Stuyvesant negates.

(Resolved: The United States Federal Government should impose price controls on the pharmaceutical industry)

Our Sole Contention is Facilitating Drug Innovation

Pharmaceutical innovation is on the rise. The Access to Medicine Foundation '14 finds that since 2012, at least 30 products from the pipeline, for 11 diseases relevant to developing countries, have come to the market.

However, by reducing the profits made off of each sale, price controls cut pharmaceutical revenue. Sood '08 of the US National Library of Medicine reports that price controls would decrease long-term revenues by 23.9%.

This harms innovation in three ways.

First, diverting investment.

> Investopedia '18 explains that the FDA requires long research and development processes which can take up to 15 years, and while large businesses can reach into their deep pockets, small businesses require long-term capital to survive.
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> This is why, Hagerdorn of the University of Maastricht finds small biotech firms are almost entirely dependent on external investment.
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> However, because price controls decrease expected profits, Vernon '05 of UChicago finds that price regulation in the US would decrease R&D investment by up to 32 percent.
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> Empirically, Kessler of Stanford University finds that President Clinton's regulation of pharmaceutical firms lead to a 52.3 percent decline in market-adjusted stock prices from 1992 to 1993. Without investment, many small businesses will fail.
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> Thus, Hendrix '17 of the U.S. Chamber Foundation furthers that federal price regulations harm small businesses 20% more than other companies.

Second, slashing internal budgets.

> In the face of lower revenues, research and development is the first sector to lose funding. Jena 18 of the Hill explains that only 1 of every 12 potential drugs receive patents. When corporations are choosing where to reduce expenditures, they will turn to areas where profit is the least guaranteed.
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> Even if companies do not want to cut from R&D, they will have no choice, as Gitis '15 of the American Action Forum finds that a 10% rise in regulatory costs results in 400 small businesses shutting down in an industry. When businesses face closure, they are forced to make tough budget decisions.
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> Thus, Easton '18 of StatNews hypothesizes that price controls would force pharmaceutical firms to reduce their domestic R&D budgets by 80 percent — almost $50 billion in total.

Third, increasing mergers.

> Danzon '07 of UPenn finds that as pharmaceutical revenue and firm value falls, more small businesses will merge in an attempt to salvage any remaining profits and escape financial panic.
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> This means more market consolidation and less competition, resulting in less innovation. After examining 65 previous mergers of pharmaceutical companies, Haucap '16 of the Harvard Business Review explains that mergers "substantially" reduced R&D funding, not only because of decreased competition but because of the upfront costs that come with combining firms. He quantifies that after every merger, the R&D budgets of competing firms decreases by 20%.

These three warrants are instrumental to drug innovation, as the AARP in 2017 reports that 70% of all pharmaceutical industry sales stem from drugs created by small businesses.

That is why Santerre 05 of the National Bureau of Economic Research finds that a price control between 1980 and 2000 would have reduced pharmaceutical R&D expenditures by up to $293 billion, leading to approximately 38 percent fewer new drugs brought to the global market.

Santerre furthers that the social welfare harm of decreased R&D is 28 times greater than the benefits of price controls.

The impact is saving lives.

American innovation creates new treatments, which travel overseas. The American Journal of Public Health '10 reports that 44% of all patents for new molecular entities were filed in the United States.

However, even if the innovation does not produce new treatments, it still decreases costs. If a company innovates a drug which fills a similar role to existing medicines, it still creates competition and forces manufacturers to reduce prices. the Economist in 2018 explains that some of the world's top-selling drugs now face "biosimilars" that are 80% cheaper, and biosimilars could reduce American health-care spending by $54 billion over the next decade.

Hooper of the Library of Economics and Liberty explains that since drugs are cheap to manufacture, they are sold for much lower prices in the developing world. For example, the anti-AIDS drug Crixivan was sold at a tenth of its normal price to poor countries in Africa and Latin America.

Therefore, Paranicas '14 of the Healthcare Institute of New Jersey credits new U.S. drugs with 73% of increased life expectancy among developed and developing countries between 2000 and 2009.

Ultimately, the IPI quantifies that newly researched drugs and vaccines will save 9 million lives in the next 25 years.

Please negate.