Bluffing: Its Demise as a Subject unto Itself

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ABSTRACT. 'Business bluffing' as a subject has been mentioned in various journals for at least the past 16 years. Its treatment has become one of apparent serious intent to identify it as a subject matter unto itself. Definitionally and theoretically, its essence has been specified but seemingly without due regard to its true nature. Business bluffing is an act of puffing at best and misrepresentation or fraud at worst. In either case, its legality and morality are already well defined and discussions of the subject should be directed along these established pathes.

A businessman is admonished to judge things as they are, to speak of them, when properly called thereto, according to such judgment, neither adding or diminishing, neither depreciating a commodity, nor putting false color upon it. (Plain and Serious Hints and Advice for the Tradesman's Prudent and Pious Conduct, Dr. Isaac Watts, 1747.)

I read with interest a caption which appeared in the October 10, 1983 issue of Newsweek regarding the alleged use of bankruptcy by various businesses for breaking off burdensome contractual labor obligations. The caption contained the following words, “Going broke – or bluffing?”

The body of the article itself wondered whether or not these bankruptcy filings were “...little more than noisy bluffs”. The point raised seemed to be that bluffing was a distinct possibility. And then it struck me. I'd read it all before. Articles have appeared in various professional journals off and on over the past fifteen years which discussed the issue of bluffing. My memory was jogged all the way back to the year 1968 when an article by A.Z. Carr appeared in the Harvard Business Review. I can even remember my reaction to the 'story' as I put the article aside. The fact that Carr was willing to consider the term bluff in relation to both the subject matter of a proposed contract as well as to the parties negotiating position gave me pause to wonder as to the reasonableness of the article. In fact, there were a number of instances in the article that suggested the reasonableness of a bluff in an illegal situation. So I put the article aside without giving it serious consideration.

The issue was far from dead however, as the 80s broke on the scene, so too did additional articles on the subject effectively resurrecting it from where it apparently should have stayed. This time however, the authors of the works put the subject in more scholarly terms in an attempt to justify its legitimacy as a subject for valid academic discussion. Again, I wondered at the approach taken and pondered the reasons for 'bluffing' being treated as a separate topic seemingly unrelated to at least two subject areas which could give the discussion the life breath it needed. But not finding the issue at the time one that caused me great concern, I again put those articles aside as I had done before in 1968 with the Carr article and promptly forgot about them. But now, with it
appearing again in a news magazine, I feel that the time has come for me to speak out on the topic. If I don’t, I feel that the issue will come back to haunt me time after time after time!

It will first be necessary to examine those articles and consider how their content relates to already existing theory on the topic (see Note 1 at the end). Only then can it be seen if the concept of ‘bluffing’ should be carried forward under that name or should be henceforth referred to by those terms that have long been used to discuss the issue in the established disciplines.

What is business bluffing?

According to Carr, bluffing is the use of “...conscious misstatements, concealment of pertinent facts, or exaggeration... to persuade others to agree with them”. (Carr, p. 144)

Here, there is apparently the recognition that bluffing can be both passive and active. A ‘conscious misstatement’ would occur if a person said on a job application that his/her age was 45 when in fact it was 10 years more and the misstatement was made for the purpose of favorably impressing a potential boss. That is an affirmative act, i.e., the making of a statement that is knowingly false. On the other hand, the Carr definition also includes statements that could be characterized as passive. A person could be asked if he/she had any financial interest in a company for the purpose of determining potential conflict of interest. The individual answers in the negative, a technically true statement, but omitted from the answer is the pertinent fact that a member of his/her family does have such an interest. Here, the statement is not affirmatively false, but it ignores the truth passively by concealment. To Carr’s credit, he recognized that both active and passive attempts to deceive should be considered in the category of business bluffing. How he feels about such practices is an entirely different matter and will come up for discussion later.

Wokutch seems to agree with Carr in this matter. Companion examples are used to support the proposition. “I want $50 000 for the house” (Wokutch, p. 146) is a statement of want and isn’t a lie though the person would really take as little as $45 000. It is passively creating a false impression in the mind of the potential buyer regarding the true bargaining position. “…my absolute lowest price is $50 000”, is a false statement of fact and actively creates a misconception. By example, Wokutch supports the proposition that the term bluffing includes both the active (the lie) and the passive (the avoidance) means of communication.

Carson succinctly states that “…[b]luffing is an act which attempts to misrepresent one’s intentions or overstate the strength of one’s position in the bargaining process”. (Carson, p. 14) Throughout that article it is clear that the definition includes both the concept of active and passive deception. There, the distinction is exemplified as follows:

Active:
(a) Management negotiators misstating the profitability of a subsidiary to convince the union negotiating with it that the subsidiary would go out of business if management acceded to union wage demands.
(b) Union officials misreporting the size of the union strike fund to portray a greater ability to strike than is actually the case.

Passive:
(a) Management negotiators saying, ‘We can’t afford this agreement’, when it would not put the firm out of business but only reduce the profits from somewhat above to somewhat below the industry standard.
(b) Union negotiators saying, ‘The union membership is adamant on this issue’, when they know that while one half of the membership is adamant, the other half couldn’t care less.

In this, the authors agree.

Additionally, there seems to be agreement among the authors that business bluffing falls in the area of legal activity. In other words, if an act is illegal, it should be condemned as such and is not an act of ‘business bluffing’. Carr states that “[i]f the law says he can do it, that’s all the justification he needs”. (p. 146), and “[a]s long as they comply with the letter of