



# NHSDLC Fall 2020: Sample Pro Case

Academic Committee of the NHSDLC\*

September 2020

We stand **PRO** on the resolution, “Resolved Countries should not impose price controls on the pharmaceutical industry”. We support our case with the following 2 contentions.

## Contention 1: Harms RD and Innovation.

### A. Price Controls will harms new drugs R&D and innovation

The consequences from implementing price controls on the pharmaceutical industry will be no different than the consequences that occurred in the grain or housing markets.

Countries with price controls suffer a decline in pharmaceutical research and development, as Wayne **Winegarden**, Senior Fellow in Business and Economics at the Pacific Research Institute, writes in 2019, “for proof, just look to the European Union’s drug industry, where pharmaceutical price controls were implemented two decades ago. Before its price controls, EU firms were the global leaders in bio-pharmaceutical innovation. Since [price controls], research spending in the EU has stagnated, much of it diverting to the U.S. where price controls do not exist.

As a result, the EU has endured many adverse consequences. Access to existing medicines have faltered. While the U.S. has access to nearly 90% of newly launched

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medicines, patients in Germany only have access to 71%. In France, the access rate is even lower at 48% [...] R&D slowdown has led to 46 fewer medicines being introduced into the marketplace. The actual costs to patients (worldwide) from not having access to new (possibly better) treatments is unknowable. The lost savings potential these medicines could have created, by avoiding the need for other more expensive health care treatments (e.g. surgeries), is also unknowable. The EU has also faced economic consequences as the lost R&D activity has cost the EU nearly 1,700 high paying research jobs. [...] History clearly illustrates that government mandated prices create more harm than good. Should drug price controls [...] access will be reduced, innovation will suffer, and the economy will be less vibrant.”<sup>1</sup>

This is further supported by Doug **Badger**, Visiting Fellow in Domestic Policy Studies at the Heritage Foundation who writes, “trading innovation and access to new medicines in exchange for lower prices on existing products may strike some as a good deal. But according to the president’s Council of Economic Advisers, it wouldn’t be. The council concluded that while price controls might save money in the short term, they would cost more money in the long run. Government price-setting, it wrote, “makes better health care costlier in the future by curtailing innovation.”<sup>2</sup>

## **B. Price Controls will reduce technology spillover to other firms hindering innovation**

Robert D. **Atkinson**, President of the Information Technology and Innovation Foundation, writes in The Hill, “[...] advocates of price controls overlook the extent to which the [pharma] industry contributes to the global “commons” of knowledge development. In their view, drug research only benefits the companies doing the research, so the consequences of any reduction in RD that may come with price controls aren’t likely to be all that bad. But the evidence shows otherwise.

Even though new discoveries are protected with trade secrets and patents — which provides the incentive for drug companies to assume the risks involved in developing a new drug — a considerable share of bio-pharma industry research spills over, contributing to knowledge discovery and drug development overall, not just in the labs of the firms that conduct the research.

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<sup>1</sup>Wayne Winegarden (Senior Fellow in Business and Economics at the Pacific Research Institute and the Director of PRI’s Center for Medical Economics and Innovation). “Price Controls Are Not The Answer To Expensive Drugs.” Forbes. 18 October 2019. <https://www.forbes.com/sites/waynewinegarden/2019/10/18/price-controls-are-not-the-answer-to-expensive-drugs/30cc9e97715e>

<sup>2</sup>Doug Badger (Visiting Fellow in Domestic Policy Studies at the Heritage Foundation). “Why Pelosi’s Drug Price Control Scheme Would Be a Poison Pill to Innovation and Access.” Heritage Foundation. 24 September 2019. <https://www.heritage.org/health-care-reform/commentary/why-pelosis-drug-price-control-scheme-would-be-poison-pill-innovation>

This knowledge dissemination occurs in three main ways. **First**, many of the benefits of firm-level RD spill out to the rest of the industry. [...] Economists Nicholas Bloom, Mark Schankerman and John Van Reenen find that spillovers are significantly greater in large bio-pharma firms compared with smaller ones, because the latter “tend to operate in technological ‘niches’” where fewer other firms operate. **Additionally**, In 2016 alone, bio-pharma companies provided over \$2.5 billion in life sciences research funding to universities in all 50 states, ranging from \$366,000 in Maine to \$329 million in California.” <sup>3</sup>

## Contention 2: Reduce Access to Existing Drugs

Price controls result in less access to treatments when comparing between nations with and without them, as Doug **Badger** proves in 2019, “[...] aggressive government price-setting has damaged innovation and limited access to new treatments in six [major countries with price controls]. Access to new drugs is much greater in the U.S, than in countries with price controls, in part because of having shunned price controls. Of new active substances introduced between 2011 and 2018, 89% are available to Americans, compared with 62% in Germany and 60% in the United Kingdom. One-half or more of these new therapies are unavailable to Australian, Canadian, French, and Japanese patients.

**This lack of access can have damaging effects.** A study by IHS Markit examined outcomes for non-small cell lung cancer, the leading cause of cancer mortality in the U.S. and the world. The report compared how Americans with that disease fared, compared with citizens of other highly developed countries, including Australia, Canada, France, and the U.K. The study concluded that Americans gained 201,700 life years as a result of faster access to new medicines. Half those gains would have been wiped out, the study found, if Americans had the same limited access to those treatments as patients in other countries.” Patients will be better off if all countries drop their price control regimes against pharmaceutical companies.”<sup>4</sup>  
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**Thus**, because price controls will harm drug innovation and they restrict access to existing drugs, we stand **PRO**.

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<sup>3</sup>Robert D. Atkinson (president of the Information Technology and Innovation Foundation). “Drug price controls will be more pain than gain.” The Hill. 10 November 2018. <https://thehill.com/opinion/healthcare/416068-drug-price-controls-will-be-more-pain-than-gain>

<sup>4</sup>Doug Badger (Visiting Fellow in Domestic Policy Studies at the Heritage Foundation). “Why Pelosi’s Drug Price Control Scheme Would Be a Poison Pill to Innovation and Access.” Heritage Foundation. 24 September 2019. <https://www.heritage.org/health-care-reform/commentary/why-pelosis-drug-price-control-scheme-would-be-poison-pill-innovation>

<sup>5</sup>IHS Markit. (2018). Comparing Health Outcome Differences Due to Drug Access: A Model in Non-Small Cell Lung Cancer. IHS Markit