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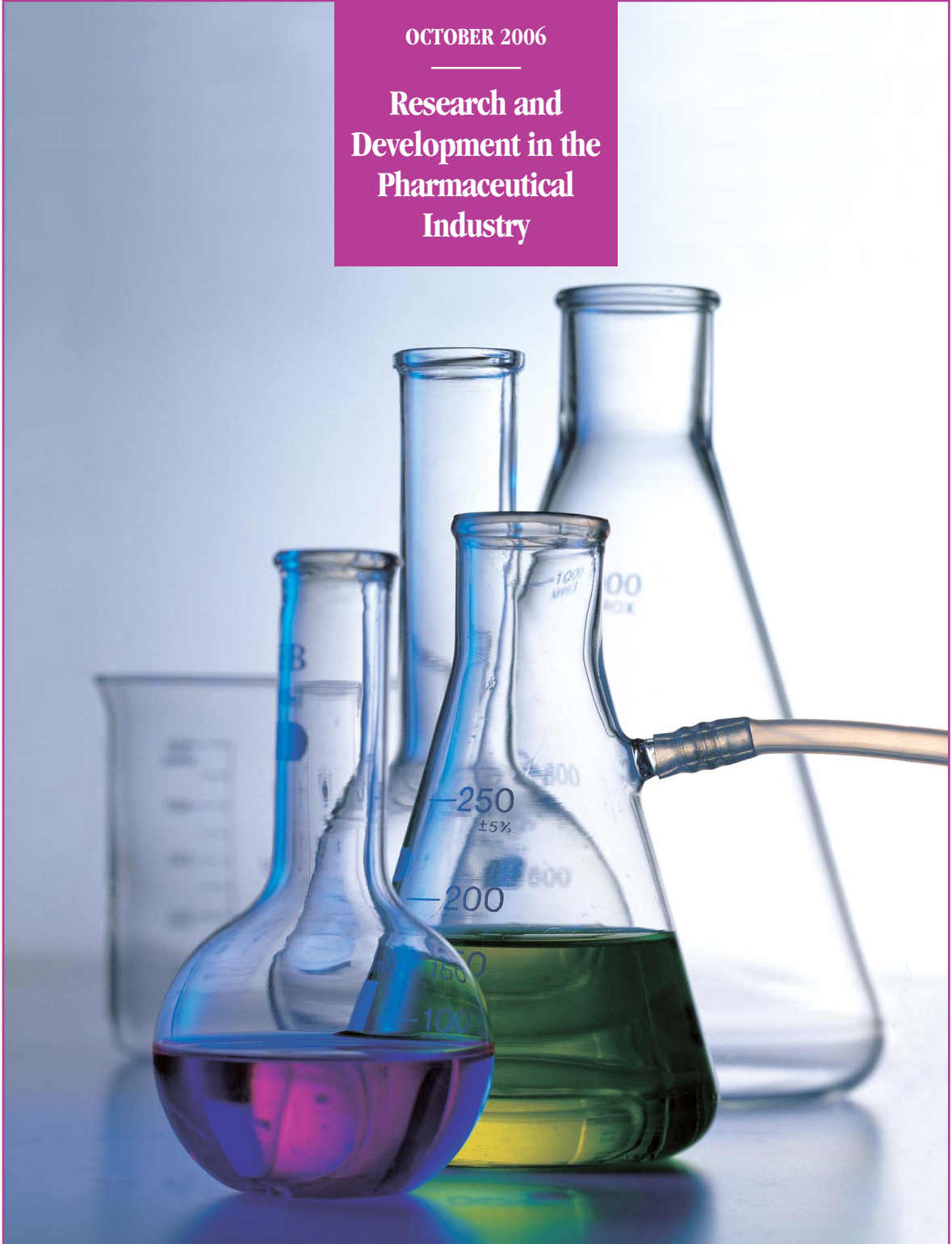
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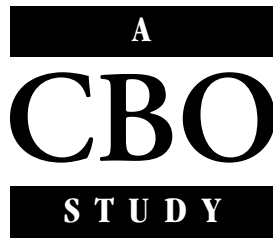
OCTOBER 2006

Research and
Development in the
Pharmaceutical
Industry



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Research and Development in the Pharmaceutical Industry

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The Congress of the United States ■ Congressional Budget Office



Preface

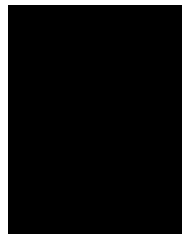
Perceptions that the pace of new-drug development has slowed and that the pharmaceutical industry is highly profitable have sparked concerns that significant problems loom for future drug development. This Congressional Budget Office (CBO) study—prepared at the request of the Senate Majority Leader—reviews basic facts about the drug industry’s recent spending on research and development (R&D) and its output of new drugs. The study also examines issues relating to the costs of R&D, the federal government’s role in pharmaceutical research, the performance of the pharmaceutical industry in developing innovative drugs, and the role of expected profits in private firms’ decisions about investing in drug R&D. In keeping with CBO’s mandate to provide objective, impartial analysis, the study makes no recommendations.

David H. Austin prepared this report under the supervision of Joseph Kile and David Moore. Colin Baker provided valuable consultation. Jim Baumgardner, Anna Cook, Doug Hamilton, and Dennis Zimmerman of CBO provided comments, as did Iain Cockburn of Boston University, Mark Duggan of the University of Maryland, and Judith Wagner of the Institute of Medicine. (The assistance of external reviewers implies no responsibility for the final product, which rests solely with CBO.)

Christian Howlett edited the study, and Kate Kelly proofread it. Angela Z. McCollough prepared drafts of the manuscript. Maureen Costantino prepared the report for publication, with assistance from Allan Keaton, and designed the cover. Lenny Skutnik printed the initial copies, and Simone Thomas prepared the electronic version for CBO’s Web site (www.cbo.gov).

Donald B. Marron
Acting Director

October 2006



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