**MERCK**

*A pharmaceutical company approved an R&D project to try to develop a drug that was considered likely to cure River Blindness, a terrible disease that was prevalent at that time in parts of West Africa. These patients (or the market) obviously lacked the ability to pay. The R&D project was approved. But why?*

**Discussion.**

This case revisits the basic debate about shareholders *vs*. stakeholders in the context of the Pharmaceutical industry. Arguments from the political *right* (those who trust the market and are inclined to publically defend investor capitalism and BAU) might describe this as an episode of treating stakeholders as ends in themselves. They might note that caring for the victim of the disease regardless of their ability to pay is, true philanthropy or *altruism*. The political right also has a more general interest in promoting the idea that that capitalism can help the poor and the sick, whether or not this is true. Furthermore, in defending BAU they might (somewhat cynically) deploy the *left*-poles of the framework. For example, they might claim that “all managers and employees of this are rightfully concerned about global poverty and distributive *justice*” and so on.

Those on the political *left* who are generally suspicious of corporate motives might point out that the project was probably approved by the corporate managers because it was a good commercial *strategy.* They might then give context-dependent reasons for this; that is, why the business managers would have been considered it worthwhile commercially. They might also deploy the right-poles (shareholder value-creation, *financial*-capital, etc.) in arguing that corporate managers are really only interested in these goals, so the project was really only done for the potential PR value.

There is an interesting asymmetry here in corporate communications and public debate: the claim from the left that corporate managers are only interested in profit somehow seems like an uncivil accusation: the left is trying to tell the public something bad or immoral about some managers who they probably do not know well, as individuals. To imply that an unknown person is being deceptive, selfish or greedy is bound to seem like a slur. Commentators on the right (unfortunately perhaps) have a political advantage here, in that they can appear to be decent and civil. For public consumption, they are attributing kindness and altruism to those business managers, even though those same commentators privately endorse the self-interested pursuit of profit, possibly with reference to the invisible hand argument. Therefore, one can predict that in general the political-right are quite likely to say (or “spin”) something for public consumption, whilst actually believing something else (does this sound familiar?). The left on the other hand can generally be more comfortable with straight – talk, saying in public what they truly believe, which is that social justice and an ethic of care ought to be a priority for everyone. It is indeed a more obviously moral point of view.

**The (*left*-leaning) viewpoint** that this drug development episode was really nothing more than good commercial strategy can be defended with reference to the contextual details and then by considering some more general points, as follows:

* The costs of developing the drug in this case would be relatively low because it was being developed further from an already successful product used to treat fleas on farm animals.
* Drug development projects in general are expected to yield further useful knowledge and spin-off products.
* Other wealthier markets for the drug (or any of its spinoffs) are likely to exist or develop in the future.
* The experimental drug could be tested on the West African patients without any concerns of liability.
* The distribution of the drug, if effective, would probably be supported by charities and aid agencies (e.g. *WHO, Medicins Sans Frontiers*, etc).
* The project, if successful medically, would enable the company to develop a wider brand-awareness in the region and lay political groundwork for future operations (political capital formation). It might also create more favorable conditions for the company if it subsequently has to negotiate a compulsory license for any of its products in the region (international patent law might require it to participate in good faith negotiations about allowing generic versions of its products to be used in the region)
* The project might create an opportunity to acquire some local traditional medical-related knowledge which can then be used for profit, possible even patented. This has been called “piracy by patent”:

Then, on a more general note:

* The company would benefit from positive PR that emphasized the theme of World Health and alleviating suffering and poverty in the 3rd (or 4th) world.
* The health industry in the US spends more on political lobbying to protect its commercial interests than any other industry. If the corporations involved were authentically motivated by “medicine for all” or more importantly “healthcare for all,” they would lobby for that.
* If the company was concerned with World Health outcomes, why would it join with the US pharmaceutical industry in massive lobbying for strong intellectual property rights and other advantages? Patents often restricted access to medicine especially in the 3rd world where the medical need is very great.
* The industry engages in “patent shenanigans” (Bloomberg 20150 like *product hopping* and *hard-switching* which directly benefit shareholders at public expense. “drug makers sometime stop or sharply limit sales of drugs, to force consumers to switch to somewhat-modified but newly-patented version”
* If the company, the CEO or the senior managers were remotely concerned with social justice, as a superficial reading of this case might indicate, why would they (reportedly) layoff many thousands of workers around the world in the very same year that the CEO alone received $17.9 million dollars of remuneration? This is a counter-example to the claim on the political-right that the super-rich in general are job-creators.

**The (*right* leaning) viewpoint** that this episode was indeed altruism can then be defended publically with reference to other contextual details and more generally with (cynical) reference to the *left*-poles of the framework (as discussed above), as follows**:**

* The company went ahead with the project despite the considerable business risks. Apart from the absence of any direct revenue, there was a risk that if the drug did not work, or if it had serious side-effects, this might negatively affect market perceptions of the successful animal drug.
* The corporate mission states that “medicine is for the people, not for the profits” and it is taken seriously. This episode simply reflects that mission.
* The terrible nature of this disease genuinely motivated members of our team to act with urgency (*ethics-now*). They wanted to treat the patients (victims) the way they themselves would like to be treated (golden rule, *deontology, ethic of care*)

Then on a more general note:

* The project shows that for-profit companies can deploy their resources to contribute directly to social *justice.* In this case by improving health and safety in the 3rd (or 4th ) world.
* The case shows (or reminds us) that corporations are often willing to forego profit temporarily in order to meet an urgent human or social need (*ethics now*).
* In general, for-profit businesses strive to provide a service to all *stakeholders* and to society globally.