Chapter 6
legal and ethical issues

Section 6.1
Government and Laws

Section 6.2
Social Responsibilities and Ethics
DISCUSS What effect does the government have on your life?
OBJECTIVES

• **Explain** the role of government in the private enterprise system.

• **Identify** federal regulatory agencies and laws that protect consumers, workers, investors, and the environment.

• **Provide** examples of the impact of government on business.
THE MAIN IDEA

In the U.S. private enterprise system, the government plays a role in safeguarding its principles and the welfare of its citizens.
Section 6.1

Government and Laws

**VOCABULARY**

- Food and Drug Administration (FDA)
- Consumer Product Safety Commission (CPSC)
- Equal Employment Opportunity Commission (EEOC)
- Occupational Safety and Health Administration (OSHA)
- Securities and Exchange Commission (SEC)
- Environmental Protection Agency (EPA)
- Federal Trade Commission (FTC)
Graphic Organizer

The U.S. Government and Its Role in the Private Enterprise System

Roles of U.S. Government in the Private Enterprise System

[Blank boxes for roles]
Government and Laws

Section 6.1

The U.S. Government and Its Role in the Private Enterprise System

Roles of U.S. Government in the Private Enterprise System

- Service Provider and Customer
- Regulator
- Enforcer of Free-Enterprise System
- Monitor of the Economy
- Business Supporter
The Role of Government

The Government

- Provider of Services
- Customer
- Regulator
- Enforcer of Private (Free) Enterprise
- Monitor of the Economy
The Role of Government

The Government

- Executive Branch
- Legislative Branch
- Judicial Branch
The Role of Government

The Primary Duty of Each Branch of Government

Executive

Legislative

Judicial
The Role of Government

The Primary Duty of Each Branch of Government

**Executive**
Enforces laws and regulations; President can veto laws passed by Congress

**Legislative**
Congress debates and votes on new laws and regulations to send to President for approval

**Judicial**
Supreme Court and lower courts interpret, apply, and administer laws
The Role of Government

Federal Agencies Regulate

- Products
- Employees
- Environment
- Businesses
The Role of Government

The Role of Regulator

- Protecting Consumers
- Protecting Workers
- Protecting Investors
- Protecting the Environment

Food and Drug Administration (FDA)

Consumers Product Safety Commission (CPSC)

Food and Drug Administration (FDA)
Regulates the labeling and safety of food, drugs, and cosmetics sold throughout the United States.

Consumer Product Safety Commission (CPSC)
Responsible for overseeing the safety of products such as toys, electronics, and household furniture.
## The Role of Government

### The Role of Regulator

<table>
<thead>
<tr>
<th>Protecting Consumers</th>
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#### Equal Employment Opportunity Commission (EEOC)
Responsible for the fair and equitable treatment of employees with regard to hiring, firing, and promotions.

#### Occupational Safety and Health Administration (OSHA)
Sets guidelines for workplace safety and environmental concerns and enforces those regulations.
The Role of Government

The Role of Regulator

Protecting Consumers
- Food and Drug Administration (FDA)
- Consumer Product Safety Commission (CPSC)

Protecting Workers
- Equal Employment Opportunity Commission (EEOC)
- Occupational Safety and Health Administration (OSHA)

Protecting Investors
- Securities and Exchange Commission (SEC)

Protecting the Environment

Securities and Exchange Commission (SEC)
Regulator of the sale of securities (stocks and bonds). It is responsible for issuing licenses to brokerage firms and financial advisers and investigates any actions among corporations that affect the value of stocks.
# Government and Laws

## The Role of Government

### The Role of Regulator

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### Environmental Protection Agency (EPA)

Protects human health and our environment. Its responsibilities include monitoring and reducing air and water pollution and overseeing recycling and hazardous waste disposal.
The Role of Government

Enforcer of the Private Enterprise System

- Federal Trade Commission (FTC)
- Bureau of Consumer Protection
- Bureau of Competition
- Bureau of Economics

**Federal Trade Commission (FTC)**
Enforces the principles of a private enterprise system and protects consumers from unfair or deceptive business practices.
The Role of Government

Differences and Similarities

FDA
Both
CPSC
The Role of Government

Differences and Similarities

- FDA
  - food, drugs, cosmetics

- Both
  - government agencies,
  - protect consumers

- CPSC
  - safety of products
### The Role of Government

#### Graphic Organizer

**Bureau of Consumer Protection**

<table>
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<tr>
<th>Division</th>
<th>Purpose</th>
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# The Role of Government

## Bureau of Consumer Protection

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<td>enforces truth-in-advertising laws; makes sure advertisement claims can be fulfilled</td>
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<td>Enforcement Division</td>
<td>ensures compliance with laws involving the internet, postal service, textile, wool, fur, and care labeling</td>
</tr>
<tr>
<td>Financial Practices Division</td>
<td>covers the truth-in-lending act; helps consumers make informed choices when applying for credit cards or loans</td>
</tr>
<tr>
<td>Marketing Practices Division</td>
<td>responds to fraudulent activities and scams; enforces rules such as the telemarketing sales and funeral rules</td>
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<tr>
<td>International Division of Consumer Protection</td>
<td>promotes consumer confidence in the international marketplace</td>
</tr>
<tr>
<td>Division of Planning and Information</td>
<td>helps consumers get needed information; provides help lines for reporting identify theft, fraud-related complaints</td>
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The Role of Government

Bureau of Consumer Protection

- Sherman Antitrust Act
- Hart-Scott-Rodino Amendment
- Federal Trade Commission Act
- Robinson-Patman Act

Goal:
The Role of Government

**Bureau of Consumer Protection**

- **Sherman Antitrust Act**
  - Outlaws contracts and agreements that limit trade or competition in interstate commerce

- **Hart-Scott-Rodino Amendment**
  - Requires companies to inform federal government before planning a merger

- **Federal Trade Commission Act**
  - Prohibits unfair methods of competition

- **Robinson-Patman Act**
  - Prohibits price discrimination

**Goal:**

Prevent anti-competitive mergers and business practices
The Role of Government

The SEC

SEC Protects
The Role of Government

The SEC protects by:

- Taking actions on stocks
- Oversees securities
- Issues licenses
- Requires investor truth
- Requires stock report
- Requires dividends published
1. **Identify** five roles the government plays in a private enterprise system.

The five roles the government plays in a free enterprise system are provider of services, customer, regulator, supporter of private (free) enterprise, and monitor of the economy.
Section 6.1

2. **Compare and contrast** the roles of the three bureaus run by the Federal Trade Commission.

   All three are concerned with enforcing the principles of the private enterprise system and protecting consumers, but the ways in which they accomplish this differ. The Bureau of Consumer Protection is responsible for protecting consumers from businesses that violate laws and regulations; the Bureau of Competition is responsible for preventing anti-competitive mergers and business practices; the Bureau of Economics studies the impact of FTC actions on consumers.
3. **Describe** how antitrust laws promote healthy competition in a private enterprise system.

Because these laws are designed to prevent anti-competitive mergers and business practices, they make certain that goods and services are priced competitively.
JUDGE  Why do you think it is a good idea for companies to be socially responsible?
OBJECTIVES

• **Provide** examples of a business’s social responsibilities.

• **Explain** the concept of business ethics.

• **Apply** guidelines for ethical behavior.
Socially responsible and civic-minded businesses are concerned with their workers, customers, communities, and the environment. Business ethics are part of social responsibility and play a role in decisions made by businesses.
Social Responsibilities and Ethics

VOCABULARY

- flextime
- telecommunicating
- Ad Council
- green marketing

- ethics
- Better Business Bureau
- price gouging
- whistle blowing
Social Responsibilities and Ethics

Information on Social Responsibility, Ethics in Business, and the Guidelines for Ethical Behavior

Business and Social Responsibility
Information on Social Responsibility, Ethics in Business, and the Guidelines for Ethical Behavior

- Workplace: Flextime, Telecommuting, Health Care Benefits
- Marketplace: Provide Information, Employ Self-Censorship, Respond to Consumer Concerns
- Business Ethics: Consumerism, Marketing Practices
- Community and Environment: Support Community Causes, Engage in Green Marketing
**Business and Social Responsibility**

**In the Workplace**

- **Flextime**
  A system that allows workers to choose their work hours.

- **Telecommuting**
  Working at home, usually on a computer. Employees can send completed tasks by e-mail or mail-in disk.

- **Extended Family Leave**
- **On-Site Child Care**
- **Health Care Benefits**
- **Time Off with Pay**
Business and Social Responsibility

**In the Marketplace**

- **Providing Information**
  - The Ad Council
- **Employing Self-Censorship**
- **Responding to Consumer Concerns**

### Ad Council

A nonprofit organization that helps produce public service advertising campaigns for government agencies and other qualifying groups.
Social Responsibilities and Ethics

Section 6.2

Business and Social Responsibility

In the Community

- Supporting Community Causes
- World Business Council for Sustainable Development (WBCSD)
Business and Social Responsibility

In the Environment

- Alternative Fuels
- Green Marketing

**green marketing**
When companies engage in the production and promotion of environmentally safe products.
### The Uses of Employee Benefits

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<td>A parent wants to start work early so he can be done when school gets out.</td>
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<tr>
<td>Telecommuting</td>
<td>An employee must move 120 miles from her place of work.</td>
</tr>
<tr>
<td>Extended Family Leave</td>
<td>A worker has an elderly parent who has had surgery.</td>
</tr>
<tr>
<td>On-Site Child Care</td>
<td>A parent wants to eat lunch with her child.</td>
</tr>
<tr>
<td>Health Care Benefits</td>
<td>A child must have her tonsils removed.</td>
</tr>
<tr>
<td>Time Off with Pay</td>
<td>A worker wants to take a vacation to Alaska.</td>
</tr>
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Business Ethics

A major aspect of social responsibilities is business ethics.

ethics
Guidelines for good behavior; the basic values and moral principles that guide the behavior of individuals and groups.
Consumers Have Four Basic Rights According to John F. Kennedy’s Consumer Bill of Rights

- To be informed and protected against fraud, deceit, and misleading statements, and to be educated in the wise use of financial resources.
- To be protected from unsafe products.
- To have a choice of goods and services.
- To have a voice in product and marketing decisions made by government and businesses.
Business Ethics

Ethics in Marketing

- Self-Regulation
  - Better Business Bureau (BBB)
- Marketing Functions
  - Price Gouging
- Marketing Information
- Selling Practices

**Better Business Bureau (BBB)**
Nonprofit organization that sets up self-regulation among businesses. Business members must “agree to follow the highest principles of business ethics and voluntary self-regulation, and have a proven record of marketplace honesty and integrity.”

**price gouging**
Pricing products unreasonably high when the need is great or when consumers do not have other choices.
Business Ethics

Graphic Organizer

CAUSES OF PRICE GOUGING

- Cause 1
- Cause 2
- Cause 3
Business Ethics

**Graphic Organizer**

**CAUSES OF PRICE GOUGING**

- A business has a monopoly on a certain product or service.
- Consumers are limited to local products and services.
- A natural disaster creates a need for specific products and closes normal transportation routes.
Business Ethics

Managerial and Personnel Issues

- Proper Accounting and Reporting
  - The Sarbanes-Oxley Act of 2002

- Whistle Blowing

**whistle blowing**
Reporting an illegal action of one’s employer.
1. **Explain** Why are employee benefits that demonstrate social responsibility helpful for businesses and their employees?

   These benefits simplify employees’ lives and aid them in times of difficulty, so they increase the chances that employees will remain at a job. They are helpful to businesses because they have less employee turnover. The businesses’ reputations are improved because they are seen as being concerned with the welfare of their workers.
2. **Describe** how businesses demonstrate social responsibility in the marketplace and in the community.

In the marketplace, businesses provide information, employ self-censorship, and respond to consumer concerns. In the community, businesses support community efforts (e.g., sponsor sports teams, food drives, and so on), contribute money to worthy causes, and promote sustainable development.
Define business ethics.

Business ethics are guidelines for good behavior. Ethical businesses are honest and fair with everyone—workers, consumers, and the communities in which they operate.
End of

Chapter 6
legal and ethical issues

Section 6.1
Government and Laws

Section 6.2
Social Responsibilities and Ethics