

# The Golden Rule and Business Ethics: An Examination

Brian K. Burton  
Michael Goldsby

**ABSTRACT.** The phenomenon of globalization of markets has been accompanied by calls for a globalization of ethical norms. One principle often referred to in such calls is the so-called Golden Rule. The rule, often stated as “Do unto others as you would have others do unto you,” has long been used and referenced in the business literature. But those who use it often do so without full realization of the rule itself and what it stands for. This paper examines the history, meaning, and problems of the rule and attempts to show, through a case analysis, how these problems surface when using the rule in a business context. In so doing it attempts to clarify exactly what the rule means and how it can fit into a universal code of morality.

**KEY WORDS:** ethics, Golden Rule, international, globalization

The phenomenon of globalization is one of the most discussed of the past century or more (see Steger, 2003, for a brief introduction to the literature). In the economic realm, various forms of technology have brought consumers closer to producers and have allowed producers to locate facilities around the world. These movements, and the accompanying strengthening of economic relationships around the world, have allowed for markets to be seen as global instead of national or even regional. In the political realm, relationships among governments and non-governmental organizations (NGOs) have intensified, leading to questions regarding the relevance of the nation-state and the proper form of supernational governance. Regarding culture, forms of symbolic expression are more widely disseminated throughout the world (what can be called the expansion of cultural flows worldwide), leading to questions concerning the homogenization of culture.

Globalization is a complex phenomenon and has not, at least to the present, led to homogeneity in any area (Enderle, 1997). In fact, Steger (2003) dis-

cusses two important opposition groups, particularist protectionists and universalist protectionists, who are devoted to stopping whatever they consider to be globalization. Yet there are undeniable pressures on economic, political, and cultural institutions in societies around the world that fit within the “globalization” framework.

One area in which these pressures are perceived is business ethics. In response to these perceived pressures, some scholars and practitioners have called for a global business ethic. Prominent among principles used in such calls is the so-called Golden Rule, most often stated as “do unto others as you would have others do unto you” or, more simply, “treat others as you would be treated.” Yet little critical thought has been devoted in the business ethics literature to the adequacy of the Golden Rule for such a position and the consequences of taking a basically dyadic ethic to a more complex environment such as that of business. This paper explores these questions, using a well-known case study to illustrate the issues raised in the discussion.

## Globalization of morals

There is no question of different societies having different moral traditions, not the East–West difference in values often discussed superficially but the subtle and not-so-subtle differences found among all societies (Sen, 1997). Even taking this into account, however, the need for what Enderle (1997, p. 2, italics in original) calls “*a sound and lasting common ethical ground for international business*” has been acknowledged. In one of the earliest studies of international business ethics, Donaldson (1989) recognized the need for universal decision rules in a rights-based moral framework. Payne et al. (1997, p. 1735) note the high level of inconsistency among

countries, in terms of laws and morals, stating that the need for a universal code to combat these inconsistencies is “paramount.” Kung (1997, p. 18) states clearly that “the very phenomenon of economic globalization makes it clear that there must be a globalization in ethics. How can a world with contradictory ethical norms and orders become peaceful and just?” Since he believes that globalization of markets is inevitable, it becomes mandatory to undergo globalization of morals.

One question regarding globalization of morals in business ethics is whether, in reality, such a call is any different from the usual practice in moral theory. Most ethical theories are presented as being universally valid. These presentations presume that, although seen superficially as different, human beings of all cultures share certain fundamentals that can be said to form human nature. Similarly, calls for globalization of morals typically note the diversity of values around the world and refer to underlying principles articulated by some group. Donaldson (1989), for example, lists 10 fundamental international human rights as a starting point. Another rights-based attempt was given in the United Nations’ Universal Declaration on Human Rights in 1948. Payne et al. (1997) refer to codes of conduct written by four different organizations: The Organization for Economic Cooperation and Development, The International Chamber of Commerce, the International Labor Organization, and the Center for Transnational Corporations. Kung (1997) discusses principles stated by the International Commission on Global Governance, the World Commission on Culture and Development, the InterAction Council, the Parliament of the World’s Religions, and the Caux Round Table, as well as the Interfaith Declaration on a code of ethics for international business.

The appeal to underlying principles is an attempt to solve a fundamental problem in any attempt to promote a global ethic – that, despite the efforts of some of the best minds in human history, no such ethic has been universally accepted. There are certain classes of acts that seem to be universally prohibited – for example, killing of innocents. But it does not follow that these acts necessarily are prohibited by the same reasoning everywhere. If the same reasoning is not followed, then it is likely that the specifics of any moral theory are not universally

accepted. For example, the debate between teleology and deontology shows no signs of being resolved (for one example of a textbook outlining the differences, see Boylan, 2000). People dissatisfied with both increasingly have resorted to virtue ethics or caring ethics as alternatives (Timmons, 2002). Bennett (1981, p. 20) noted that business people must make decisions with no “clear-cut standards” to use as guides. So, in most attempts to form a global ethic, a corollary attempt has been made to get behind the literal statements in theories to a principle that all people can subscribe to.

It is possible that a principle all people can subscribe to is a form of the saying, “When in Rome do as the Romans do.” This could refer to manifestations of moral principles in particular circumstances, in which case the call would be for the principles themselves to be universally accepted but applied differently in different circumstances. This still would be a global ethic. Alternatively, such a principle could be invoked by subjectivists or cultural moral relativists, in which case it would be absolutely contrary to a global ethic as described above.

### **The Golden Rule as universal moral principle**

In many cases, the underlying principle of a proposed global ethic has been the so-called Golden Rule, typically articulated in the form, “Do unto others as you would have others do unto you.” In one form or another, the rule appears in most of the world’s religions and in many philosophical systems. In rough chronological order, students have found the rule in recorded teachings of Zoroaster, Buddha, Confucius, Aristotle, Rabbi Hillel, Jesus of Nazareth, Thomas Hobbes, John Locke, John Stuart Mill, and Charles Darwin, as well as in Hinduism, Islam, and Taoism, among others (Gensler, 1996). On the face of it, at least, the rule seems one of the few candidates for a universally acceptable moral principle.

Discussions of the rule often appear in the popular business press. The rule has been advocated as important in dealing with employees in general (Cottringer, 2000; Holoviak, 1993, 1999); information technology employees (Schafer, 2000); and service employees (Anonymous, 1999). Stalnaker (1999) says safety professionals must remember the

rule in their work by showing employees respect and listening when they describe safety concerns. Professionals should also remember the rule when they are themselves customers, says Tschohl (1999). Despite some criticism of the rule's use in business (e.g., Buckingham, 1999; Stratigos, 2000; Von Bergen et al., 2000), most popular-press mentions of the rule have been positive in nature.

Some firms have been cited for their explicit reliance on the Golden Rule as a guide. J. C. Penney Co. Inc.'s founder, James C. Penney, used the rule as a moral principle in his dry goods business after learning what it meant from his father (Wattles, 1996). Penney even opened a store called the Golden Rule Store in 1902. His company still is known for its reliance on the rule in dealings with customers (Johnson, 1999). Lincoln Electric Co. was founded by John and James Lincoln, brothers who were sons of a minister (Handlin, 1992). Reared in an environment where the rule was discussed, the brothers easily translated the rule into the basic method of operation for their firm, its famous Incentive Management system that rewards employees for performance, as well as a lifetime commitment to employees and an emphasis on communication with employees. Worthington Industries Inc. gives a plastic card to each employee that states, "We treat our customers, employees, investors, and suppliers as we would like to be treated." In practice, this has meant that Worthington employees could get a \$4 haircut at a company-owned barber shop, use onsite medical centers and workout facilities, and participate in a profit-sharing plan (Sheridan, 1999).

Papers in the academic business ethics field have not ignored the Golden Rule. For example, Duska (1999) reports that most financial services professionals believe that acting ethically means following the Golden Rule, and he notes that a form of the rule is included in the Society of Financial Services Professionals' code of ethics. Donaldson and Waller (1980) advocate the rule as the answer to the question, "What should be done?" in particular organizational situations, including collective job regulation and collective bargaining. Barach and Elstrott (1988) believe that the rule is one of the moral foundations of a free-market economy as an ethic of transactions calling for reciprocity, mutual satisfaction, and fairness.

Two more recent papers have advocated the rule's use, either wholly or in part, as the basis of a universally applicable moral code. Kung (1997) finds the rule as part of a common ground of the world's religious traditions, along with the imperative to treat people humanely, and he notes that the rule is referred to by several organizations' attempts to discuss universal codes of ethics. Cunningham (1998) notes the wide number of sources of the rule, and he believes it is a formulation of the natural moral law. However, Kung (1997) uses no concrete examples to illustrate how the rule would be applied in business. Cunningham (1998) cites a real-life example to show how several different interpretations of the rule are consistent in declaring an action immoral and another to show that the platinum rule is unsuitable as a guide to behavior, but nothing more. Also, neither paper explores the complexities of the rule in full. Cunningham (1998) does discuss different levels of interpretation of the rule, but only to point out that the rule has universal applicability. Kung (1997) mentions little of the complexities, saying only that the rule points to the equal worth of all human beings. More recently, Bruton (2004) has discussed the rule as a teaching tool, although from a more critical viewpoint.

Bennett (1981) notes that the simple statement of the rule can lead to confusion. In fact, Bennett (1981, p. 20) asks the two pertinent questions about the rule that neither Cunningham (1998) nor Kung (1997) answers: "What does it [the rule] mean and how shall it be used in a business context?" The Golden Rule is deceptively simple. For it, or any similar concept, to be practically useful the superficial simplicity must be brushed aside and the underlying complexity must be explored. In a business setting, or any setting beyond two people, the rule's implications for behavior in a social setting must also be explored. This means that the rule's instructions for dealing with multiple stakeholders with conflicting interests must be found. If these issues are not explored, the call to use the Golden Rule as a universal ethical principle is empty.

### **The Golden Rule – a brief history**

The most detailed and comprehensive examination of the history of the idea behind the Golden Rule is

that of Wattles (1996). In this brief section Wattles (1996) will be used as a basic source.

In written records, the rule (defined as a concept, not as a particular phrase) appears to have originated within a short period of time in several different places. The most developed thinking about the rule seems to have occurred in China, Greece, and Israel, beginning about 600 B.C.E. In the first century of the common era Jesus of Nazareth used the rule as a positive call to following God's example in loving others (even enemies). When Jesus' teachings turned into the foundation of Christianity, analysis of the rule in the West truly began, at first by religious philosophers and increasingly by secular philosophers beginning in the 17th century. Thomas Hobbes (1994), for example, used the negative formulation of the rule – "Do not that to another, which thou wouldst not have done to thyself" – as a summation of his laws of nature. Immanuel Kant presented the strongest critique, arguing (to be detailed in another section) that the rule is derivative of the categorical imperative but does not ground all moral duties. However, John Stuart Mill embraced the rule as the perfection of utilitarian morality. By the middle of the 19th century no consensus of interpretation existed.

Twentieth-century philosophers have continued to examine the Golden Rule, however. The analytic tradition has viewed the rule as a principle of consistency of behavior. Continental philosophers have included respect for persons in their interpretations of the rule. Theologians have continued to explore the rule as the expression of God's love. The rule is thus as much discussed today as it has been in the past, a sign of its continuing resonance.

## Two modern conceptions of the Golden Rule

Wattles (1996) and Gensler (1996, 1998) both have given extensive interpretations of the Golden Rule. Without minimizing the contributions of others, whom Wattles and Gensler both acknowledge, this explanation of the rule will follow the latter two exclusively for the sake of simplicity and accessibility. They emphasize different aspects of the rule but have similar viewpoints. Both note that the rule is a moral principle, not a fully developed, formal system of ethics. Gensler refers to it as a principle of

consistency that is derived from moral axioms, while Wattles sees it as a guide to behavior in relationships, but neither sees it as replacing moral norms – an important point with large implications for its use as a global ethic.

As Gensler (1998) puts it, to use the rule we need knowledge of the effects actions have on the lives of others, and the ability to imagine ourselves, "vividly and accurately," in the receiving end of such actions in the other's place. Wattles essentially agrees, and he says the rule requires a certain level of moral maturity and openness to moral growth. Gensler also sees moral growth as an outcome of the use of the rule. Ideally, this leads to taking an impartial perspective instead of literally the other's perspective when using the rule, while not abandoning sympathy for the other. As we reach this level of thinking, egoism should disappear.

The use of rational reflection presupposes certain values and requires some level of moral sincerity on the part of the user of the rule. The values of the user will guide the rational reflection, so the rule can be used in any moral philosophy. For example, the utilitarian will decide whether the other's desires are reasonable by reflecting on the utility gained by the contemplated action. A Kantian deontologist, on the other hand, will reflect on whether the other's desires violate the categorical imperative. In fact, Wattles sees the rule as the mother of other moral principles such as the categorical imperative and the principle of utility through its recognition of equal worth of individuals. Gensler sees it as the most important principle of formal ethics, and perhaps the most important rule of life itself, and he argues (1998, italics in original) that it "captures the *spirit* behind morality." In essence he agrees with Wattles when he says that the rule helps us understand the point behind the moral principles we use such as "do not steal," and he specifically states that the rule is not specific to any one moral theory.

For Wattles the rule is not static but dynamic; it can be reformulated according to the specific reasoning employed but not limited to any specific formulation. Gensler echoes this view when he says that more than 6000 logically correct formulations can come from his own way of presenting the rule.

The Golden Rule concentrates on the one-to-one interactions that fill our lives, but it does not ignore the individual or societal levels at which

morality can operate. Gensler (1998), being formal in nature, simply says that principles such as self-regard and future-regard are similar to the rule and are derived in the same way. Wattles admits that the rule can be considered incomplete regarding duties to self, but he argues that in a relational ethic (such as he claims the rule is) the idea of separate duties to self can be questioned. He is specific that users of the rule, if they are applying it in a sensitive way, must consider those indirectly affected by their actions, and remote others in addition to proximate others. Gensler puts forth a universal law formula, "Act only as you're willing for anyone to act in the same situation – regardless of imagined variations of time or person," that he believes mandates such consideration of all affected by a proposed action. Wattles argues that this quality of the rule will lead to a commitment to social equity, probably because, if one were in a low-ranking position in society, she would wish her social "betters" to be helpful and considerate, but Wattles leaves for others the question of what this means in concrete situations.

To summarize, the rule as interpreted by Wattles and Gensler is a consistency principle and a guide to treating others with respect – respect to be defined according to the mature, rational reflection of the actor using the actor's own values and moral principles as a guide. It ensures, if followed, that no one will be treated in a way that the actor would not consent to, but it allows for different treatment if different moral principles arrive at different views of the morality of a particular action. It is not the basis for a single normative ethical system, because, as Wattles notes, it cannot operate in a "value vacuum."

### Criticisms of the Golden Rule

Gensler (1996) and Wattles (1996) both discuss criticisms of the Golden Rule. They become important in applying the rule to business situations. One, as noted by Wattles, is the problem of presumption. This can be illustrated by the famous aphorism of Shaw (1903), "Do not do unto others as you expect they should do unto you. Their tastes may not be the same." The rule easily can be interpreted as enjoining people to put their own values and tastes onto other persons, or to assume that everyone wants the same things. This

assumption includes the belief that humans have a basic commonality. It is also easy to interpret basic economic principles in this way (as assuming homo economicus), but both interpretations are simplistic at best. Even individual economic men have different utility functions, and so desire different bundles of goods. In the same way, even assuming a common humanity does not mean that all humans have the same desires. Wattles believes that no one with moral maturity would interpret the rule that way, and Gensler argues that the correct basic formulation of the rule would eliminate this problem, but it is still something to be guarded against, particularly in business where it's easy to assume that a stakeholder group has homogenous desires.

Another, related problem concerns the putting of ourselves in the other's place. It is easy to imagine oneself as the other but use one's own current desires as the benchmark for making a decision. This can lead to such actions as not punishing a child for breaking a rule because, in the child's place, one would not want to be punished for breaking an unwanted rule. However, consider a case in which a small child has gone outside without permission or supervision. It seems obvious that some sort of sanction in this case is necessary to further the child's moral development and to promote the child's safety, so as an adult one is ready to act to provide that sanction. Gensler (1996) argues (following Hare, 1963) that one should use one's present perspective to examine what should happen. In the case of the child, he says that now, from the perspective of an adult, one would agree that such a rule is important to a child's safety. In that case, then one would consent as a child to be punished and thus would be free to punish the child in an appropriate manner. It is interesting to consider the consequences of this for business. The first interpretation, the one Gensler considers wrong, would lead a manager to consider whether as an environmentalist he would want the firm to pollute a stream along which the environmentalist lives. The answer from the environmentalist's perspective obviously would be no. The second interpretation would lead a manager to ask whether he would consent to the firm's actions if he, with his present perspective, were living along the stream. The answer to this question is less obvious. This will be discussed further in a following section.

The third problem deserving of mention is what Wattles (1996) calls “base desires” – in this case defined as ignoble desires, the harmful effects of which are felt by others. This includes a classic counterargument to the rule, that of the masochist who, desiring to be tortured, tortures unwilling others. Wattles says that no one following the spirit of the rule would even think of this counterexample, although he uses it to expound on the more general point that selfish desires must be balanced by consideration for others for the rule to be applied adequately and in its proper spirit. Gensler (1996) views the counterexample in a somewhat different light. Since he views the rule as a consistency principle, the masochist would not violate the rule. Gensler uses this example to make the point that the rule cannot operate with maximum effectiveness by itself. In this case criticism would be directed not at the following of the rule, but at the desires themselves. This problem certainly is relevant to the rule’s use in business situations, in that the individual’s underlying view of morality – not the rule – might be the issue. Again, this will be further discussed in a following section.

### **Kant’s critique and a response**

Kant (1993) offered an important critique of the Golden Rule, one that deserves brief and separate mention in this paper, as Gensler’s work is in part a response to Kant’s critique, and the response is useful in understanding the rule’s application in a business setting. Kant mentions the rule only in a footnote to a discussion of the categorical imperative as supreme practical (moral) principle. Using the word “trivial”, Kant states that the rule actually is imperfectly derived from the categorical imperative, and he argues that it cannot stand on its own as a moral principle that grounds all of one’s duties for several reasons. First, it does not ground duties to oneself. Second, it does not ground duties of beneficence to others. Third, it does not ground what Kant calls strict duties to others, or duties that permit of no exceptions, as it can lead to undue leniency for criminals, to use Kant’s own example.

Those who wish to save the rule have responded to Kant’s critique. It is true (as noted above) that the rule as such does not cover duties to oneself,

although Gensler (1996) points out that a simple parallel rule can be formulated, as Gensler himself does with his universal law formula (named in honor of Kant’s first formulation of the categorical imperative). Wattles (1996) argues that Kant’s dismissal of the rule’s grounding of duties of benevolence to others “seems hasty,” since everyone has benefited from care and presumably is grateful for that benefit. If so, we cannot say that we would deny our obligation to treat others similarly. Gensler believes that Kant used a misformulated version of the rule to argue that it does not imply strict duties to others. Finally, Gensler argues that, although the rule may be derived from a universality principle, that principle itself is not basic either. More fundamentally, however, it can be argued that Kant’s critique ultimately misses the point. Far from being a supreme moral principle, the rule is a guide to consistency in action that necessitates the use of principles. It is also, according to Wattles, a call to treat others with sensitivity and respect, similar to Kant’s formulation of the categorical imperative that calls for us to treat other moral persons as ends, not merely as means to an end.

### **The Golden Rule and business**

The Golden Rule most often is viewed as a call for consistency and respect in treatment of persons (and, according to many [e.g., Gensler, 1996], animals as well). The market is a system composed of individuals with whom the person engaged in commerce has relationships, in which consistency and respect are important. It is no wonder, then, that the writers in the popular and academic business literature noted above have pointed to the rule as a guide to managerial behavior.

However, the rule is more complex than it appears, and the complexities are multiplied when those indirectly affected by a decision are included, as Wattles (1996) says they must be. It is not as easy as saying, “Treat your customers as you would want to be treated in their place,” substituting employees, shareholders, or any other stakeholder for “customers” in the sentence. If Gensler (1998) is correct in his extension of the rule into his universal law formula and his accompanying discussion, then all stakeholders in a situation must be treated according

to the Golden Rule. But stakeholders often have conflicting desires and may have conflicting needs, and the manager's job is to balance those needs and desires to the benefit of "important" stakeholders, those stakeholders defined by a firm's enterprise strategy (Freeman and Gilbert, 1988) to be of primary importance. It is easier to focus on treating employees, customers, and shareholders than to focus on treating competitors, various community groups, and other stakeholders only affected as a by-product of the decision being made and its action. However, under the views expressed by Gensler and Wattles, these latter stakeholders must be treated according to the rule.

Even if those problems are overcome, a separate problem arises, particularly with the view that the rule is the best candidate for a global ethic. As a consistency principle, the rule allows for different actions to be taken as moral by different actors using different moral perspectives. The rule easily fits into the perspectives of nearly every society, as is seen from the multitude of sources from around the world that quote a formulation of the rule approvingly. But it does not mandate a certain treatment of others, unless that treatment is agreed upon by all people holding their differing perspectives. Because of this, it can't be put forward as a global ethic in itself, as Kung (1997) advocates. Cunningham (1998) may be closer to the mark, as he gives an example to demonstrate that the rule works with several different perspectives. But his thrust is off target, as he still advocates the rule as a universal normative ethical principle instead of a consistency principle or a generalized respect principle. As noted above, the rule works best in conjunction with a well-formed moral system, but differing traditions and societies have different views on what should be included in such a system. Just as examples, without judging any particular viewpoint as correct, in the Confucian tradition the rule would enforce hierarchical relationships while utilitarians would argue that the rule leads one to the principle of utility. Others might believe that the rule mandates recognition of individual rights. These differing perspectives, leading to differing implementations of the rule, could be seen to be very difficult to reconcile. Bruton (2004) comes closer to an understanding of this in his critical evaluation of the rule as a teaching tool.

Space prevents what could easily be a book-length analysis, but in the next sections we will briefly explore the Golden Rule as interpreted here in different stakeholder contexts, using the well-known case of Merck and Company's efforts to develop and distribute a drug to combat river blindness as an example.

### **Merck and river blindness**

The case of Merck's development of Mectizan, a drug that prevents river blindness by killing the parasite that causes it, has been well documented (e.g., "Merck & Co., Inc." case series, 1991). In 1978 a researcher at Merck found a possibility that a drug named ivermectin, a new drug for animals, could kill the parasite that causes a human disease called river blindness primarily among poor people living along rivers in tropical areas of Latin America and Africa. The disease leads not only to blindness, as the name suggests, but at times to suicide as victims try to escape intense suffering.

The researcher asked to be allowed to investigate a human version of ivermectin. The firm's managers, many of whom were scientists, recognized that even if the effort were successful, there were no prospects of getting customers to pay for the drug. Improper administration could lead to health problems, in turn creating unfavorable publicity that could affect the sales of ivermectin to veterinarians. Previously unknown side effects could occur as well. A black market of the veterinary version of the drug could develop if Merck priced the human version cheaply enough that the people who needed it could afford it. At the time, increased competition, reimbursement caps, and generic drugs affected Merck's bottom line, which was healthy but declining as a percentage of sales after a large investment in development.

However, since ivermectin had already been developed, the estimated costs of a human version were less than the average of \$200 million (at that time) to bring a new drug to market. Merck's managers also knew that without such a drug, millions of people would become either partially or totally blind. And the corporate culture at Merck emphasized that the firm was engaged in a "quest to alleviate human disease and suffering world-wide"

(“Merck & Co., Inc. (A),” 1991, p. 2). The corporate credo was that profits followed the attempts to help people. In late 1978, the firm approved initial funding for development of a human version of ivermectin, considering it likely that some organization would purchase the resulting drug and then donate it to victims and those at risk. And the research, even if unsuccessful, would increase knowledge of parasites, an area in which Merck had expertise, and would thus benefit the firm.

By early 1980 the human version of ivermectin was ready and approved for clinical trials. It was found that one pill taken once a year would kill all parasites then in the body and prevent new infections. In October 1987 the drug, now called Mectizan, gained regulatory approval from the French Directorate of Pharmacy and Drugs, whose decisions were accepted throughout France’s former African colonies.

But no funding source could be found – not the United States Agency for International Development, foundations, health ministries in African countries, or any other group. The firm thought of giving Mectizan away but was afraid of legal liability resulting from possible adverse reactions, as well as setting a precedent it and other companies could find hard to live up to. But the veterinary version of ivermectin was generating \$300 million in annual sales by 1987. The goodwill from such a donation was thought to be substantial, and it was thought that the production costs would be tax-deductible in the U.S., so Merck did decide to give Mectizan away, while ensuring that medical professionals would supervise any distribution to minimize the possibility of lawsuits. The firm concluded that the special case of a one-pill-per-year drug would limit the “bad precedent” possibility.

But no distribution network in existence could get the drug to the people who needed it. So the firm formed an international committee of medical experts to oversee distribution to ensure that the right people got the drug administered correctly and no black market had a chance to develop. At latest count more than 650 million tablets of Mectizan had been distributed over 15 years to more than 25 million people in 32 countries (Merck, 2002), and cases of river blindness have been drastically reduced in number. The possibility exists that river blindness could be wiped out over time through the use of Mectizan.

In a 1999 interview (Smith, 1999), Dr. P. Roy Vagelos, Merck’s CEO through most of this period, speculated that the firm had spent “hundreds of millions of dollars” during the development and provision of Mectizan, mostly in the research and development stages; the cost of actually providing the drug to those who needed it proved insignificant. Vagelos also noted that the decision to develop the drug substantially raised the morale of Merck’s scientists as well as helping its future recruiting efforts. In another interview Vagelos compared the Mectizan effort to Merck’s donation of streptomycin to Japan to combat tuberculosis after World War II, and to the firm’s sale of vaccine-manufacturing technology to the People’s Republic of China at a fraction of its value. All three acts, he said, were acts of goodwill that would somehow benefit the firm.

#### **Merck and river blindness – a Golden Rule analysis**

This case is useful in illustrating the difficulties of using the Golden Rule as a management tool. Several of the issues noted in the explication of the rule become prominent in any analysis of this case – which, it must be remembered, has been highlighted as an excellent example of an ethical business decision (Bollier, 1996). If problems surface in the Merck case when applying the rule, it may be that the rule is not as useful as some would like in resolving ethical issues in business.

First, however, it is important in this case to remember the various levels of moral judgment (Harris, 1997). An action can be judged to be morally prohibited (wrong to do, right not to do), morally permissible (neither wrong nor right to do or not to do), morally obligatory (right to do, wrong not to do), or supererogatory (permissible to do but better not to do, or vice versa). Merck’s managers took several actions in this case, any of which might be judged to be prohibited, permissible, obligatory, or supererogatory. Take the first decision, that to fund development of a human version of ivermectin. Without going into detail, a perspective emphasizing shareholder wealth might lead to a conclusion that the action was prohibited. A perspective emphasizing benefits to all humans might lead to a conclusion that the action was permissible. A perspective

emphasizing alleviating suffering might lead to a conclusion that the action was obligatory. A perspective emphasizing universal duties might lead to the conclusion that the action was supererogatory. Viewed from Gensler's (1996) perspective, the Golden Rule would not mandate any of these judgments by itself; it would be informed by the perspective used by the actor and would mandate only that the actor apply that perspective equally to all, including herself.

Turning to the problems described earlier, the problem of presumption is easily seen in this case. One result comes from the common use of "the firm decides" and similar phrases as shorthand for actions and views of the firm's managers and other stakeholders. This use is common for a reason – that discussions are much easier than they otherwise would be – but it can lead to an incorrect view that the groups in question are monolithic in outlook, needs, and desires. This is not true, and assuming it can lead to major problems in a Golden Rule analysis. Take, for example, the most fundamental stakeholder group, the firm's shareholders. Different shareholders may have different desires. One might want management to act in a "socially responsible" fashion (that fashion to be defined by the individual shareholder). Another may want the focus to be on long-term gain in stock price. Another may see the goal as dividend growth. Examining Merck managers' decision to fund the research, some shareholders will applaud and others will wonder if management's claim of profit following principle will hold in this case. The correct answer to the problem of presumption – that we understand and act on differences in individuals – certainly complicates the manager's job considerably. It is likely that all shareholders want some financial payoff from their investment, but the type and level of that payoff required to satisfy different shareholders are very likely to be different. So managers cannot lump them all together and make ethical judgments based on that.

The other possible result of the problem of presumption is that one's views are projected onto the other. In a business situation this would mean that the manager would project her/his views onto a stakeholder. In some cases this would not be problematical. In the Merck case, for example, it is likely that a manager wishing to find medicine that would

rid the world of river blindness could project those feelings onto the victim of river blindness without issue. However, projecting such feelings onto physicians working in the areas where river blindness is a problem may be more problematic. Some may share the manager's concern and desire, but others may be more focused on other diseases and wish Merck would devote scarce economic resources to those diseases, not river blindness. The same might be said for Merck researchers; although these people might be expected to share the corporate culture focusing on alleviating suffering, they might see very different paths toward that goal. Again, the proper solution to this problem complicates the manager's life, but it also allows the manager to be thinking correctly about the issue at hand.

The problem of putting ourselves literally in the other's place can be demonstrated here through potential victims of river blindness. How might a potential victim of river blindness react to a proposal to spend hundreds of millions of dollars on research aimed at eliminating the disease? One can think of several different reactions, from "of course, do it" to "just give me my share of the money and don't worry about the disease" to "research some other disease that's more worrisome." The victims' moral judgments might be that the proposal was obligatory, permissible, or prohibited. A manager acting according to the Golden Rule but falling prey to the problem of putting oneself literally in the other's place might believe she would have one of these reactions and judgments – say, "research some other disease that's more worrisome" and that the proposal was thus prohibited – and act accordingly. However, according to Gensler (1996), the proper use of the rule in this situation would be to ask whether you can both act to fund ivermectin research and consent to that act if you were a potential victim of river blindness. We would interpret this statement in such a way that the act in question would be permissible, not obligatory. We need to understand the desires of the other person, and if those desires are rational (it's not rational, for example, to ask that a profit-seeking firm just give money to people who are not shareholders) we should give some weight to them in our thinking, but we don't have to go along with those desires completely. On the other hand, we must ensure that our desires do not

dominate our thought processes, as is the case when we do put ourselves literally in the other's place.

The problem of base desires, at least from the point of view of those engaged in the conversation concerning business ethics, might best be seen by thinking of the manager who follows Milton Friedman's dictum that the only responsibility of managers is to maximize shareholder wealth (Friedman, 1962). This dictum stems from the fiduciary duty managers have as stewards of the shareholders' investment. The question here is whether this view violates the Golden Rule and thus would be prohibited by the rule. Using Gensler's form, the statement here would be, "Don't combine acting to maximize shareholder wealth with not consenting to the idea of maximizing shareholder wealth in stakeholder X's place." This statement certainly does not violate the Golden Rule. In fact, from the perspective of classical economics, this is the morally correct act, as society will be better off under such a decision rule. But this is only one perspective, and the rule can accommodate many perspectives, so the above statement would not be mandated by the rule. It would be one of many possible statements allowed by the rule as a consistency principle. And others with differing perspectives would see this statement, despite the fact that it does not violate the rule, as immoral as it mandates treating people unequally.

It might be argued that Wattles' (1996) interpretation of the rule as a principle of respect would not allow such a statement. But again, this is an argument not about the rule but about the perspective of the persons using the rule. What does respect mean? For example, does Merck managers' initiation of research into ivermectin show respect for others when several non-governmental organizations (NGOs) want them to use the money for some other purpose? It could be seen as respect if the managers consulted the NGO directors on the issue, listened and considered their arguments, then acted opposite their desires but explained clearly and fully to the NGO directors the reasons for their actions. But some might believe that this behavior would not constitute respect. The answer will depend on the perspective of the evaluator.

Not that we are equating any view held by a participant in the debate concerning morality and business with a devotion to sadomasochism, but in

both situations one can be consistent (obey the Golden Rule) and still be considered to be acting immorally. Alternatively, one can act with what the actor deems as proper respect toward others, while an observer believes the actor did not show proper respect toward others. It can be seen from this that the rule does not resolve arguments or give us answers. Therefore it cannot be a universal, normative ethical principle (Gensler, 1996).

A further problem shows itself when we attempt to actually make the decision. This problem concerns multiple stakeholders. Wattles and Gensler both acknowledge the rule as holding primarily for one-to-one relationships. But no business decision involves a one-on-one relationship only. Others are always affected by a decision, even if that effect is a by-product of the decision and its resulting action. If such an effect is substantive – as in the effect on a community of a decision to close a plant located in that community – those stakeholders arguably become important to consider in making the decision. Wattles' interpretation of the rule as promoting social equity, although plausible, is perhaps an instance of a particular set of values informing interpretation of the rule. It is at least possible that different value sets would lead to different conclusions. If Wattles is correct, however, then there is a direct conflict in business decisions. Shareholders are unlikely to be among the least well off who are affected by a business decision, and Wattles therefore would have managers acting opposite their fiduciary duty – unless in the long term the action would end up benefiting shareholders through the rise in living standards and quality of life among the least well off, or an action that would benefit shareholders also would give more benefit to the least well off in the long term.

Gensler seems even more strict in that he argues everyone involved in a situation, even indirectly, must be treated according to the rule. But we must remember that Gensler views the rule as a consistency principle, so in essence he is saying to treat everyone consistently. So a statement, "Don't combine acting to explain one's decision fully and truthfully to everyone affected by the decision with not consenting to the idea of having one's decision explained to you fully and truthfully if you were in the situation of being affected by a decision," would satisfy the rule. But of course that statement does not

help the manager make a decision; it merely enjoins the manager to explain the decision. When one tries to be more specific with the rule, problems result. For example, in the Merck case we could make the statement, “Don’t combine acting to eliminate river blindness with not consenting to the idea of eliminating river blindness in stakeholder X’s place.” This would not be controversial in and of itself. We could make another statement, “Don’t combine acting to protect an existing product’s reputation with not consenting to the idea of protecting an existing product’s reputation in stakeholder X’s place.” Again, this is not controversial. But Merck’s managers, in deciding whether to fund ivermectin research, would have had to decide whether these two non-controversial statements were in conflict, and if it was found they were in conflict, which one to give more weight to. The Golden Rule, as formulated by Gensler, gives us no help in this situation. Again we must appeal to our own perspective – not merely whether Friedman (1962) is right or wrong, because even if he’s right managers can still act as did Merck’s and shareholders can sell out if they don’t like the decision. The more important question is whether managers should privilege some stakeholders more than others and if so which ones – to put it another way, which of Freeman and Gilbert’s (1988) enterprise strategies are morally permitted and which are not. This is a question on which reasonable people can differ because of their differing perspectives on morality.

The Merck situation is not unique in this regard. If one does not believe that stockholders are monolithic in nature, conflict between the interests of groups of stockholders will arise. If one does not believe that every action that benefits employees, customers, suppliers, and other stakeholders ultimately benefits the stockholders financially, then conflict between stockholder interests and the interests of other stakeholders must result at least occasionally. If one does believe that actions benefiting stakeholders also benefit stockholders (and that stockholder interests are monolithic), one must still believe that actions that benefit shareholders also benefit society, or conflicts still arise. The rule gives no guidance on any of these situations, except to be consistent. It says, “Don’t combine acting to do X to stakeholder Y without consenting to the idea of X being done to you in stakeholder Y’s place.” This

means we apply our perspective consistently, that we not do anything that we would not be comfortable having done to us. In the mind of a win-at-all-costs manager, this may mean such means as used by the robber barons in the 19th century. In the mind of a manager at Merck in the ivermectin case, it may mean that what might be thought of as the moral solution is adopted. But perspective, not the rule, spells the difference.

This discussion touches not only business ethics but its closely related concept, corporate social responsibility (CSR). The question of whether Friedman (1962) is right is a question of what types of responsibilities society places on business organizations. The Golden Rule would ask corporations, or more specifically their managers, to treat others as they would be treated. In the case of CSR, this means that managers should view their responsibilities to society as they would want others to view those responsibilities in their place. Since the rule is not a normative principle, however, it cannot mandate any particular view of social responsibilities. With multiple stakeholders and multiple desires and needs among those stakeholders, managers are faced with trying to be consistent and still satisfy society’s expectations – given that “society’s expectations” are not monolithic. In this case a manager might well believe that the best response is to do the legal minimum – a result that will not be seen as morally permissible by some people. Regarding CSR, then, the rule is of no greater help than it is regarding business ethics in general.

## Conclusion

It can be seen that in the Merck case the Golden Rule, although useful as a tool in moral decision making, does not provide the great insight that we would want from a universal ethical principle. Instead it points us to examine our own moral perspectives, which (we can expect) will be different from those of others, unless it is the case that capitalism gives all people engaged in business the imperative to hold certain specific virtues, as has been argued (Wilson, 1995). If this is the case, then the story told by Kung (1997) might be true, because perspectives are more likely to be the same than they would be otherwise. But this is outside the control

of the rule, and merely advocating the rule is not enough. Advocating the perspective is the true case, and this must be acknowledged, not hidden behind the aura of the Golden Rule.

The Golden Rule, properly understood, does not fill the bill its advocates desire, namely that of a universal normative ethical principle. Its universality instead lies in the understanding of cultures and traditions throughout the world that consistency, the willingness to abide by rules we apply to others, is a vital component of moral thinking.

Those who claim normative universality for the rule actually are arguing for the universality of a particular set of values. Many of us can and do applaud that argument, but we must be clear about what we are arguing. Wrapping the argument about values in the cloak of the Golden Rule hurts the argument. The rule is understood in different ways, and is subject to too many problems in a normative application to business decisions, to stand; if it does not stand, what is cloaked in it falls as well.

It is an open question whether such a specific global ethic, including the Golden Rule or not, is a good thing. Such a formulation could be far too rigid in a context of multiple stakeholders with differing desires and needs, where principles may not serve managers' needs as absolute rules to follow. It may be the case that a more context-sensitive approach, with less reliance on principles of whatever kind and more reliance on the moral judgment of managers, is the proper response to the globalization of business. This is not the place for that discussion, but if the Golden Rule fails to give us a global ethic, it may be seen by some that nothing will give us a global ethic that might be acceptable to those who wish for it. The people who do desire a global ethic, however, would be better to call for it in a straightforward fashion and use the Golden Rule as it should be used – a call to be willing to be treated as you wish to treat others.

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Brian K. Burton  
 Department of Management,  
 Western Washington University,  
 516 High Street,  
 Bellingham,  
 WA 98225-9075,  
 U.S.A.  
 E-mail: [Brian.Burton@wwu.edu](mailto:Brian.Burton@wwu.edu)

Michael Goldsby  
 Department of Management,  
 Ball State University, Muncie,  
 IN 47306,  
 U.S.A.  
 E-mail: [mgoldsby@bsu.edu](mailto:mgoldsby@bsu.edu)

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