To Lie or Not to Lie in Business: Exploration of Ethical Perspectives

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Abstract

Fifty years ago, Albert Carr, a prominent economist, sparked widespread debate with his Harvard Business Review article, "Is Business Bluffing Ethical?" In it, he argued that lying in business could be ethically justified, a stance that provoked enduring controversy among moral philosophers and business practitioners alike. This essay revisits Carr's argument and examines the current scholarly landscape on the ethics of deception in business. Drawing from my experience as a science writer and consultant in the international technology industry, I offer a contemporary perspective on this unresolved ethical dilemma and its relevance to today's business practices.

Introduction

In 1968, Harvard Business Review published an essay titled "Is Business Bluffing Ethical?" by Albert Carr (Carr, 1968)—a prominent economist and advisor to two U.S. presidents—that ignited a debate among moral philosophers and business thinkers that remains unresolved today. Carr argued that business operates under its own distinct ethical code, with standards markedly different from those in private life and bounded primarily by the law. According to Carr, in the world of business, "anything goes" as long as it is legal. He likened business to a poker game where players inevitably face "a choice between losing or bluffing within the legal rules of the game." For Carr, winning was paramount, and bluffing was not just acceptable but essential.

Fifty years later, where does this debate stand among scholars and practitioners?

Even now, whether we like it or not, readers may find themselves recognizing some elements of truth in Carr's argument. Despite significant advancements in corporate social responsibility (CSR) since the 1960s—when public expectations of corporations have expanded from profit generation to broader social accountability—deception in workplaces and boardrooms still appears widespread.

In commercial settings, particularly, attitudes toward honesty often resemble the playfulness of an adolescent navigating early romantic pursuits, complete with the same thrill of potential "big wins."Yet, the tendency to bend the truth is not limited to sales pitches or executive strategies. The Silicon Valley ethos of "fake it till you make it," which emerged in the 1980s, has embedded itself deeply into business culture. Scientists and engineers, too, have been drawn into this approach, using embellishment as a tool for advancement (Jensen et al, 2021). Worse still, if contemporary statistics are to be believed, deception in business may be even more pervasive today than it was in Carr's time (Williams et al, 2009).

Moralists: A Lie is a Lie

To argue that something is common practice does not mean it ought to be so. Unsurprisingly, moral philosophers—often inclined to oppose dishonesty (Kupfer, 1982)—were quick to criticize Albert Carr's claims and highlight the philosophical flaws in his reasoning (e.g., Blodgett, 1968; Sullivan et al, 1984; Fowler & Musgrave, 2021). However, some scholars came to his defense, arguing that certain situations might indeed warrant more flexible moral standards. One such context, which has gained significant acceptance, is price negotiation. In these cases, the so-called "apologists" (a term taken from Sherwood, 2022)—Carr's supporters—argue that what is beneficial for business may not always align with conventional moral principles. In contrast, Carr's critics—the "moralists" (again, from Sherwood, 2022)—assert that lying in business is no more justifiable than lying in everyday life.

Moralist objections to lying often rest on the premise that deception, while potentially advantageous in the short term, ultimately harms society by eroding the trust necessary for its proper functioning. Furthermore, lying is seen as detrimental to the individual, undermining self-esteem and mental well-being. These critics generally align, consciously or not, with Immanuel Kant's duty-based deontology, which posits that lying is inherently wrong, regardless of any perceived benefit (e.g., Mahon, 2003; Bowie, 2017). According to Kant, since outcomes are inherently uncertain, individuals should not dwell on potential consequences but instead adhere to universal moral duties—chief among them the duty not to lie. As famously illustrated in his 1797 essay, Kant maintained that even when faced with a murderer at one's door asking about their intended victim's whereabouts, one must uphold the duty to tell the truth.

For many moral philosophers, however, this absolutism goes too far. While they agree that harmful deception should

generally be avoided, most acknowledge exceptions in cases where lying is morally justified by special circumstances. Today, moralists commonly advocate for honesty as a guiding principle but accept that it may occasionally need to yield to competing ethical considerations (Bok, 2011).

Critics of Carr's position often argue that permitting lying in business—though potentially profitable in the short term—risks undermining the trust on which both commerce and society depend. These critiques echo Plato/Aristotle's virtue ethics, which emphasize that dishonesty corrupts character (ethos), leading to a degraded system of commerce prone to eventual collapse. Interestingly, despite the acknowledged prevalence of lying in business, Plato's emphasis on virtue continues to resonate in corporate culture (Dey, 2022). "A man is as good as his word" remains a mantra in many boardrooms.

In my consulting experience, I have witnessed directors dismissed or replaced solely on ethical grounds—specifically for dishonesty in key meetings. In such cases, their peers deemed the behavior incompatible with leadership responsibilities. However, I have also observed that this emphasis on virtue is often selective: while lying to superiors or key stakeholders is considered unacceptable, the same standard does not always apply to interactions with subordinates or other dependents, such as shareholders (see, e.g., Kramer, 2009).

Apologists: Business as a Game

Apologists—ethicists and business practitioners such as Carr—defend lying in business using arguments rooted in consent, the greater good, practicality, self-defense, and fiduciary duty (Sherwood, 2022). Of these, the latter arguments are more easily challenged.

The notion of lying as self-defense, simply because "everyone else is doing it," is weak both ethically and logically. That someone might act unethically toward you does not justify responding in kind, especially when the "target" includes others beyond the original culprits. Such indiscriminate defense risks collateral harm, akin to "shooting with hail." Some apologists argue that lying to proven liars is a different matter (Carson, 2010; Leslie, 2016), but even here, the principle of the golden rule—"treat others as you would like to be treated"—provides a counterpoint. This timeless maxim insists on rationality and consistency in moral reasoning: if you dislike being lied to, how can you justify lying to others simply because it is common practice?

Another frequently cited justification is fiduciary duty—the obligation to act in the best interest of a client or principal, even if it involves deception. This argument often manifests subtly in workplace cultures, where teams may withhold critical information about product flaws to avoid perceived betrayal of leadership. However, from the victim's perspective—such as a customer misled about a product's capabilities—harm is still harm. If taken to extremes, this reasoning could justify almost any unethical behavior, including crimes, by appealing to obligations imposed by others. As critics point out, simply acting on someone else's behalf does not absolve wrongdoing; a hitman, for example, cannot evade responsibility by claiming to act under orders.

More robust defenses of lying in business revolve around arguments of consent and practicality. Viewing business as a game, like poker or Risk, where deception is an expected element, is a common apologist perspective. However, business differs from games in that its participants can suffer significant real-world harm—financial or otherwise. While participants in negotiations might anticipate some degree of bluffing, expectation does not equate to consent (Strudler, 2023).

It is also crucial to differentiate between types of lies. Business deception can range from obfuscation, exaggeration, and bluffing—commonly tolerated—to outright fraud and falsity, which are universally condemned (Jensen, 2021; Carreyrou, 2019). Discussions about permissible lying often focus on specific contexts, such as price negotiations (e.g., Strudler, 1995), where withholding information or bluffing might be seen as strategic rather than immoral. Even so, moralists counter that refraining from lying does not require total transparency. For instance, in personal interactions, telling someone they are unattractive without provocation is not honesty but rudeness. Similarly, in business, withholding one's reserve price during negotiations is not necessarily deceitful; it could be considered strategic discretion.

The most compelling apologist argument is lying for the greater good—achieving beneficial outcomes through otherwise unethical means. This perspective aligns with utilitarianism and consequentialism, which justify lying if it maximizes overall happiness or utility (Mill, 2014; Portmore, 2020). In business, where technocratic, results-driven ethics often prevail, this approach resonates (e.g., Slote, 2020; Gustafson, 2018; Gneezy, 2005). As long as deception produces beneficial outcomes, it is often deemed acceptable.

However, moralists caution against the slippery slope of these "noble lies". Predicting outcomes is inherently uncertain, and the intentions behind lies are even harder to discern. Rationalizing lies as noble could erode moral standards, creating a race to the bottom (Serra-Garzia & Gneezy, 2021). Pure consequentialism, which values outcomes over moral principles, offers little resistance to such decline. Observing today's business and political climate, one might argue we are already sliding down this slope.

Not all moralists oppose lying for the greater good, which complicates the debate further. Plato, for instance, supported the idea of the noble lie, though he reserved it for a ruling elite, not for general commerce (Reeve, 2004). Applying this principle to car salesmen or stockbrokers would likely stretch Plato's intentions. Nevertheless, the notion that lying, when done for the common good—albeit using a narrow definition of 'common'—might not be a vice aligns with the perspective of many business leaders (and politicians) today.

Psychologists: Lying is Only Natural

The debate surrounding the ethics of lying in business continues to elicit divergent views among scholars. Moralists uphold a strong presumption against lying, compelling apologists to justify exceptions in business settings. These justifications are then rigorously scrutinized in ongoing rounds of debate. Yet, some common ground has emerged. Both camps generally agree on the presumption against lying but differ on whether exceptions

for business contexts are justifiable.

A radically different perspective comes from behavioral psychology, which questions the immorality of lying altogether (see, e.g., Ariely & Jones, 2012; Leslie, 2011; Saxe, 1991; Denault et al, 2022). Behavioral psychologists argue that lying is a deeply ingrained human behavior, shaped more by social and emotional contexts than by abstract moral principles. In business, lies are often driven by a range of motivations: financial reward, prestige, influence, manipulation, or improving bargaining positions. But lies also arise from the desire to save face, protect others, or conform to perceived expectations. This latter type of lying reflects a fundamental human instinct to navigate complex social dynamics.

Behavioral ethicists critique the cold, rational approach of traditional moral-philosophical theories, which they see as ill-suited to the emotional and social nature of human decision-making (e.g., Gaspar & Schweitzer, 2015; Lupoli et al, 2017)). Many business lies, while deceptive, do not significantly benefit the liar or harm the victim; they are often not made solely with personal financial benefits in mind. For instance, when a product marketer exaggerates a product's technical performance or delivery timeline to secure a client's favor, the gains are often marginal, and the client rarely suffers substantial consequences.

I once confronted a colleague—a salesman—about such blatant, easily debunked lies during a company visit. His response was disarming: "Why let such technicalities hold our audience off?" He wasn't wrong. The client's representatives later admitted they appreciated his enthusiasm and took his claims with a pinch of salt, understanding they were part of the sales theater. In this case, the lies were less about deception and more about establishing rapport and demonstrating eagerness—qualities the client viewed positively.

Behavioral psychologists highlight another important dimension of lying: its role in fostering group identity and cohesion. Lies often underscore belonging to a company, department, or professional community. They help individuals perform their formal roles—whether as a determined leader, a persuasive salesperson, or a caring parent. These "prosocial lies" serve to nurture relationships and smooth interactions. For example, when a loved one asks, "How do I look in this outfit?" the response is more likely to be "Amazing! Absolutely stunning!" than the unvarnished truth, even if the latter might be more accurate.

This is not to say that all prosocial lies are benign or devoid of malicious intent. However, behavioral psychologists contend that lying fulfills a unique social function. Beyond being a tool for achieving good or ill, lying is fundamentally a means of building and maintaining social bonds. By this logic, lying does not erode trust but can, paradoxically, enhance it. It fosters social cohesion, which in turn enables the functioning of business and other collaborative endeavors.

This perspective helps explain why, even as studies suggest lying has increased in recent decades, business activity has also grown to unprecedented levels (Hill, 2022). We live in an era where business plays a pivotal role in shaping society and our daily lives. Prosocial lies, by fostering trust and cooperation, may well be an essential lubricant for the machinery of modern commerce.

And the verdict is...

So, where does this leave us? Should lying in business be categorically ruled out, no matter the circumstances? Or is it acceptable to polish figures, stretch reality, or inflate expectations when it helps the business (as promoted, e.g., in Trump, 2009)? What then of the clients or customers deceived? And what about the competitors disadvantaged or even driven out of business by such falsehoods?

Business has always been about making money. Yet, there is a growing expectation for businesses to embrace broader social responsibilities, contributing to the betterment of humanity and even nonhuman life on Earth (Bazerman, 2020; Prahalad, 2006). The public outcry against oil companies, now facing legal accountability for knowingly downplaying the catastrophic effects of a carbon-based economy, illustrates this shift (e.g., Macchi & Van Zeben, 2021). Lies that harm society, endanger populations, or contribute to environmental destruction are increasingly deemed unacceptable, even in the pursuit of profit (Bakan, 2020). In such cases, the moral and legal bars are rising simultaneously. On this point, Carr's lenient stance is largely rejected.

But what about lies that do not cause profound harm? Those that stretch reality, obscure inconvenient truths, or serve to bond socially? Lies that bring about some good to many without significantly disadvantaging others? These still seem to fall within the bounds of acceptability in business, especially when their intent is harmless or prosocial. Consider a slight embellishment during negotiations or a harmless exaggeration in marketing—such practices, while technically deceptive, are often seen as the lubricant that keeps the wheels of commerce turning.

Paradoxically, however, lying remains frowned upon as a dubious and, at times, dishonorable tactic. Aristotle/Plato's emphasis on virtue resonates here: habitual lying out of self-interest is viewed as a character flaw, one that disqualifies individuals from positions of power or responsibility. Those who rise to leadership are expected to embody trustworthiness, even if occasional lapses are strategically tolerated.

Thus, the advice for navigating business ethics—practical, if not cynical, though it may be—reflects this paradox. Play along and lie if you must, but do so sparingly, subtly, and without malice. For those aspiring to leadership, it's best to let others take the fall for the 'necessary' bigger lies, while you maintain an appearance of integrity.

Yet this guidance fails to fully address the deeper ethical question Carr posed more than half a century ago: Is lying in business ethical? If the apologists are correct, and lying can sometimes be justified, it raises an uncomfortable possibility: that business itself, as practiced today, might be fundamentally unethical (Bakan, 2012). If deception is embedded within the very fabric of business (Eenkhoorn & Graafland, 2011; Grover, 2005), and lying is deemed immoral or a weakness of character, then logically, the institution of business itself could be seen as inherently flawed.

Alternatively, perhaps business—like many human enterprises—can be conducted either morally or immorally, depending on the choices we make. If this is the case, the ethicality of business lies not in its nature but in our approach to it. Ultimately, it may come down to a simple yet profound question: What kind of world do we want to live in (see, e.g., Bhide & Stevenson, 1990; Duska, 2000; Radoilska, 2008)?

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