## NOTES

1. Arnold Isenberg however disputes this in "Conditions for Lying," in *Ethical Theory and Business*, Tom Beauchamp and Norman Bowie (eds.) (Prentice Hall, Englewood Cliffs, N.J., 1979), pp. 466–468.

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# Does It Pay to Bluff in Business?

*Norman E. Bowie*

Albert Carr has argued in an influential article[1] that the ethics of business is best understood on the model of the ethics of poker.

Wouldn't it be in the best interest of business to adopt the poker model of business ethics? I think not. Let us consider labor relations, where Carr's poker model is implicitly if not explicitly adopted. In collective bargaining the relationship between the employer and the employee is adversarial. Collective bargaining is competitive through and through. The task of the union is to secure as much in pay and benefits as possible. The task of the employer's negotiators is to keep the pay and benefits as low as possible.

In the resulting give-and-take, bluffing and deception are the rule. Management expects the union to demand a percentage pay increase it knows it won't get. The union expects the company to say that such a pay increase will force it to shut down the plant and move to another state. Such demands are never taken at face value although they are taken more seriously on the ninetieth day of negotiations than they are on the first day.

Recently the conventional view of collective bargaining practice has been under attack. One of the most prominent criticisms of current practice is its economic inefficiency. The adversarial relationship at the bargaining table carries over to the workplace. As a result of the hostility between employee and employer, productivity suffers and many American products are at a competitive disadvantage with respect to foreign products. Japanese labor-management relations are not so adversarial and this fact accounts for part of their success. This particular criticism of collective bargaining has received much attention in the press and in popular business magazines. The most recent manifestation of the recognition of the force of this criticism is the host of decisions General Motors has made to ensure that labor relations are different at its new assembly plant for the Saturn.

Second, the practice of bluffing and deception tends to undermine trust. As some American firms lost ground to foreign competition, the management of many of the firms asked for pay reductions, commonly called "give backs." Other managers in firms not threatened by foreign competition cited the "dangers" of foreign competition to request pay cuts for their employees—even though they were not needed. Use of this tactic will only cause future problems when and if the competitive threat really develops. This utilitarian point was not lost on participants in a labor-management relations seminar I attended.

> *Participant I:* In the past, there was a relationship of mutual distrust.
> *Participant II:* These are the dangers in crying "wolf." When the company is really in trouble, no one will believe them.
> *Participant III:* To make labor/management participation teams work, you need to generate mutual trust. It only takes one bad deal to undermine trust.

These individuals are indicating that the practices of bluffing and deception have bad consequences in employer/employee relationships. These unfortunate consequences have been well documented by philosophers—most recently by Sissela Bok. Bok's critique of "white lies" and the use of placebos applies equally well to deception in the collective bargaining process.

> Triviality surely does set limits to when moral inquiry is reasonable. But when we look more closely at practices such as placebo-giving, it becomes clear that all lies defended as "white" cannot be so easily dismissed. In the first place, the harmlessness of lies is notoriously disputable. What the liar perceives as harmless or even beneficial may not be so in the eyes of the deceived. Second, the failure to look at an entire practice rather than at their own isolated case often blinds liars to cumulative harm and expanding deceptive activities. Those who begin with white lies can come to resort to more frequent and more serious ones. Where some tell a few white lies, others may tell more. Because lines are so hard to draw, the indiscriminate use of such lies can lead to other deceptive practices. The aggregate harm from a large number of marginally harmful instances may, therefore, be highly undesirable in the end—for liars, those deceived, and honesty and trust more generally.[2]

However, there is more at stake here than the bad consequences of lying. Bluffing, exaggeration, and the nondisclosure of information also undermine a spirit of cooperation that is essential to business success. The poker model, with its permitted bluffing and the like, is a competitive model. What the model overlooks is the fact that the production of a good or service in any given plant or office is a cooperative enterprise. Chrysler competes with General Motors and Toyota but the production of Chrysler K cars in that assembly plant in Newark, Delaware, is a cooperative enterprise. Lack of cooperation results in poor quality vehicles.

Hence the competitive model of collective bargaining sets wages and working conditions for what at the local level is a cooperative enterprise. Labor-management negotiators forget the obvious truth that the production of goods and services cannot succeed on a purely competitive basis. There have to be some elements of cooperation somewhere in the system. Why shouldn't the collective bargaining process use cooperative rather than competitive techniques? When bargaining is conducted industrywide, as it is with automobiles, the competitive mode seems natural. Auto production is a competitive industry. But just because Chrysler is competitive with General Motors, why must Chrysler management be in a competitive relationship with its own employees? Indeed, couldn't it be argued that the fact that Chrysler's management does see itself in competition with its unionized employees undercuts its competitive position vis-à-vis other automobile producers. To use the language of competition, if Chrysler is at war with itself, how can it win the war against others?

As long as collective bargaining is essentially adversarial and characterized by bluffing and exaggeration on both sides, the cooperative aspect of business will be underemphasized. The costs of ignoring the cooperative aspect are great—both for society and for business itself.

Hence this distrust that so concerned the participants in the seminar is only in part a function of the deceit and bluffing that go on in collective bargaining. It is in large part a function of using the wrong model. We shouldn't look at collective bargaining as a game of poker.

With this discussion of collective bargaining as instance, let us evaluate Carr's proposal on utilitarian grounds. Should the stockholders applaud a chief executive officer whose operating procedure is analogous to the operating procedure of a poker player? In Carr's view, "A good part of the time the businessman is trying to do unto others as he hopes others will not do unto him." But surely such a practice is very risky. The danger of discovery is great, and our experience of the past several years indicates that many corporations that have played the game of business like the game of poker have suffered badly. Moreover, if business practice consisted essentially of these conscious misstatements, exaggerations, and the concealment of pertinent facts, it seems clear that business practice would be inherently unstable. Contemporary business practice presupposes such stability, and business can only be stable if the chief executive officer has a set of moral standards higher than those that govern the game of poker. The growth of the large firm, the complexity of business decisions, the need for planning and stability, and the undesirable effects of puffery, exaggeration, and deception all count against Carr's view that the ethics of business should be the ethics of a poker game.

## NOTES

1. Albert Z. Carr, "Is Business Bluffing Ethical?" *Harvard Business Review*, 46 (January-February 1968): 143–153.
2. Sissela Bok, *Lying: Moral Choice in Public and Private Life* (New York: Pantheon Books, 1978), pp. 19,31.

# A Moral Evaluation of Sales Practices

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A relatively neglected area in recent literature on business ethics is the ethics of sales practices. Discussions of the moral dimensions of marketing have tended to concentrate almost exclusively on obligations of advertisers or on the moral acceptability of the advertising system. By contrast, little attention has been given to the activities of individual salespersons.[1]

This neglect is surprising on several