Please return copy to T.L.

~~[illegible]~~
NY-SFO.
6-28-75.

Dear Ron Capt

Last leg of return from Geneva! (luckily a fast trip so I'm on a prompt connection 2 hours earlier than planned.) It was a busy and productive week. I'll be phoning you soon about my mtgs, cum Moshe, with Konikov (Rothschild) and with Bourcelot (Renault) in Geneva. Bourcelot fortunately had 2 technical consultants with him, and we covered a lot of ground in 1 hour. (Interestingly we met at WHO, next to the conference room where ACMR was hammering out a statement on continuing microbiological research. Jacques Monod almost botched it by pressing too hard. Wolff + de Duve had also participated – so it was a fairly high-powered affair.

Anyhow Bourcelot will be sending us a shopping list of specific technical problems on which they (Energie Solaire, S.A.) are looking for answers. He implied they had done a lot of market research on SCP and amino acids with promising results! They are more interested in food and energy than pharmaceuticals, but he did pick up at some of the veterinary stuff. So I think this is a real French connection.

Konikov said we should talk to Rothschild if we still needed $$, after we had a technical partner. He said they simply could not make their own evaluation, but he respected what he knew of me from the Weizmann Institute so he had no need to know more of the science; only the commitment of an industrial partner was

needed to validate the commercial side. There may be some use of this, in a narrow zone of contingencies involving say Syntex

Moshe and I were discussing pre slicing ideas. This is easy along technical lines: say interferon [and antibiotics!] – Schering
nutrition and energy – Renault
anti~~biotics~~ bodies – Syntex

But I think we are going to need to frame more explicit models of markets, profits and "goods" before financial people can comprehend what we're up to. If necessary we can lay out a few alternatives with parameters still negotiable. But we did, I think, look a bit half-baked to Konikov for lack of a clearer pattern of participation; estimate of return etc.

Of course, more on all this soon.

For now, I want to ask you to give some thought to a humanitarian concern, that stems from my work for WHO. In fact, the director Mahler has all but persuaded me to return to Geneva for about 3 weeks in September to be a kind of personal brain trust for his comprehensive 6-year plan. He is pushing hard to get somewhere with world health (which means Africa and India). I hope to consult with you more carefully on some ideas in the next few weeks. If he had a few more people like yourself in his management structure he would have few problems!

But one explicit issue right now. Mahler moralizes ad nauseam about this; but you and I can spend structural problems (a la Djerassi 1985) in pre-enterprise-cum-FDA meeting the therapeutic needs of the poor countries: e.g. development of anti-parasitic or anti-leprosy or other contraceptive agents.

So what would it take (management-wise) for WHO to succeed in a non-profit approach to drug development for these clients? Let us think of this in a welfare-economic framework with optimal social utility as the value function, and stipulate that we can the working capital from say the World Bank if a rational case can be made.

The problem is of course how far to get optimal resource allocation without convertible market discipline.

But keep in mind that WHO has some potent assets: its moral attraction (e.g. people like us will do some work for nothing, or rather (right) bootleg subsidies from our employers)
: its legal standing – it has access to extraterritorial status....

It seems to me the pharmaceutical industry would benefit if there were a public sector effort for poor country problems. Putting some action on these would reduce public anger at big drug profits, it might also expose some of the efficiency of private enterprise in its own sphere. Finally, by getting away from pitiful – country politics it might be a pathfinder in more rational and less wasteful alternatives to the FDA system.

Of course there may be political problems: the US drug industry might pressure the US to veto the idea. But I have some feeling that there may be mutual cancellations of political pressures or WHO from outside and that a strong-minded director like Walsh could have a free hand in projecting to objective goals. Anyhow let's assume that!

But what next? What corporate form and management structure stands a chance of avoiding the "U.S. Post Office Syndrome"*. Are there counter-examples of efficiently run public enterprises with a research component? TVA? [AEC is too much distorted by the military imperative to be a useful precedent].

I have not raised any of this with Mahler, nor will I before consulting Carl (and Alex?) and yourself about the logic of the basic idea.

"WH Pharm, Ltd," would not necessarily have many, even any, of its own labs; work could be subcontracted - mind it could even reduce its costs by joint ventures where profitable markets were left to its entrepreneurial partners, and it furnished front-end money and FDA-overriding test opportunities as highly leveraged cost reduction for poor-country applications. But this

---

* and the public-employee unions, and the political pressures to subsidize unprofitable sectors are at least partly responsible.

is only one of many patterns, and probably not wise to start.

FDA would might be delighted to ~~have~~ have another authentic authority take on responsibility for drug-development that don't belong in the US context. ("Safety" at any cost!)

So here is one way out of an intellectual impasse. Have you any better ideas? or better ideas to make this one work?

I have only been playing with these ideas for a couple of hours, and am not deeply attached to them. In fact this one ~~stem~~ stems from a (perhaps facetious) suggestion that I made to Dr. Liu — that China substitute the Soviet role. I am sure China will (and will probably do better than the USSR ever did in this sphere) — but not for another 5-10 years at least.

Josh.