AMERICAN ECONOMIC LIBERTIES PROJECT

Executive Summary

Making Medicine in America Again: Why Breaking Monopolies Is Key to Building a Resilient U.S. Pharmaceutical Manufacturing Base

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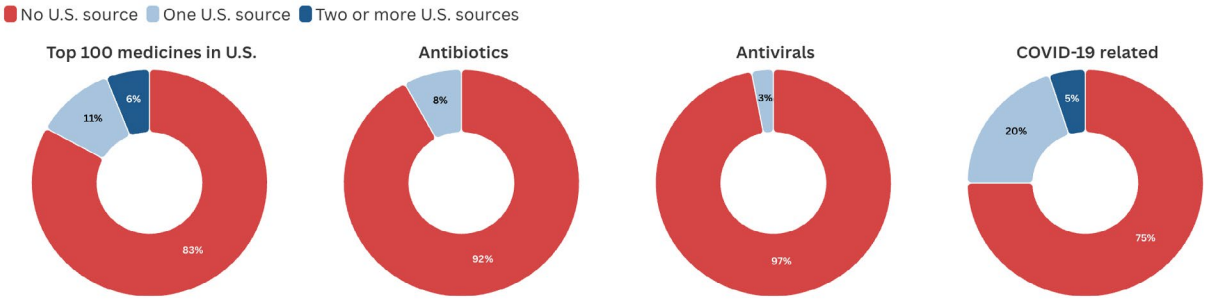
EXECUTIVE SUMMARY

The United States no longer makes most of the essential medicines — almost entirely generics, including analgesics, antibiotics, and antivirals — used in acute and intensive care settings.

Over several decades, federal policymakers have enabled and incentivized profit-maximizing corporations to offshore the production of pharmaceuticals, systematically dismantling domestic pharmaceutical manufacturing capacity. As a result, our country relies on foreign suppliers — particularly China — for these medicines and their components.

U.S. Dependence on Imported Essential Medicines and Key Ingredients



Sources: Anthony Sardella, "The US Active Pharmaceutical Ingredient Infrastructure: The current state and considerations to increase US Healthcare Security," Center for Analytics and Business Insights, Aug. 1, 2021, https://apicenter.org/wp-content/uploads/2024/07/The-US-Active-Pharmaceutical-Ingredient-Infrastructure.pdf; "Sources of COVID-19, Antivirals, Antibiotics and Top 100 Medicines in the United States," Cortellis Generics Intelligence, 2021.

This overreliance threatens U.S. national security and public health. Geopolitical conflicts, global pandemics, and climate disasters necessitate urgent policy interventions to onshore and diversify pharmaceutical supply chains.

To address the hollowing out of U.S. pharmaceutical manufacturing capacity, the Trump administration has focused mainly on tariffs.[1] Strategic tariffs, designed to create a viable market for domestically produced essential medicines and their ingredients, are among the tools that federal policymakers should consider. Yet tariffs, if they are not phased in methodically, as important competition and industrial policies are implemented, will not only fail to promote onshoring but could also exacerbate drug shortages and unaffordability.

AN ANTIMONOPOLY SOLUTION SET

Making Medicine in America provides an alternative antimonopoly solution set, one that incorporates tariffs only after policymakers have addressed the anti-competitive market structures at home, which are largely responsible for our current foreign dependency crisis, and rebuilt a deconcentrated and resilient U.S. pharmaceutical manufacturing base in their place. Specifically, it outlines competition policies to ensure the financial viability of U.S. manufacturers; industrial policies to ensure demand for those manufacturers' products; and, finally, trade policies to keep out medicines from foreign suppliers that engage in unfair or monopolistic business practices.

1 William Burkhart and Keigh Hammond, "Presidential 2025 Tariff Actions: Timeline and Status," Congressional Research Service, Sept. 16, 2025, https://www.congress.gov/crs-product/R48549; Talya Minsberg, "A Timeline of Trump's On-Again, Off-Again Tariffs," The New York Times, updated Oct. 14, 2025, https://www.nytimes.com/2025/03/13/business/economy/trump-tariff-timeline.html.

HOW DID WE GET HERE?

The United States does not produce essential medicines or their components because it is no longer profitable to do so. This is the result of deliberate policy choices that prioritized short-term cost reduction over long-term resilience and national security.

Policy-Driven Offshoring

These choices include trade policies, which for decades have encouraged manufacturers to offshore production in a never-ending race to exploit the cheapest labor laws and lowest environmental standards and to concentrate production geographically. China, in particular, has consolidated large shares of production for pharmaceutical inputs and many generic medicines using persistent mercantilist practices.[2]

Financialization has also created systemic barriers to domestic manufacturing, diverting capital away from productive activities toward financial engineering and short-term profit maximization.[3] As a result, the United States' dominant exports are now financial products, such as derivatives and other investment instruments, rather than physical goods, like essential medicines.

Finally, U.S. tax policy actively incentivizes domestic pharmaceutical manufacturers to offshore production, compounding the effects of trade policies and financialization.

Domestic Consolidation

That foreign subsidies and other unfair trade practices have distorted pharmaceutical competition globally is well understood.[4] Far less understood is how domestic policy — or the lack thereof — has incentivized the consolidation of pharmaceutical middlemen, including group purchasing organizations (GPOs), wholesale drug distributors, and pharmacy benefit managers (PBMs).

2 "List of Chronic Global Trade Deficit and Surplus Countries 2024," Rethink Trade, July 2025, https://rethinktrade.org/wp-content/uploads/2025/07/TRADE-BALANCE-CATEGORIES_UPDATED.pdf.

3 Michael Collins, "How Financialization Is Starving Manufacturing," Industry Week, Sept. 21, 2018, https://www.industryweek.com/the-economy/article/22026385/how-financialization-is-starving-manufacturing.

4 "Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth: 100-Day Reviews under Executive Order 14017," page 231, The White House, June 2021, https://bidenwhitehouse.archives.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf.

Dominant GPOs and wholesalers — which buy prescription drugs and distribute them to providers, respectively — use their market power to flatten existing domestic generic drug manufacturers' profit margins to razor-thin or negative levels.[5] This so-called "commoditization loop," in which downward price pressure drives manufacturing overseas, further concentrates production in low-cost countries.[6]

Meanwhile, the largest PBMs — which manage prescription drug benefits for health plans — control generic manufacturers' access to U.S. markets and engage in anti-competitive business practices to disadvantage certain drugs.[7]

In conjunction with policy-driven offshoring, these anti-competitive market structures and practices have resulted in the "the importation of poor quality, unsafe" products, constant shortages of life-saving medications, and "widespread price manipulation" despite steady consumer demand.[8]

HOW DO WE MAKE MEDICINES IN AMERICA AGAIN?

To successfully restore U.S. pharmaceutical manufacturing capacity, federal policymakers must address both domestic consolidation and policy-driven offshoring. In other words, attempts to solve our foreign dependency crisis piecemeal are doomed to fail.

5 Sara Sirota, "The Dirty Secret of Drug Shortages," American Economic Liberties Project, October 2023, https://www.economicliberties.us/wp-content/uploads/2023/10/20230720-AELP-DrugShortages_Brief_v7.pdf.

6 Anthony Sardella, "US Generic Pharmaceutical Industry Economic Instability," Center for Analytics and Business Insights, April 21, 2023, https://apicenter.org/wp-content/uploads/2023/07/US-Generic-Pharmaceutical-Industry-Economic-Instability.pdf; Andrew Rudman, "A Bilateral Approach to Address Vulnerability in the Pharmaceutical Supply Chain," Center for Strategic & International Studies, Nov. 18, 2024, https://www.csis.org/analysis/bilateral-approach-address-vulnerability-pharmaceutical-supply-chain.

7 "Pharmacy Benefit Managers: The Powerful Middlemen Inflating Drug Costs and Squeezing Main Street Pharmacies," Federal Trade Commission, July 2024, https://www.ftc.gov/system/files/ftc_gov/pdf/pharmacy-benefit-managers-staff-report.pdf.

8 See 5; Nick Iacovella and Jon Toomey, "America's Other Health Care Crisis: Generic Medicine Supply Chains," American Affairs, spring 2022, https://americanaffairsjournal.org/2022/02/americas-other-health-care-crisis-generic-medicine-supply-chains/.

Competition Policy to Restructure Pharmaceutical Markets and Rein in Anti-Competitive Middlemen

First, policymakers must restructure pharmaceutical market structures by reining in the monopolistic middlemen that squeeze generic manufacturers out of business or push them overseas. This will require Congress, state and federal antitrust enforcers, and the U.S. Department of Health and Human Services to work in tandem to prohibit these middlemen's anti-competitive business practices and facilitate generic market entry.

Industrial Policies to Onshore Manufacturing and Deconcentrate Manufacturing

Simultaneously with competition policy reforms, policymakers must enact industrial policies to rebuild a U.S. pharmaceutical manufacturing base. As the nation's largest buyer of prescription drugs, the federal government should also contract with multiple manufacturers and invest in the infrastructure and technology needed to create a distributed and redundant system that can withstand supply chain shocks.

Sequenced Trade Reform to Enhance Domestic Manufacturing

Finally, tariffs play an important role in this antimonopoly solution set. But they will only have their desired effect — of enhancing domestic manufacturing of essential medicines — and the least impact on prices and availability if they are predictable, targeted, and sequenced properly, only going into effect once the aforementioned competition and industrial policy reforms have begun moving.

CONCLUSION

There is much to be gained by onshoring pharmaceutical manufacturing capacity: better access to and quality of essential medicines, protection against life-threatening shortages, improved national security, lower prices by trimming the fat of extractive middlemen and rent-seeking by Big Pharma, good job creation, and stimulated local economies. For this vision to be realized, we must restructure pharmaceutical markets and intentionally design a deconcentrated pharmaceutical manufacturing base in America.

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