Mr. Gunnar
AP English Language and Composition

From **Is Business Bluffing Ethical?**
by Albert Carr
***Harvard Business Review* 46, January-February, 1968, pp. 143-53.**

A respected businessman with whom I discussed the theme of this article remarked with some heat, "You mean to say you're going to encourage men to bluff? Why, bluffing is nothing more than a form of lying! You're advising them to lie!"

I agreed that the basis of private morality is a respect for truth and that the closer a businessman comes to the truth, the more he deserves respect. At the same time, I suggested that most bluffing in business might be regarded simply as game strategy-much like bluffing in poker, which does not reflect on the morality of the bluffer.

I quoted Henry Taylor, the British statesman who pointed out that "falsehood ceases to be falsehood when it is understood on all sides that the truth is not expected to be spoken"-an exact description of bluffing in poker, diplomacy, and business. I cited the analogy of the criminal court, where the criminal is not expected to tell the truth when he pleads "not guilty." Everyone from the judge down takes it for granted that the job of the defendant's attorney is to get his client off, not to reveal the truth; and this is considered ethical practice. I mentioned Representative Omar Burleson, the Democrat from Texas, who was quoted as saying, in regard to the ethics of Congress, "Ethics is a barrel of worms"-a pungent summing up of the problem of deciding who is ethical in politics.

I reminded my friend that millions of businessmen feel constrained every day to say yes to their bosses when they secretly believe no and that this is generally accepted as permissible strategy when the alternative might be the loss of a job. The essential point, I said, is that the ethics of business are games ethics, different from the ethics of religion.

He remained unconvinced. Referring to the company of which he is president, he declared: "Maybe that's good enough for some businessmen, but I can tell you that we pride ourselves on our ethics. In thirty years not one customer has ever questioned my word or asked to check our figures. We're loyal to our customers and fair to our suppliers. I regard my handshake on a deal as a contract. I've never entered into price-fixing schemes with my competitors. I've never allowed my salesmen to spread injurious rumors about other companies. Our union contract is the best in our industry. And, if I do say so myself, our ethical standards are of the highest!"

He really was saying, without realizing it, that he was living up to the ethical standards of the business game-which are a far cry from those of private life. Like a gentlemanly poker player, he did not play in cahoots with others at the table, try to smear their reputations, or hold back chips he owed them.

But this same fine man, at that very time, was allowing one of his products to be advertised in a way that made it sound a great deal better than it actually was. Another item in his product line was notorious among dealers for its "built-in-obsolescence." He was holding back from the market a much-improved product because he did not want it to interfere with sales of the inferior item it would have replaced. He had joined with certain of his competitors in hiring a lobbyist to push a state legislature, by methods that he preferred not to know too much about, into amending a bill then being enacted.

In his view these things had nothing to do with ethics; they were merely normal business practice. He himself undoubtedly avoided outright falsehoods-never lied in so many words. But the entire organization that he ruled was deeply involved in numerous strategies of deception.

Pressure to Deceive

Most executives from time to time are almost compelled, in the interest of their companies or themselves, to practice some form of deception when negotiating with customers, dealers, labor unions, government officials or even other department of their companies. By conscious misstatements, concealment of pertinent facts, or exaggeration-in short, by bluffing-they seek to persuade others to agree with them. I think it is fair to say that if the individual executive refuses to bluff from time to time-if he feels obligated to tell the truth, the whole truth, and nothing but the truth-he is ignoring opportunities permitted under the rules and is at a heavy disadvantage in his business dealings.

But here and there a businessman is unable to reconcile himself to the bluff in which he plays a part. His conscience, perhaps spurred by religious idealism, troubles him. He feels guilty; he may develop an ulcer or a nervous tic. Before any executive can make profitable use of the strategy of the bluff, he needs to make sure that in bluffing he will not lose self-respect or become emotionally disturbed. If he is to reconcile personal integrity and high standards of honesty with the practical requirements of business, he must feel that his bluffs are ethically justified. The justification rests on the fact that business, as practiced by individuals as well as by corporations, has the impersonal character of a game-a game that demands both special strategy and an understanding of its special ethics.

The game is played at all levels of corporate life, from the highest to the lowest. At the very instant that a man decides to enter business, he may be forced into a game situation, as is shown by the recent experience of a Cornell honor graduate who applied for a job with a large company:

This applicant was given a psychological test which included the statement, "Of the following magazines, check any that you have read either regularly or from time to time, and double-check those which interest you most. Reader's Digest, Time, Fortune, Saturday Evening Post, The New Republic, Life, Look, Ramparts, Newsweek, Business Week, U.S. News & World Report, The Nation, Playboy, Esquire, Harper's, Sports Illustrated."

His tastes in reading were broad, and at one time or another he had read almost all of these magazines. He was a subscriber to The New Republic, an enthusiast for Ramparts, and an avid student of the pictures in Playboy. He was not sure whether his interest in Playboy would be held against him, but he had a shrewd suspicion that if he confessed to an interest in Ramparts and The New Republic, he would be thought a liberal, a radical, or at least an intellectual, and his chances of getting the job, which he needed, would greatly diminish. He therefore checked five of the more conservative magazines. Apparently it was a sound decision, for he got the job.

He had made a game player's decision, consistent with business ethics.

A similar case is that of a magazine space salesman who, owing to a merger, suddenly found himself out of a job:

- This man was 58, and, in spite of a good record, his chance of getting a job elsewhere in a business where youth is favored in hiring practice was not good. He was a vigorous, healthy man, and only a considerable amount of gray in his hair suggested his age. Before beginning his job search he touched up his hair with a black dye to confine the gray to his temples. He knew that the truth about his age might well come out in time, but he calculated that he could deal with that

situation when it arose. He and his wife decided that he could easily pass for 45, and he so stated his age on his résumé.

This was a lie, yet within the accepted rules of the business game, no moral culpability attaches to it.

The Poker Analogy

We can learn a good deal about the nature of business by comparing it with poker. While both have a large element of chance, in the long run the winner is the man who plays with steady skill. In both games ultimate victory requires intimate knowledge of the rules, insight into the psychology of the other players, a bold front, a considerable amount of self-discipline, and the ability to respond swiftly and effectively to opportunities provided by chance.

No one expects poker to be played on the ethical principles preached in churches. In poker it is right and proper to bluff a friend out of the rewards of being dealt a good hand. A player feels no more than a slight twinge of sympathy, if that, when-with nothing better than a single ace in his hand-he strips a heavy loser, who holds a pair, of the rest of his chips. It was up to the other fellow to protect himself. In the words of an excellent poker player, former President Harry Truman, "If you can't stand the heat, stay out of the kitchen." If one shows mercy to a loser in poker, it is a personal gesture, divorced from the rules of the game.

Poker has its special ethics, and here I am not referring to rules against cheating. The man who keeps an ace up his sleeve or who marks the cards is more than unethical; he is a crook, and can be punished as such-kicked out of the game or, in the Old West, shot.

In contrast to the cheat, the unethical poker player is one who, while abiding by the letter of the rules, finds ways to put the other players at an unfair disadvantage. Perhaps he unnerves them with loud talk. Or he tries to get them drunk. Or he plays in cahoots with someone else at the table. Ethical poker players frown on such tactics. Poker's own brand of ethics is different from the ethical ideals of civilized human relationships. The game calls for distrust of the other fellow. It ignores the claim of friendship. Cunning deception and concealment of one's strength and intentions, not kindness and openheartedness, are vital in poker. No one thinks any the worse of poker on that account. And no one should think any the worse of the game of business because its standards of right and wrong differ from the prevailing traditions of morality in our society.

"We Don't Make the Laws."

Wherever we turn in business, we can perceive the sharp distinction between its ethical standards and those of the churches. Newspapers abound with sensational stories growing out of this distinction:

- We read one day that Senator Philip A. Hart of Michigan has attacked food processors for deceptive packaging of numerous products.6
- The next day there is a Congressional to-do over Ralph Nader's book, Unsafe At Any Speed, which demonstrates that automobile companies for years have neglected the safety of car-owning families.
- Then another Senator, Lee Metcalf of Montana, and journalist Vic Reinemer show in their book, Overcharge, the methods by which utility companies elude

regulating government bodies to extract unduly large payments from users of electricity.

These are merely dramatic instances of a prevailing condition; there is hardly a major industry at which a similar attack could not be aimed. Critics of business regard such behavior as unethical, but the companies concerned know that they are merely playing the business game.

Among the most respected of our business institutions are the insurance companies. A group of insurance executives meeting recently in New England was started when their guest speaker, social critic Daniel Patrick Moynihan, roundly berated them for "unethical" practices. They had been guilty, Moynihan alleged, of using outdated actuarial tables to obtain unfairly high premiums. They habitually delayed the hearings of lawsuits against them in order to tire out the plaintiffs and win cheap settlements. In their employment policies they used ingenious devices to discriminate against certain minority groups.

It was difficult for the audience to deny the validity of these charges. But these men were business game players. Their reaction to Moynihan's attack was much the same as that of the automobile manufacturers to Nader, of the utilities to Senator Metcalf, and of the food processors to Senator Hart. If the laws governing their businesses change, or if public opinion becomes clamorous, they will make the necessary adjustments. But morally they have, in their view, done nothing wrong. As long as they comply with the letter of the law, they are within their rights to operate their businesses as they see fit.

The small business is in the same position as the great corporation in this respect. For example:

- In 1967 a key manufacturer was accused of providing master keys for automobiles to mail-order customers, although it was obvious that some of the purchasers might be automobile thieves. His defense was plain and straightforward. If there was nothing in the law to prevent him from selling his keys to anyone who ordered them, it was not up to him to inquire as to his customers' motives. Why was it any worse, he insisted, for him to sell car keys by mail, than for mail-order houses to sell guns that might be used for murder? Until the law was changed, the key manufacturer could regard himself as being just as ethical as any other businessman by the rules of the business game.

Violations of the ethical ideals of society are common in business, but they are not necessarily violations of business principles. Each year the Federal Trade Commission orders hundreds of companies, many of them of the first magnitude, to "cease and desist" from practices which, judged by ordinary standards, are of questionable morality but which are stoutly defended by the companies concerned.

In one case, a firm manufacturing a well-known mouth-wash was accused of using a cheap form of alcohol possibly deleterious to health. The company's chief executive, after testifying in Washington, made this comment privately:

> "We broke no law. We're in a highly competitive industry. If we're going to stay in business, we have to look for profit wherever the law permits. We don't make the laws. We obey them. Then why do we have to put up with this 'holier than thou' talk about ethics? It's sheer hypocrisy. We're not in business to promote ethics. Look at the cigarette companies, for God's sake! If the ethics aren't embodied in the laws by the men who made them, you can't expect businessmen

to fill the lack. Why, a sudden submission to Christian ethics by businessmen would bring about the greatest economic upheaval in history!"

It may be noted that the government failed to prove its case against him.

Cast Illusions Aside

Talk about ethics by businessmen is often a thin decorative coating over the hard realities of the game:

- Once I listened to a speech by a young executive who pointed to a new industry code as proof that his company and its competitors were deeply aware of their responsibilities to society. It was a code of ethics, he said. The industry was going to police itself, to dissuade constituent companies from wrongdoing. His eyes shone with conviction and enthusiasm.

The same day there was a meeting in a hotel room where the industry's top executives met with the "czar" who was to administer the new code, a man of high repute. No one who was present could doubt their common attitude. In their eyes the code was designed primarily to forestall a move by the federal government to impose stern restrictions on the industry. They felt that the code would hamper them a good deal less than new federal laws would. It was, in other words, conceived as a protection for the industry, not for the public.

The young executive accepted the surface explanation of the code; these leaders, all experienced game players, did not deceive themselves for a moment about its purpose.

The illusion that business can afford to be guided by ethics as conceived in private life is often fostered by speeches and articles containing such phrases as, "It pays to be ethical," or, "Sound ethics is good business." Actually this is not an ethical position at all; it is a self-serving calculation in disguise. The speaker is really saying that in the long run a company can make more money if it does not antagonize competitors, suppliers, employees, and customers by squeezing them too hard. He is saying that oversharp policies reduce ultimate gains. That is true, but it has nothing to do with ethics. The underlying attitude is much like that in the familiar story of the shopkeeper who finds an extra twenty-dollar bill in the cash register, debates with himself the ethical problem-should he tell his partner?- and finally decides to share the money because the gesture will give him an edge over the s.o.b. the next time they quarrel.

I think it is fair to sum up the prevailing attitude of businessmen on ethics as follows:

We live in what is probably the most competitive of the world's civilized societies. Our customs encourage a high degree of aggression in the individual's striving for success. Business is our main area of competition, and it has been ritualized into a game of strategy. The basic rules of the game have been set by the government, which attempts to detect and punish business frauds. But as long as a company does not transgress the rules of the game set by law, it has the legal right to shape its strategy without reference to anything but its profits. If it takes a long-term view of its profits, it will preserve amicable relations, so far as possible, with those with whom it deals. A wise businessman will not seek advantage to the point where he generates dangerous hostility among employees, competitors, customers, government, or the public at large. But decisions in this area are, in the final test, decisions of strategy, not of ethics.

Playing to Win

…If a man plans to take a seat in the business game, he owes it to himself to master the principles by which the game is played, including its special ethical outlook. He can then hardly fail to recognize that an occasional bluff may well be justified in terms of the game's ethics and warranted in terms of economic necessity. Once he clears his mind on this point, he is in a good position to match his strategy against that of the other players. He can then determine objectively whether a bluff in a given situation has a good chance of succeeding and can decide when and how to bluff, without a feeling of ethical transgression.

To be a winner, a man must play to win. This does not mean that he must be ruthless, cruel, harsh, or treacherous. On the contrary, the better his reputation for integrity, honesty, and decency, the better his chances of victory will be in the long run. But from time to time every businessman, like every poker player, is offered a choice between certain loss or bluffing within the legal rules of the game. If he is not resigned to losing, if he wants to rise in his company and industry, then in such a crisis he will bluff-and bluff hard.

Every now and then one meets a successful businessman who has conveniently forgotten the small or large deceptions that he practiced on his way to fortune. "God gave me my money," old John D. Rockefeller once piously told a Sunday school class. It would be a rare tycoon in our time who would risk the horse laugh with which such a remark would be greeted.

In the last third of the twentieth century even children are aware that if a man has become prosperous in business, he has sometimes departed from the strict truth in order to overcome obstacles or has practiced the more subtle deceptions of the half-truth or the misleading omission. Whatever the form of the bluff, it is an integral part of the game, and the executive who does not master its techniques is not likely to accumulate much money or power.

From: http://falcon.tamucc.edu/~sencerz/Carr_Business_Bluffing.htm