself. Can we really be surprised when for-profit companies attempt to profit off their products?

But things don't have to be this way. We don't have to leave ourselves at the mercy of the most profitable sector on Earth to get the drugs we need to lead healthier lives. As drug prices soar, public health care systems in most of the world find themselves drained of resources. In 2018 alone, the National Health Service (NHS) in England spent £18 billion on medicines — or 16 percent of its total annual budget.

This is despite the fact that the UK government spent £2.3 billion of public money on health research and development (R&D) in 2015. In fact, in their recent book *The Pharmaceutical Industry*, Michele Boldrin and David Levine estimate that two-thirds of all upfront drug R&D costs are funded by public investments.

In the United States, of course, the situation is even worse. The prices imposed by drug companies are often passed directly onto patients, as all-powerful corporations tighten their grip on the political system and strangle progressive proposals like Medicare for All. In the current moment, it's clearer than ever that the interests of the public and the interests of the pharmaceutical industry will never be aligned.

Ensuring that all patients are able to access treatments based on need rather than ability to pay will require reimagining how drugs are researched, developed, and manufactured. To turn medicines into public goods, we must nationalize the pharmaceutical industry — and doing so may be less of a stretch than you think.

Health Care Profiteering

Outcry over obscene drug prices long predates Azar's offhand comment about future COVID-19 therapeutics. An estimated 10 million people worldwide die each year because they can't afford the drugs that would have saved their lives. Even in advanced capitalist countries — where the burden of drug prices is less severe — Big Pharma's greed causes deaths.

In the United States there have been multiple cases of deadly insulin rationing in recent years as prices topped \$300 per vial. Around one in three Americans say they've skipped necessary doses due to costs, while pharmaceutical profit margins can reach as high as a mind-blowing 40 percent — a rate of return unseen in most other sectors.

But even where the results aren't fatal, this system is a major problem. Last year in Britain there was the prominent example of Luis Walker, a young cystic fibrosis patient whose campaign to access Orkambi was frustrated by pharmaceutical corporation Vertex's refusal to lower their eye-watering £105,000 price tag.

On foot of his case, polls showed 68 percent of voters supported Jeremy Corbyn's proposal to establish a public medicine development company, including a comfortable majority of Tories (57 percent).

There's a very simple reason why pharmaceutical firms charge such exorbitant prices: because they can. In the United States, where prices are the world's highest, there's no robust mechanism for lowering them: companies name their price, and seldom receive actionable pushback.

In England, the National Institute for Health and Care Excellence (NICE) determines what drugs are available on the NHS — but are over a barrel when it comes to the price charges by pharmaceutical giants. Big Pharma argues that they are fair reflections of the value of the products and the money invested to take them to market.

But that explanation barely holds up under scrutiny. The private pharmaceutical industry's handsome profits are all the more galling when you consider the degree to which they're publicly subsidized. The most expensive and riskiest stage of the research process — the basic science on the back end — is usually funded by governments, not private companies.

But this doesn't mean that the public benefits. The 2017 Pills and Profits report for Global Justice Now found that the NHS was spending £1 billion annually on medicines developed through public funding — and that two of the five most expensive medicines available on the NHS were developed with UK government funding.

Across the world, publicly funded research is nonetheless eligible for private patents, which guarantees a company years of market exclusivity and unchecked pricing power for a given drug. As if that weren't enough, governments are also the largest buyers of drugs, shelling out inflated prices for breakthroughs that would have never happened without them. In short, the public pays twice while the private sector profits.

If the situation is perverse for necessary drugs — the kind that public resources tend to flow toward — it's nothing compared to drugs we'd perhaps be better off without. Chief among these are so-called "Me Too" drugs, which are practically indistinguishable from already existing medicines but are aggressively peddled to doctors and patients to gain a market foothold, despite having little if any justifiable reason to exist.

Shockingly, the pharmaceutical industry's marketing budgets exceed what they spend on research and development. It is an industry geared toward chasing lucrative markets, not public health needs.

Toward Nationalization

Nationalizing the pharmaceutical industry would solve both major problems at once: it allows essential medicines to be made and distributed without the pressure to funnel profits back to private firms, and stops wasting valuable time and resources on medicines that no one needs.

Publicly provisioned drug development would not only keep public research in the public domain, but allow for democratic oversight over what drugs get made. Publicly funded clinical trials will reduce gamesmanship and concealment of critical data, giving us more reliable and credible information than ever. And public pharmaceutical manufacturing and pricing offers a much more straightforward pathway to affordable drugs than the current one, which relies on waiting out years of patents, followed by the entry of multiple generics manufacturers into the market to eventually compete prices down.

Governments could accomplish all of this without being held hostage by Big Pharma. There's certainly plenty of legal precedent for doing so. In the UK, the beginning of the NHS coincided with an enormous appropriation of private hospitals. The groundwork for this was laid by the wartime Emergency Medical Service. In fact, in both the UK and the United States, manufacturing plants and even entire industries were taken over during wartime.

More recently in America the entire airport security system was nationalized after the attacks of September 11, 2001. The coronavirus crisis is a greater emergency by many magnitudes of scale. And if the United States and UK did seize the domestic assets of private pharmaceutical industries, it could potentially export affordable medicines globally, the way nations like India have done for decades.

The real hurdle isn't legal — it's political. And it's in that realm that the pharmaceutical industry has always fiercely protected itself, which is why little action has been forthcoming despite polls ranking lowering drug costs as the number one issue Americans want Congress to deal with.

Big Pharma pushes millions in campaign donations and lobbying out the door each year, notoriously earning itself a spot inside health care reform negotiations back in 2009. And because its profit margins are among the highest on Earth, the sector remains a prized investment vehicle for wealthy and powerful shareholders who'd prefer not to see their portfolios upended.

Taking control of the industry in any country for public benefit would be met with considerable opposition; this ought to be anticipated and fortified against by a grassroots movement demanding it, allied with elected politicians with the fortitude to stand up against the industry's attacks. After all, Nye Bevan was compared to the Nazis for founding the NHS.

The truth is abundantly clear: astronomical private pharmaceutical profits and universally accessible medicines will never be compatible goals. It's tough to imagine a more dysfunctional industry than Big Pharma. But, as COVID-19 shows, the need for pioneering medical research and products is only likely to grow. If we want the results of these endeavors to be available to all of those who need them, it's time to imagine a fundamentally different system of medicine production.

[Jacobin](#)

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