

### CASE 3. *Merck and River Blindness*

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Merck & Co., Inc. is one of the world's largest pharmaceutical products and services companies. Headquartered in Whitehouse Station, New Jersey, Merck has over 70,000 employees and sells products and services in approximately 150 countries. Merck had revenues of \$47,715,700,000 in 2001, ranked 24th on the 2002 Fortune 500 list of America's largest companies, 62nd on the Global 500 list of the World's Largest Corporations, and 82nd on the Fortune 100 list of the Best Companies to Work For.

In the late 1970s Merck research scientists discovered a potential cure for a severely debilitating human disease known as river blindness (onchocerciasis). The disease is caused by a parasite that enters the body through the bite of black flies that breed on the rivers of Africa and Latin America. The parasite causes severe itching, disfiguring skin infections, and, finally, total and permanent blindness. In order to demonstrate that it was safe and effective, the drug needed to undergo expensive clinical trials. Executives were concerned because they knew that those who would benefit from using it could not afford to pay for the drug, even if it was sold at cost. However, Merck research scientists argued that the drug was far too promising from a medical standpoint to abandon. Executives relented and a seven-year clinical trial proved the drug both efficacious and safe. A single annual dose of Mectizan, the name Merck gave to the drug, kills the parasites inside the body as well as the flies that carry the parasite.

Once Mectizan was approved for human use, Merck executives explored third-party payment options with the World Health Organization, the U.S. Agency for International Development, and the U.S. Department of State without success. Four United States Senators went so far as to introduce legislation to provide U.S. funding for the worldwide distribution of Mectizan. However, their efforts were unsuccessful, no legislation was passed and, and no U.S. government funding was made available. Finally, Merck executives decided to manufacture and distribute the drug for free.

Since 1987, Merck has manufactured and distributed over 700 million tablets of Mectizan at no charge. The company's decision was grounded in its core values:

1. Our business is preserving and improving human life.
2. We are committed to the highest standards of ethics and integrity.
3. We are dedicated to the highest level of scientific excellence and commit our research to improving human and animal health and the quality of life.
4. We expect profits, but only from work that satisfies customer needs and benefits humanity.
5. We recognize that the ability to excel—to most competitively meet society's and customers' needs—depends on the integrity, knowledge, imagination, skill, diversity, and teamwork of employees, and we value these qualities most highly.

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This case was prepared by Denis G. Arnold and is based on Erik Eckholm, "River Blindness: Conquering an Ancient Scourge," *The New York Times*, January 8, 1989; David Pilling, "Public Private Health Deal Aims to End Elephantiasis," *The Financial Times* (London), January 21, 2000; Karen Lowry Miller, "The Pill Machine," *Newsweek*, November 19, 2001; "The Merck Mectizan Donation Program," [www.merck.com/about/cr/policies\\_performance/social/mectizan\\_donation.html](http://www.merck.com/about/cr/policies_performance/social/mectizan_donation.html) (03 October 2002); "The Story of Mectizan," [www.merck.com/about/cr/mectizan/](http://www.merck.com/about/cr/mectizan/) (03 October 2002); "MERCK Annual Report 2001" <http://www.anrpt2001.com/index.html> (03 October 2002); "About Merck: Mission Statement," [www.merck.com/about/mission.html](http://www.merck.com/about/mission.html) (03 October 2002); "The 2002 Fortune 500," [www.fortune.com/lists/F500/index.html](http://www.fortune.com/lists/F500/index.html) (03 October 2002); "The 2002 Global 500," [www.fortune.com/lists/G500/index.html](http://www.fortune.com/lists/G500/index.html) (03 October 2002); and "Best Companies to Work For," <http://www.fortune.com/lists/bestcompanies/index.html> [www.fortune.com/lists/F500/index.html](http://www.fortune.com/lists/F500/index.html) (03 October 2002). © Denis G. Arnold 2003, 2008.

George W. Merck, the company's president from 1925 to 1950, summarized these values when he wrote, "medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear. The better we have remembered that, the larger they have been."

Today, the Merck Mectizan Donation Program includes partnerships with numerous nongovernmental organizations, governmental organizations, private foundations, the World Health Organization, The World Bank, UNICEF, and the United Nations Development Program. In 1998, Merck expanded the Mectizan Donation Program to include the prevention of elephantiasis (lymphatic filariasis) in African countries where the disease coexists with river blindness. In total, approximately 30 million people in 32 countries are now treated annually with Mectizan. Merck reports that it has no idea how much the entire program has cost, but estimates that each pill is worth \$1.50. The United

Nations reports that river blindness may soon be eradicated.

### Questions

1. Given the fact that Merck is spending corporate resources to manufacture and distribute Mectizan, is the Merck Mectizan Donation Program morally justifiable? Explain.
2. Would Friedman approve of the Merck Mectizan Donation Program? Explain.
3. Should the fact that Merck's values are clearly stated in corporate publications that are widely available to investors make a difference to someone who accepts Friedman's position? Explain.
4. Should the Merck Mectizan Donation Program serve as a model for other pharmaceutical companies who are in a unique position to facilitate the eradication of other diseases in the developing nations? Explain.