



# THE MORE WE DIE, THE MORE WE SELL?

THE NEWEST PUBLICAION OF DAVE DONALDSON



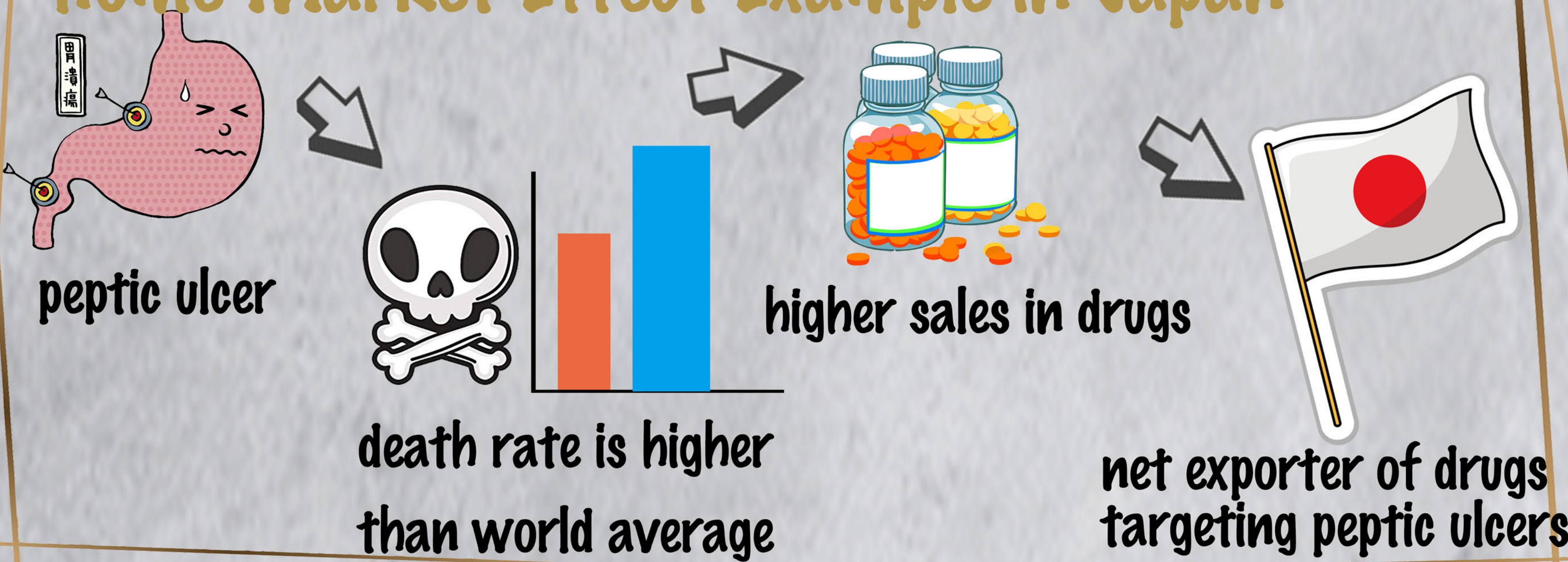
## Brief idea of the paper

By developing a simple test of the **HOME MARKET EFFECT** using detailed drug sales data from the global pharmaceutical industry, there is a positive correlation between the predicted home demand and sales. Therefore, the countries demand the most tend to be net exporters.



- A Canadian economist (born 4 June 1978)
- 2017 John Bates Clark Medal
- International Trade, Development Economics

## Home Market Effect Example in Japan



## Research Highlights

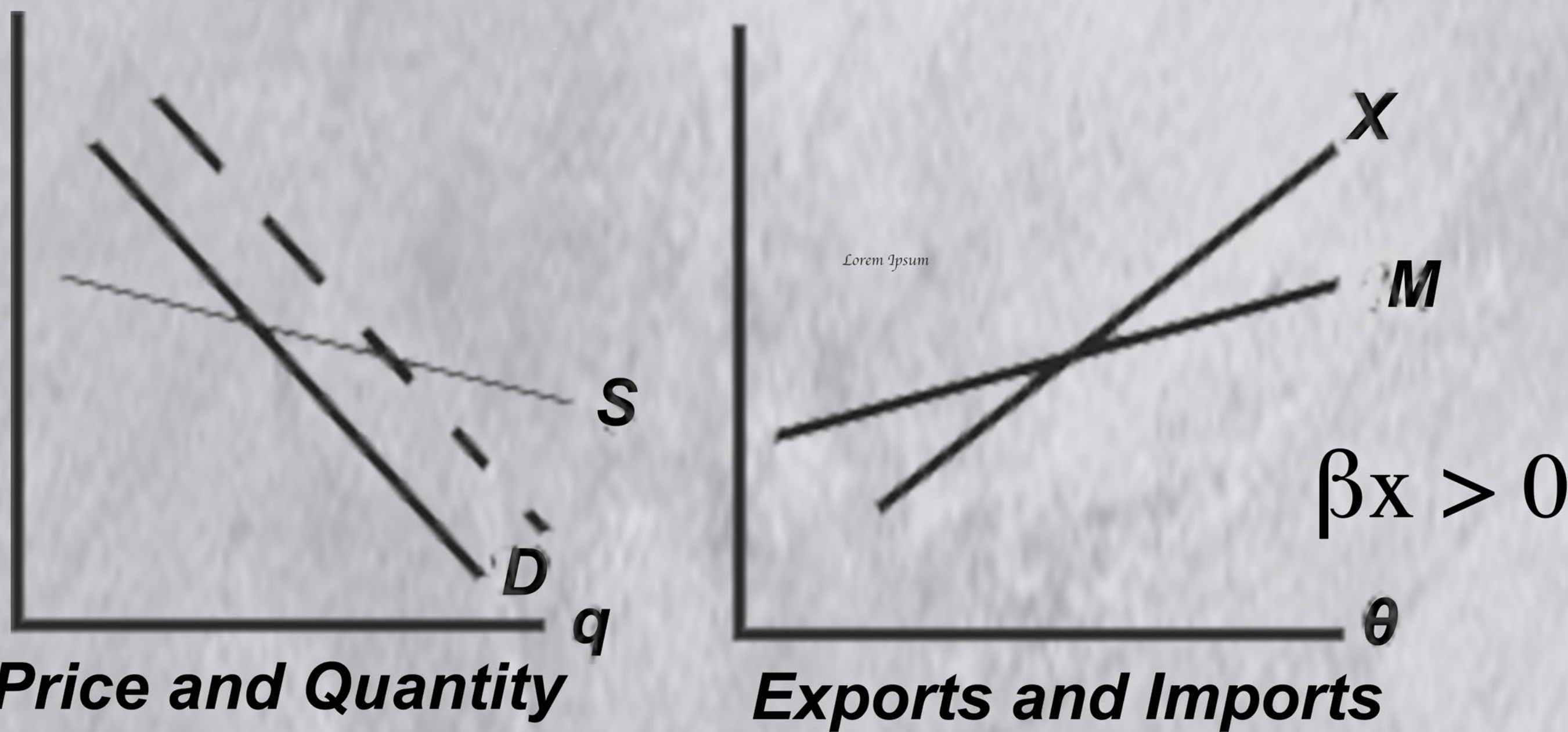
### Home market effect causes International Specialization! 🤖



- The government funding of medical research is huge in order to satisfy huge local drug demand. Clinical trials may be cheaper to conduct in countries with a large pool of potential subjects. The relative cost for home country to do Research and Development of the drug would be relatively lower than that of other countries.

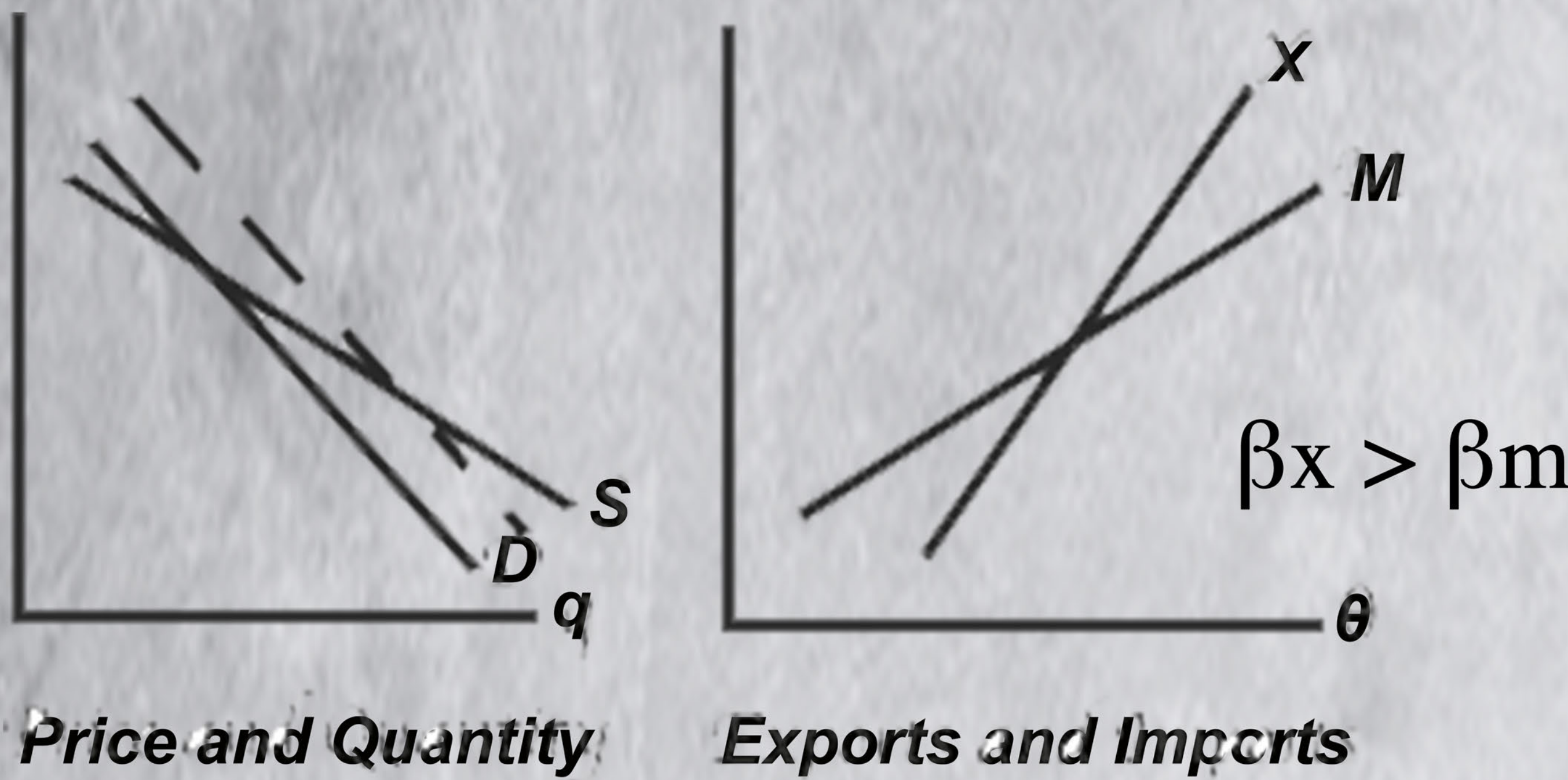
- After producing the first drug, the marginal cost of producing subsequent drugs would be very small, so the home country can enjoy comparative advantage in producing that drug. Home demand is a main cause determining what a country should specialize.

## WEAK HOME MARKET EFFECT



In pharmaceutical market, weak home market effect means  $\uparrow$  predicted disease burdens at home tend to  $\uparrow$  the sales of domestic drugs treating those diseases abroad.

## STRONG HOME MARKET EFFECT



In pharmaceutical market, strong home market effect means  $\uparrow$  predicted disease burdens at home tend to  $\uparrow$  the sales of domestic drugs treating those diseases abroad, and they tend to increase them by more than the sales of foreign drugs at home.

## Home demand is positively correlated with demand in neighboring countries.



- A country that enjoys home-market effect and engaging in specialization of a drug, she may not only reflect the variation in its own demand, but also the variation in its neighbors' demand. In short, the high-demand neighboring countries may increase the home-market effect of a country of producing drug, through the direct effect on the quantities that they consume and the indirect effect on the price of drugs they produce.

- For instance, smallpox was the most life-threatening disease in the mid of 18th century. With the huge local demand as well as the demand in neighboring countries. England doctor demonstrated the effectiveness of cowpox to protect humans from smallpox in 1796. The drugs were easily exported to them which had strengthened the home-market effect.

## Reality: Bubble Tea Stores in HK



珍貴丹



春水堂