The Ruinous 'International Price Index': A Letter from the Future

By 2050, it was clear we had made a huge mistake — although far too late for that to make a difference — as shortages, rationing, and black markets completely consumed the international pharmaceutical drug industry.

In retrospect, if you had to pick when things started going downhill, it'd probably start in 2025, the first year the world's drug prices were set in a large convention center in Brussels.

Starting in the 2000s, European nations began setting their price controls on pharmaceutical drugs by averaging the prices paid by neighboring countries.

In 2019, the speaker of the U.S. House of Representatives proposed adopting the practice in the United States, home to the world's largest drug market and most of the key drug-making firms. When President Elizabeth Warren led the adoption of the plan two years later, in 2021, the practice really took off.

Quite suddenly, the governments of almost all Western nations set their prices based on what the other governments had decided to pay. Except, it was circular, since those governments were also basing their price controls on the price controls the others had set, as well.

In 2025, the considerable confusion this situation created led to the adoption of the annual price control setting conference, held, naturally, in Brussels, where unelected European Union bureaucrats decide the fate of their continent on behalf of its citizens.

Prior to the convention, nations had been engaging in an escalating arms race akin to how states in the U.S. try to position their party primary dates ahead of each other, except the opposite. Every nation wanted to go last, to benefit from the price control decisions of the others, and so the decisions of the various price control committees were subject to frequent, mysterious delays.

It was, to be frank, a bit of a mess. But the arrival of the annual price-setting convention, first proposed by Finland's Minister of Social Affairs and Health Pirkko Mattila, completely turned the situation around.

Rather than leaving the order of who sets prices first to the whims of the individual nations, the process was now governed by an orderly lottery. Every year, the fate of medical innovation became largely subject to drawing a numbered ping pong ball from one of those machines they use for televised lottery drawings (the ratings, however, are nowhere near as high).

There were still problems, of course (as the French say, "*Comme on fait son lit, on se couche!*"). In the lottery's third year, the first price control ping pong ball selected belonged to the Republic of Malawi, a tiny, landlocked African nation that had clearly not anticipated playing a major role in how the international pharmaceutical drug market works.

Because almost every nation's prices were set on each others' in circular fashion, the first nation to pick its prices had a vastly outsized impact on all the others. Malawi officials present at the conference had clearly not prepared any detailed research on prices for individual drugs, and a mood of panic set over the convention hall as fellow bureaucrats — and anxious drug company representatives — considered the implications.

However, the situation was averted when Malawi, in a move praised as selfless by the other participants in Brussels but later criticized as an embarrassment by the domestic political enemies of the Malawian president, opted to retain the prices from the previous year.

Relief quickly filled the Danish hall. However, while some viewed the incident as a cautionary tale, others saw an opportunity, particularly as a means to reward domestic firms and punish international ones. In the following months, smaller nations rejected all proposals to restrict the early rounds to major nations out of hand. But, ironically, it was the selection of a large, major nation that ended up causing the problems we would later face.

Already, U.S. firms, which had previously brought roughly half of all new drugs to the market, had faced significant troubles as a result of the price controls adopted by the U.S. And without a major, relatively free market in America providing price discovery, the international market gradually began to lose touch with economic reality, suffering from major shortages within only a few years.

Shortly following a particularly acute situation in which penicillin had run out across Europe and North America, resulting in shockingly high black market prices above $100,000, the first lottery draw went to China, which had been in an escalating economic trade war with the U.S. since President Donald Trump was elected in the late 2010s.

Although other nations had previously used an early draw to buttress domestic firms, the Chinese representatives suddenly responsible for the world's drug industry were characteristically well-prepared and ruthless. The resulting price scheduled was expertly designed meticulously to wipe U.S. firms off the map, and nearly succeeded, as the convention was followed, within a few months, by several major bankruptcies.

In turn, this caused a major, populist outcry against the drug companies, who were blamed for the shortages, rationing and other problems it created. Several years later, it was a key factor in the election of American President Alexandria Ocasio-Cortez on a health care platform far enough to the left that it would have left the late Pelosi feeling anxious.

As fate would have it, the U.S. drew a very early round in the price-setting lottery only months after "AOC" had been elected. The Bronx socialist had traveled to Brussels herself for the occasion and personally announced in the convention hall the U.S. would be paying "exactly nothing" for the drugs invented at a cost of roughly $3 billion each by privately capitalized firms (it had been a thriving business back then). The convention hall erupted in chaos, and ultimately disbanded without fulfilling its mission. But irreparable damage had already been done.

Nearly all the large drug firms are gone. Although government officials had vowed to offset the loss with a new Department of Medicine, the efforts have, thus far, done little to improve the situation. Innovation has slowed to a trickle, as academics with promising ideas face difficulty securing the resources to conduct the "twice as safe" safety regulations enacted some ten or so years ago. We face shortages, rationing, and rampant black markets, which are, practically speaking, the only reliable means of purchasing drugs these days, but are not covered by insurance.

In retrospect, it was a mistake for the world's nations to set their price controls based on each others' price controls. Although the Europeans got away with it for a few years, once the U.S., which had provided the last significant drug market, joined in, the situation quickly deteriorated.

If only we had known then what we do now, even Finland's Mattila, an early champion and one of the last to admit defeat, would have loudly warned us: price controls are a path to socialist ruin.