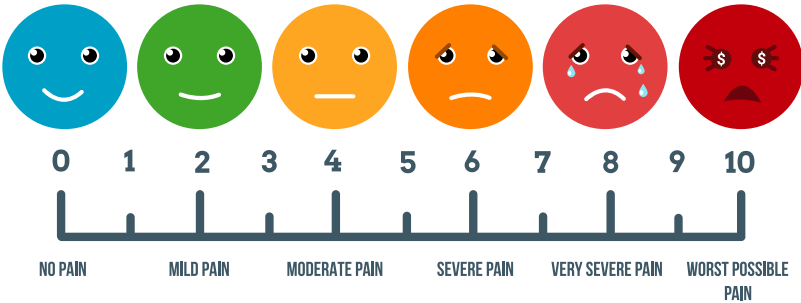


# The Economics of Pain: The Opioid Epidemic in America

February 2018



*I hurt myself today.  
To see if I still feel.  
I focus on the pain.  
It's the only thing that's real.*

—“Hurt” by Nine Inch Nails

## Introduction

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Pain is one of nature's strongest forces. Pain makes the hand recoil at the flame and provides the instinct to duck when a rock is heading your way. Pain is also one of the most bedeviling forces in nature. Ancient people understood pain when they could see a gash or crooked finger. If pain was internal, they often assigned mythical or spiritual causes to explain it. They also went to great lengths to expunge it. Some even speculate the Incas went as far as drilling holes in the skull to relieve pain. Others used "pain pipes" or leeches to extract it, injected gold salts into the body to mute it or used agents to induce pain elsewhere in the body to offset it. Some just forced unconsciousness to deal with it.

In the fog of time, it is difficult to know with certainty which of the early remedies were most effective. Given that pre-modern surgeons were most valued for being fast and able to endure the screams of their patients, it is safe to say none were entirely effective.

However, before those early efforts to ease pain are dismissed as crude and primitive attempts by less advanced cultures, keep this in mind: None of the pain treatments employed by early humans led to a drain on the civilization's coffers or caused over 40,000 collateral deaths a year. Neither were any tied to massive profits for some of the players involved, as well. This is where America comes in.

As America joined the atavistic quest to relieve pain, the nation veered down a path influenced by market forces as much as empathy. The pharmaceutical industry's great technical prowess, backed by corporate lobbyists and naked capitalism, helped create an American modality to relieve pain: inexpensive, highly addictive pain pills. America found pain relief behind names like Vioxx, OxyContin and Percocet, among others. The side effects, however, were not just confined to the patient. America itself is now in pain, economically and emotionally. The prescription opioid remedy for pain has led to a national opioid epidemic. How bad is it? President Donald Trump declared the opioid epidemic a public health emergency in October of 2017. By most estimates, the opioid epidemic costs the United States over \$500 billion per year and leads to 90 deaths per day. The U.S. Department of Health and Human Services estimated by 2015, nearly 13 million Americans were abusing prescription opioids.

This paper provides an overview of the opioid epidemic, from the roots of the problem to the effects on the broader U.S. economy. We will also look at the response by socially responsible investors to the drug manufacturing and pharmaceutical industries, and take a closer look at why alternatives are not hitting the market fast enough.



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This is an excerpt of *The Economics of Pain: The Opioid Epidemic in America*. For a copy of the full white paper, please email Blaine Townsend, CIMA®, Director of Sustainable, Responsible and Impact Investing, at [btownsend@bailard.com](mailto:btownsend@bailard.com).