

How to Fix Tranquillizer Prices

THE British government has probably stirred up more trouble than it can reasonably have expected by its decision, three weeks ago, to order Hoffmann-La Roche to reduce the prices charged to the National Health Service for the tranquillizers called (in Britain) 'Librium' and 'Valium'. For one thing, there is likely to be a court case. The Swiss company and its British subsidiary are talking of taking the issue to the House of Lords, complaining that the Department of Trade and Industry has acted illegally under the terms of the Monopolies Act which does give the British government power to regulate the prices charged to public authorities by monopoly suppliers. Nobody will dispute the truth of the findings of the subcommittee of the Monopolies Commission which, three weeks ago, argued that Hoffmann-La Roche has been making handsome profits from the sales of the two tranquillizers. The trouble is that there is no easy rule of thumb for telling when handsome profits are what the government now calls "excessive". Another difficulty is that the fact that the two tranquillizers in dispute account, on various estimates, for something like 63 per cent of the tranquillizer market in Britain, owes at least something to their cheapness compared with other comparable drugs. It may be true that Hoffmann-La Roche has promoted its products vigorously, but it is also true that two-thirds of the patent protection it has enjoyed has now expired. Whether the case goes to the House of Lords, and whatever may be the outcome, there is at least a strong case for thinking that the government would have been wiser to respond to the report of the Monopolies Commission by taking action under the patent legislation than by dubiously enforcing one of the provisions of the Monopolies Act. At the very least, it is unseemly that a monopoly customer should use its own legislation to enforce a chosen pattern of behaviour on a somewhat less monopolistic supplier.

This said, it is very much to be hoped that the Hoffmann-La Roche case will not be allowed to sink into oblivion. To begin with, it brings sharply to the surface the question of how governments such as the British, now a member of the European Community, are to deal with what used to be called multinational companies but which are now European in some strict sense (for Switzerland is not, after all, that far from Brussels). In many ways, the issue of how Hoffmann-La Roche should conduct itself is a better precedent for the good conduct of European multinational companies than the recent decision of the European court and the expansionist proclivities of the Continental Can Company, an essentially American organization which has nevertheless been allowed to establish strong manufacturing organizations in Europe because there is no basis in equity for saying otherwise. In other words, it is to be hoped that if Hoffmann-La Roche gets no joy in the House of Lords,

it will have a try in the European court. What governments like the British have to decide is where they stand on the relationship between governments and private enterprise.

Pharmaceutical manufacturing is by any reckoning a speculative business, not much different from the business of drilling holes in the ground in the hope of finding gold. Pharmaceutical manufacturers are inclined to imply that their speculative expenditure is sanctified by the name research, and that it is therefore more virtuous than what people in Texas call "wildcatting". But there is not very much difference, and indeed the willingness of pharmaceutical companies to invest large sums of money in the development of new drugs is likely to persist for so long as those who need or use drugs consider it to be inestimably valuable to have something that performs better, even a tiny bit better, than what exists at present. In circumstances like these, the British government, which has fired the first shot at Hoffmann-La Roche, ought at the very least to be asking itself whether it should not now take action against all those entrepreneurs who have in the past few years bought tiny plots of land and found them appreciating enormously in value, who have invented new devices for helping to make computer systems work more efficiently and then found themselves rich beyond their expectations. For what the government has done over 'Librium' and 'Valium' is to say that even in a strictly speculative field of enterprise, profits must never be immoderate.

It would be much more sensible if the British government were to take a simpler and more radical view of the problem which confronts it. For practical purposes, the National Health Service is a monopoly customer for drugs, and the British government is well placed to act as a customer on the international market, seeking out the drugs which the National Health Service needs, making arrangements with the patent holders to manufacture under licence, and then arranging to manufacture. There is no valid reason why the National Health Service should not be somehow closely involved with the machinery for providing itself with essential supplies except that successive governments have always fought shy of anything that smacks of interference either with the medical profession, pharmaceutical manufacturing or the high street chemists. But the truth is that the National Health Service and the British taxpayer might have had a much better deal if the government had recognized its responsibility in this field and had taken a firm grip on the machinery by which drugs are at present supplied. What this implies is that the arbitrary action against Hoffmann-La Roche, populist though it may be, is not even the first step towards the solution of the problem which the government must sooner or later tackle.