

Merck and Co. and river blindness

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River blindness is an agonizing disease that affects some 18 million impoverished people living in remote villages along the banks of rivers in tropical regions of Africa and Latin America. The disease is caused by a tiny parasitic worm that is passed from person to person by the bite of the black fly which breeds in river waters. The tiny worms burrow under a person's skin where they grow as long as two feet curled up inside ugly round nodules half an inch to an inch in diameter. Inside the nodules the worms reproduce by releasing millions of microscopic offsprings called microfilaria that wriggle their way throughout the body moving beneath the skin, discoloring it as they migrate, and causing lesions and such intense itching that victims sometimes commit suicide. Eventually, the microfilaria invade the eyes and gradually blind the victim.

Spraying pesticides to eradicate the black fly faltered when it developed an immunity to the pesticides. Moreover, the only drugs available to treat the parasite in humans have been so expensive, have such severe side effects, and require such lengthy hospital stays that the treatments are impractical for the destitute victims who live in isolated villages.

In many countries people have fled the areas along the rivers, abandoning large tracts of rich fertile land. Many of them, however, eventually return because distant lands prove difficult to farm. Most villagers along the rivers come to accept the nodules, the torturous itching, and eventual blindness as an inescapable part of life.

In 1979, Dr. William Campbell, a research scientist working for Merck and Company, an American drug company, discovered evidence that one of the company's best-selling animal drugs, Ivermectin, might kill the parasite that causes river blindness. Closer analysis indicated that Ivermectin might provide a low cost, safe, and simple cure for river blindness.

Campbell and his research team therefore petitioned Merck's chairman, Dr. P. Roy Vagelos, to allow them to develop a human version of the drug which up to then was used only on animals.

Merck managers quickly realized that if the company succeeded in developing a human version of the drug, the victims of the disease were too poor to afford it.

The medical research and large-scale clinical testing required to develop a version of the drug for humans could cost over \$100 million. It was unlikely the company could recover these costs or that a viable market could develop in the poverty-stricken regions where the disease was rampant.

Moreover, even if the drug was affordable, it would be virtually impossible to distribute it since victims lived in remote areas, and had no access to doctors, hospitals, clinics, or commercial drug outlets.

Some managers also pointed out that if the drug had adverse side effects when administered to humans, ensuing bad publicity might taint the drug and adversely affect sales of the animal version of the drug which were about \$300 million a year. The risk of harmful side effects was heightened by the possibility that incorrect use of the drug in underdeveloped nations could increase the potential for harm and bad publicity.

Finally, if a cheap version of the drug was made available, it might be smuggled to black market and sold for use on animals thereby undermining the company's lucrative sales of Ivermectin to veterinarians.

Merck managers were undecided what to do. Although the company had worldwide sales of \$2 billion a year, its net income as a percent of sales was in decline due to the rapidly rising costs of developing new drugs, the increasingly restrictive and costly regulations being imposed by government agencies, a lull in basic scientific breakthroughs, and a decline in the productivity of company research programs. Congress was getting ready to pass the Drug Regulation Act which would intensify competition in the drug industry by allowing competitors to more quickly copy and market drugs originally developed by other companies. As a result of increasing public concern over rising health costs, government programs such as Medicare and Medicaid had recently put caps on reimbursements for drugs and required cheaper generic drugs in place of the branded name drugs that were Merck's major source of income.

In the face of these worsening conditions in the drug industry, Merck managers were reluctant to undertake expensive projects that showed little economic promise, such as the suggested development of a drug for river blindness. Yet without the drug, millions would be condemned to lives of intense suffering, and partial or total blindness.

After many earnest discussions among Vagelos and his management team, they came to the conclusion that the potential human benefits of a drug for river blindness were too significant to ignore. Many of the managers felt, in fact, that because of these human benefits the company was morally obligated to proceed in spite of the costs and the slim chance of economic reward. In late 1980, Vagelos and his fellow managers approved a budget that provided the sizable funding needed to develop a human version of Ivermectin.

After seven years of expensive research and numerous clinical trials, Merck succeeded in developing a human version of Ivermectin: A single pill of the new drug taken once a year would eradicate from the human body all traces of the parasite that caused river blindness and would prevent new infections.

Unfortunately, exactly as the company had earlier suspected, no one stepped forward to buy the miraculous new pill. Merck officials pleaded with the World Health Organization, the U.S. Government, and the governments of nations afflicted with the disease, asking that someone — anyone — come forward to buy the drug to protect the 85 million people who were at risk for the disease. None responded to the company's pleas. Merck decided, therefore, that it would give the drug away for free to potential victims.

However, this plan proved difficult to implement because, as the company had earlier feared, there were no established distribution channels to get the drug to the people who desperately needed it. Working with the World Health Organization, therefore, the company financed an international committee to provide the infrastructure to distribute the drug safely to people in the third world and to ensure it would not be diverted into the black market to be sold for use on animals. By 1996 the committee, working with government and private voluntary organizations, had provided the drug to millions of people, effectively transforming their lives and relieving the intense sufferings and potential blindness of the disease.

Asked why the company had invested so much money and effort into research, developing, manufacturing, and distributing a drug that made no money, Dr. Roy Vagelos replied in an interview that once the company suspected that one of its animal drugs might cure a severe human disease that was ravaging people, the only ethical choice was to develop it. Moreover, people in the third world “will remember” that Merck helped them, he commented, and would respond favorably to the company in the future. Over the years, the company had learned, Vagelos claimed, that such actions have strategically important long-term advantages. “When I first went to Japan fifteen years ago, I was told by Japanese business people that it was Merck that brought streptomycin to Japan after World War II to eliminate tuberculosis, which was eating up their society. We did that. We didn't make any money. But it's no accident that Merck is the largest American pharmaceutical company in Japan today.” [...]

Pundits sometimes quip that “business ethics” is a contradiction in terms because there is an inherent conflict between ethics and the self-interested pursuit of profit. When ethics conflict with profits, the imply, businesses always choose profits over ethics. Yet, the case of Merck and Company suggests a somewhat different perspective, a perspective that many companies are increasingly taking. The management of this company spent tens of millions of dollars developing a product that they knew had little chance of ever being profitable because they felt they had an ethical obligation to make its potential benefits available to people. In this case, at least, a large and very successful business chose ethics over profits. Moreover, the comments of Vagelos at the end of the case suggest that in the long run, there may

be no inherent conflict between ethical behavior and the pursuit of profit. The comments of Vagelos suggest, on the contrary, that ethical behavior creates the kind of goodwill and reputation that expand opportunities for profit.

Not all companies, of course, operate like Merck, and many—perhaps even most—companies will not invest in a research and development project that they have good reason to suspect will prove unprofitable. A glance at the headlines of newspapers, in fact, will reveal many cases of companies that choose profit over ethics, and enough cases of companies that have profited through unethical behavior. Although companies often engage in unethical behavior, however, habitually unethical behavior is not necessarily a good long-term business strategy for a company. Ask yourself, for example, whether, as a customer, you are more likely to buy from a business that you know is honest and trustworthy or from one that has earned a reputation for being dishonest and crooked? Or ask yourself whether, as an employee, you are more likely to loyally serve a company whose actions toward you are fair and respectful, or one that habitually treats you and other workers unjustly and disrespectfully? Clearly, when companies are competing against each other for customers and for the best workers, the company with a reputation for ethical behavior has an advantage over one with a reputation for being unethical.