

What the US fiscal cliff means to the life sciences sector?

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The year 2012 has come to an end. And, although the US (and the entire planet) can breathe a sigh of relief that the Mayan predictions of the end-of-the-world did not materialize, they need to hold their breath in order to see whether they can avert the more dreaded fiscal cliff.

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Republicans and Democrats have been fighting for months to reach a conclusion on whether or not to implement the "fiscal cliff". The follow through of the same would mean that since January 1, 2013, around [\\$1.2 trillion worth of budget cuts will be made across the board](#) in the US, thus impacting all business including that of life sciences.

The 'New Year' deadline was put in place during 2011 to force the President and the Congress to agree on ways to save money over the next 10 years. The fateful date also coincides with the expiry of Bush-era tax cuts. Economic pundits believe that the fiscal cliff will land a massive jab on the US, pushing it into another phase of recession. The nonpartisan Congressional Budget Office has estimated that the combined effect would hinder economic growth by 0.5 percent, driving

unemployment back over nine percent.

[The fiscal cliff will compound the existing gloom surrounding the life science industry](#) Further slash in the already diminishing R&D expenditure will only translate into drying up of the drug pipelines in the long run. The biggest immediate threat the fiscal cliff poses for the industry is to the FDA budget. Mr G Steven Burrill, CEO of Burrill, while speaking in this regard, said that, "The agency is already chronically underfunded and any cuts will affect the speed with which it is able to review new drugs and devices. The National Institutes of Health budget will also be impacted should sequestration take effect. The NIH budgets have already been under pressure and could fall by as much as 10 percent if Congress fails to reach an agreement."

However, experts believe that even if a deal is reached between the Republicans and Democrats, it will have a negligible effect on the original problem of deficit and that of government debt limit. Furthermore, if the spending cuts do kick off in life sciences, the situation is likely to be a boon for the generic players of the industry. No matter what the result, it seems like someone or the other is going to be doomed. Looks like the Mayans were right after all!