

Jeremy and I negate.

Our Sole Contention is Facilitating Drug Innovation

Pharmaceutical lobbying has dominated all proposals for price controls.

[Hancock '17 of the New York Times explains](#) that at least two dozen bills to regulate drug costs have been introduced in Congress over the years. However, these bills have all been rejected, despite bipartisan support, because of billions of dollars spent by the powerful pharmaceutical lobby.

Thus, small businesses would suffer disproportionately under a price control. [Sullivan '13 of Reuters writes](#) that political lobbying has also punched major loopholes in legislation, allowing big companies to ignore or evade regulations. On the other hand, smaller firms simply do not have the financial resources and legal teams to take advantage of the same exceptions.

As a result, [Hendrix '17 of the U.S. Chamber Foundation furthers](#) that federal price regulations harm small businesses 20% more than other companies.

Problematically, this decreases small business revenue. [Sood '08 of the US National Library of Medicine](#) furthers that price controls would decrease long-term revenues by 23.9%.

This harms innovation in three ways.

First, diverting venture capital.

[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 venture capital to survive.

This is why, [Hagerdorn of the University of Maastricht finds](#) small biotech firms are almost entirely dependent on external investment.

However, because price controls decrease expected profits, [Vernon '05 of the University of Connecticut](#) finds that price regulation in the US would decrease R&D investment by up to 32 percent.

Without investment, many small businesses will fail. [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.

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.

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 2007 of UChicago](#) 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.

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 controls 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.

Even in the status quo, [according to the National Bureau of Economic Research](#), a price control of 40 percent in the United States would lead to up to 30 to 60 percent fewer R&D projects being undertaken in the early development of a new drug.

The impact is saving lives.

The scope of American innovation is huge, as it travels 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, [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.

Please negate.

Cut from case by max, save for frontlines

However, [Calfee '01 of Penn State University explains](#), small-probability, high-payoff pharmaceutical research is motivated primarily by the possibility of someday obtaining large profits from the rare success.

This is further quantified by [Winegarden '16 of Forbes](#), who finds that 73 brand name drugs were introduced in 2015, 43 of which were novel therapies.

These new therapies have led a 22% decline in cancer deaths, bringing the estimated amount of cancer survivors to 18.9 million by 2024.

[Arnes '17](#) of International Federation of Pharmaceutical Manufacturers & Associations attributes the dramatic decline in deaths by AIDS, cancer, polio, and measles to investment in R&D. Between 1990 and 2014, R&D reduced the amount of AIDS-related deaths per year by 80%.

[McGreal '17 of the Guardian quantifies](#) that big pharma has spent almost 2.5 billion dollars on political lobbying in the last decade alone.

[The Department of Commerce '04 furthers](#) that pharmaceutical revenues in foreign countries would be up to 38% higher if it were not for price regulations.

[According to the National Bureau of Economic Research](#), only 3 out of 10 innovative medicine projects make a positive return on investment.