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Is Business Bluffing Ethical? The History of Business Ethics

Editor's note: This is an excerpt from "Business Ethics Perspectives on International Negotiations" by Robert E. McNulty and W. Michael Hoffman of Bentley University's Center for Business Ethics.

Because social change is often imperceptible, many valuable lessons can be overlooked. A striking example of this "proximity blindness" pertains to business ethics. Business ethics began to take shape as a formal discipline in the United States in the mid-1970s and in the intervening years the field has exploded and spread around the world. Today, virtually every major corporation has a code of ethics and an officer responsible for advising the company on matters of ethics and legal compliance.

It is important because we often tend to assume that the way business is conducted today is essentially the same as it was in the past. However, business has changed drastically from its meager roots in bartering on the margins of subsistence to its current form as the engine of a multi-trillion dollar global economy. In this long history, however, the most dramatic and rapid change has occurred over the last few decades since the advent of the discipline of business ethics. A vivid example of this change is illustrated in an article published in 1968 entitled, "Is Business Bluffing Ethical?" In this article, which appeared in the prestigious *Harvard Business Review,* the author, Albert Carr, claimed quite brazenly that businesses were perfectly justified in lying, cheating, and bribing, all in the name of achieving business objectives. According to Carr, the ethics of ordinary life were inapplicable to business because the latter was governed by its own "gaming" morality that required the businessman to leave at home the Golden Rule and his commitment to principles such as honesty and fairness. To make his point, Carr quotes a Midwestern executive who had "given a good deal of thought to the question." According to this person, "If the law as written gives a man a wide-open chance to make a killing, he'd be a fool not to take advantage of it. If he doesn't someone else will. There is no obligation on him to stop and consider who is going to get hurt. If the law says he can do it, that's all the justification he needs. There's nothing unethical about that. It's just plain business sense."[1]

In the same article, Carr goes on to assert the legitimacy of lying on one's résumé, engaging in industrial espionage, and deceptively adulterating the contents of consumer goods in order to increase profits. Carr's view is a clear example of the problem that arises when one attempts to reduce ethics to compliance with the law. He may claim that if an action is not illegal, it is fair game. However, by providing these examples, Carr demonstrates that he himself recognizes these actions are unethical. He tries to deflect culpability by claiming that personal morality does not apply to business, but the error of this position is evidenced in at least two ways: First, since the publication of this article, people in all sectors of society have squarely turned against such scurrilous behavior. The idea that business operates in a morality-free zone is universally recognized as a self-serving fallacy. Secondly, Carr's position depends on the view that when a person enters an office he or she abandons his human identity. Not only is this impossible, but this view attributes an autonomy to business that it simply does not have. It is not businesses that make decisions, but people. And it is because our moral status as human beings is neither suspended nor absolved when we engage in business that, like it or not, the conduct of business occurs always within a moral domain that is integral to our human nature.

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[1] Albert Z. Carr, "Is Business Bluffing Ethical?," *Harvard Business Review* 46, no. 1 (1968): 146.

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About the Authors

Robert E. McNulty is the director of programs at the Center for Business Ethics (CBE) at Bentley University. He joined CBE after many years in both business and academia. At CBE, he is responsible for managing many aspects of CBE's various programs and overseeing the Center's research activities. Some of his recent publications include "Business Ethics Perspectives on International Negotiations," "International Business, Human Rights and Moral Complicity: A Call for a Declaration on the Universal Rights and Duties of Business," and "A Business Ethics Theory of Whistleblowing: Responding to the $1 Trillion Question" (forthcoming), all three co-authored with W. Michael Hoffman.

W. Michael Hoffman is the founding executive director of the Center for Business Ethics at Bentley University in Waltham, Massachusetts, a 35-year-old research and consulting institute and an educational forum for the exchange of ideas and information in business ethics. Since 1976, the Center has served as a research and consulting institute and an educational forum for the exchange of ideas and information in business ethics. For a complete bio, follow the link to W. Michael Hoffman's author page.