



The Daily Dish

The Donald Has Spoken

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On Tuesday, new Federal Communications Commission (FCC) chairman, Ajit Pai, said he will make cutting regulations a priority of the FCC moving forward. Pai said that regulatory barriers must be reduced in order to spur growth and innovation. While Pai refused to take an official stance on net neutrality on Tuesday, he did say that he is opposed to [Title II](#), which is one of the central elements of net neutrality.

This week Senate Majority Leader Mitch McConnell (R-KY) introduced a Congressional Review Act (CRA) resolution in the Senate aimed at blocking the Stream Protection Rule. The Stream Protection Rule was introduced at the end of President Obama's term and specifically targets coal mines. According to previous AAF [research](#), the Stream Protection rule would impose \$1.2 billion in regulatory costs and 218,000 hours of paperwork on Americans. Majority Leader McConnell urged the House to move quickly on its own resolution "so we can pass it here in the Senate".

Eakinomics: The Donald Has Spoken

"We have to get lower prices, we have to get even better innovation, and I want you to move your companies back to the United States. I want you to manufacture in the United States." So [sayeth](#) President Trump to a group of pharmaceutical executives. He also characterized drug prices as "astronomical" and vowed to use the government's purchasing power to get prices down. Unfortunately, words alone don't change the reality.

The reality is that not all drug prices are astronomical. There have been some high profile examples, but among those the Valeant and Mylan uproars have centered on old drugs that were off patent protection. Indeed, among the new drugs, only the Sovaldi (hepatitis C) and oncology drugs stand out, and the entrance of competitors has greatly lowered the prices in hepatitis C treatments. The reality is that there is not a one-size-fits-all pricing problem.

The reality is that the president cannot use government negotiations to lower drug prices. Despite the repeated assertions to the contrary, there are tons of negotiations in the Medicare drug program. They are private negotiations between and among prescription drug plans, pharmacy benefit managers, and drug manufacturers — and they produce substantial price reductions. The government doesn't add anything to this mix because it doesn't have a formulary that would allow it to favor one drug over another, and negotiate a discount in exchange. The reality is that the federal government has no such mechanism to discriminate, and thus no real ability to more effectively negotiate.

The reality is that government could impose price controls, and that's what most progressives mean when they say "negotiate." But President Trump also blasted price controls in other countries and wants innovation to accelerate. The reality is that price controls will stifle innovation.

The reality is that location decisions depend on economic incentives, including tax, regulatory, and labor market policies. U.S. pharmaceutical (and other) firms will locate abroad when the economic incentives push them that direction — no matter what any president says. The final reality is that President Trump needs to roll up his sleeves and work with Congress to get tax reform and regulatory reform across the finish line.