

John Stossel: A Parody of Self-Parody

Kevin Carson

May 27th, 2015

Every time I read a column by John Stossel, I think my estimation of him has fallen to its theoretical limit. And then I read the next one.

For years, Stossel has tipped his hat to the idea that “pro-market” and “pro-business” are not the same thing. He occasionally gives an example of welfare for big business and the wealthy, like the Export-Import Bank or subsidized insurance for beach houses. But it’s almost always peripheral to the main body of American corporate capitalism (which is just fine and dandy like it is, and would be even more like it is if only government would leave it alone). His latest example of the wonders of a free, competitive market is — wait for it — the pharmaceutical industry (“Capitalism Spurs Medical Innovation,” *Reason*, May 20). That tiny, whimpering gargle you hear is the last feeble vestige of Stossel’s credibility giving up the ghost.

After years of being the political member of the family who (ahem) “defended free markets,” Stossel’s brother Tom has finally found a political issue that makes him passionately pro-“free market.” And that issue is... people picking on the drug industry. That’s right, the drug industry — a contender for the most subsidized, protected and cartelized industry in existence, with the possible exception of military contractors — is the poster child for the wonders of free enterprise. And it’s the critics of this paragon of rugged individualism who finally got Tom’s free market goat.

Among the howlers: Stossel gives the example of a cancer drug that kept someone alive for fifteen years, but costs \$123,000 a year. “That cost... seems outrageous, especially because activists claim government funds all-important scientific research. But that’s a lie. Eighty-seven percent of new drugs are discovered by private industry; only 13 percent come from public-sector research.”

First of all, whether or not “private industry” conducts the research and whether government funds it are two entirely different things. By conflating them, Stossel exposes himself as unworthy of ever being taken seriously about anything ever again. And second, the refundable federal R&D tax credit — one that you get regardless of whether you pay any taxes at all — accounts for about half of all drug company R&D. That’s just another kind of government funding.

As for the drugs that actually were developed mostly with that other 13% of direct funding, by act of Congress the patents are given away to the drug companies that sell them so they can mark the price up astronomically — even though they didn’t pay to develop them.

Stossel also mentions the costly testing regime, which only “vilified industry has the patience and self-interest to wade through...” You’d think they were the victims of this process, rather

than the beneficiaries — and instigators — of an enormous entry barrier that leaves only the giant corporate players in the game, and thereby reduces price competition.

Stossel also doesn't mention that most R&D isn't done to develop breakthrough drugs, but rather to tweak old drugs just enough to repatent. And even for genuinely new drugs, most testing to secure patent lockdown on the major possible variants rather than to test the version actually marketed.

Anyway it's patents — not production cost — that mostly govern drug prices. Companies can charge whatever the market will bear because they have a government-granted monopoly on the sale of any particular drug — just as protectionist as any tariff.

Stossel says he'll trust the incentives of the "free market" and "competition" over government to keep people happy and healthy. But the drug industry's business model — the same business model of cost maximization and guaranteed profit that prevails among public utilities and military contractors — is about as far from the free market as you can get.

To paraphrase something Arthur Chu said on Twitter several weeks ago, in response to those who mock protestors for denouncing capitalism while carrying iPhones, capitalism — or any other ism — doesn't produce anything. It's labor, human effort and ingenuity, that have produced things under every ism in history. The isms just determine who gets paid.

And the drug industry is a classic example of this. The drug companies actively impede the horizontal collaboration and sharing of information that are at the heart of scientific progress, through secrecy, stovepiped bureaucracies and non-disclosure agreements. And you can be sure the actual researchers who develop drugs — and then sign over the patents to their employer — don't see much of the money.

Big Pharma isn't about research and discovery. It's about extracting rents from them through enclosure and control — with armed government thugs backing it up and enforcing its protectionist monopolies.

Far from being friends of the free market, drug companies are its mortal enemy. And John Stossel has revealed himself to be its mortal enemy as well.

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