

Marketing Essentials



Chapter 6

legal and ethical issues

Section 6.1 Government and Laws

Section 6.2 Social Responsibilities and Ethics

Government and Laws



Before You Read

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.

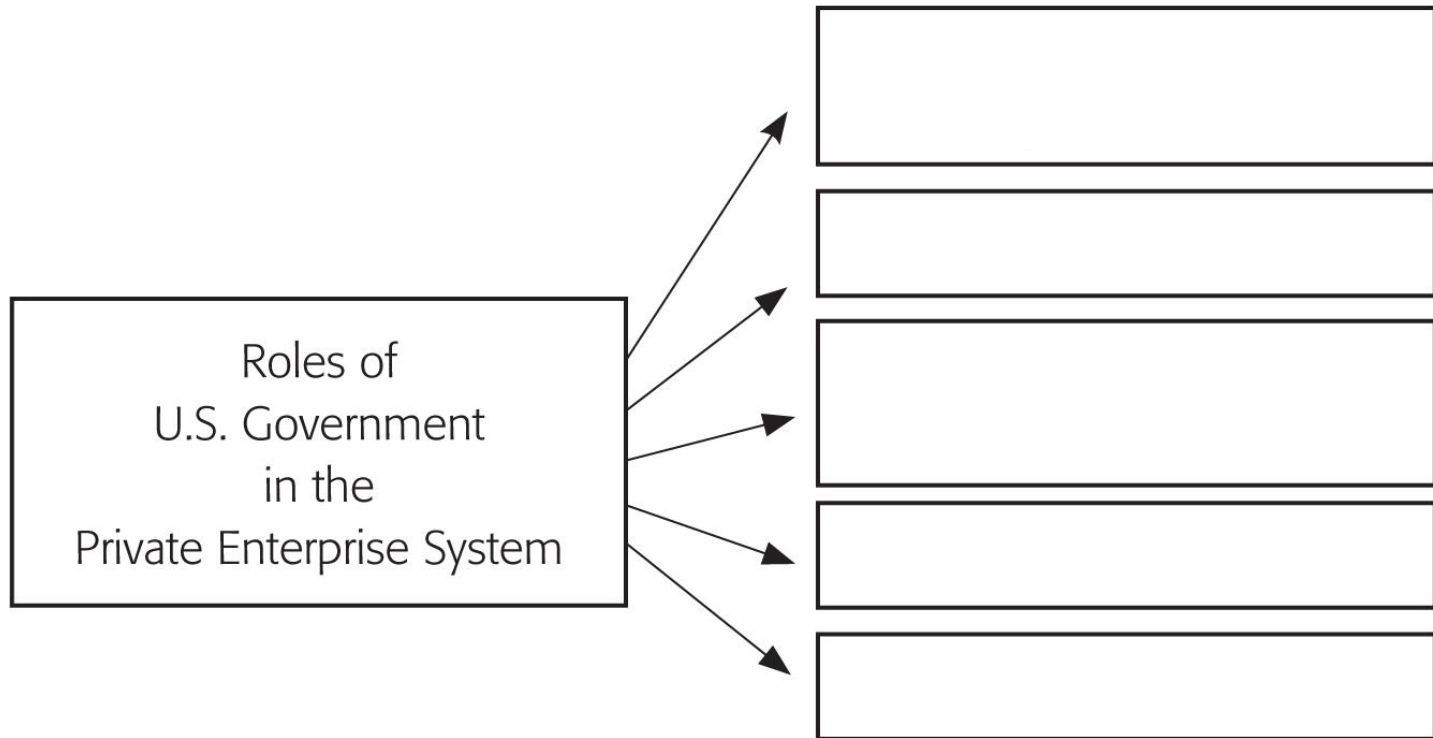
VOCABULARY

- 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)

Government and Laws

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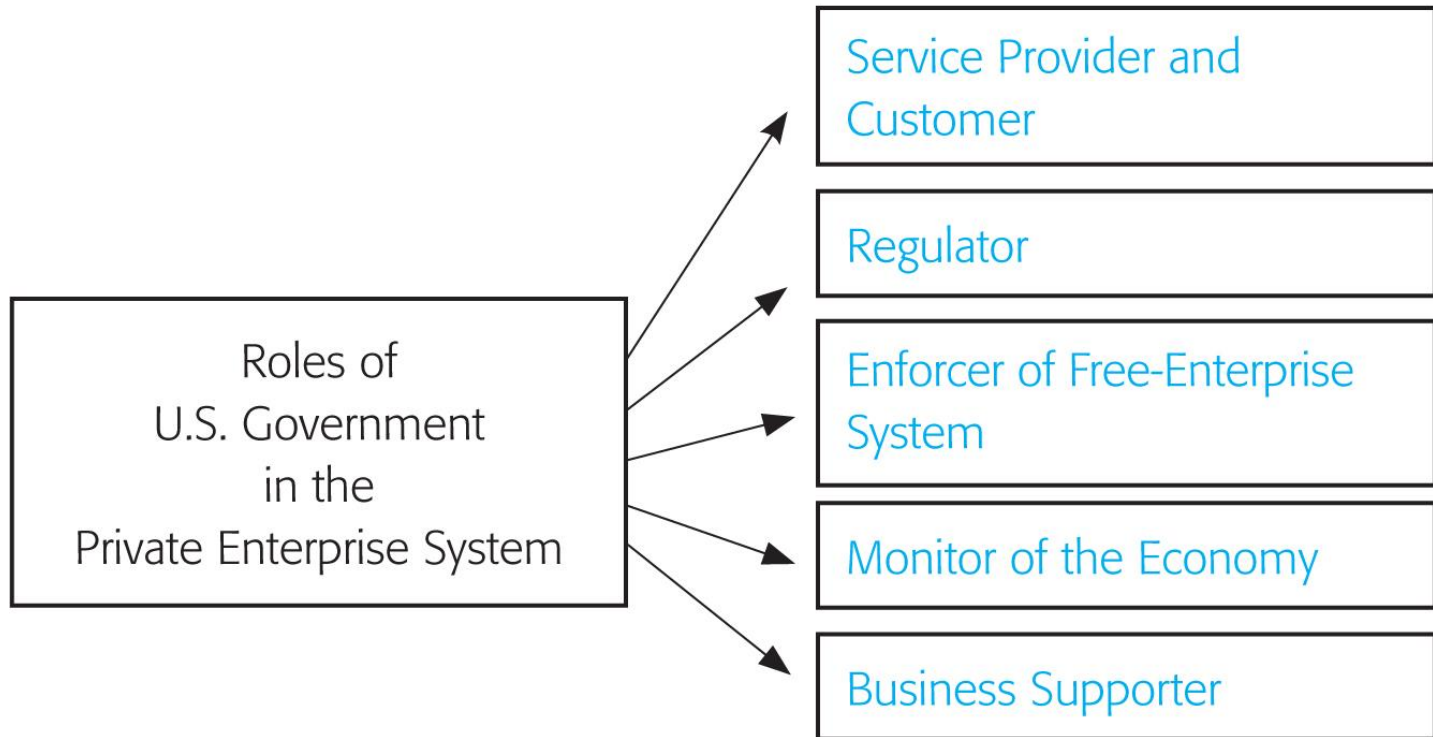
The U.S. Government and Its Role in the Private Enterprise System



Government and Laws

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



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**

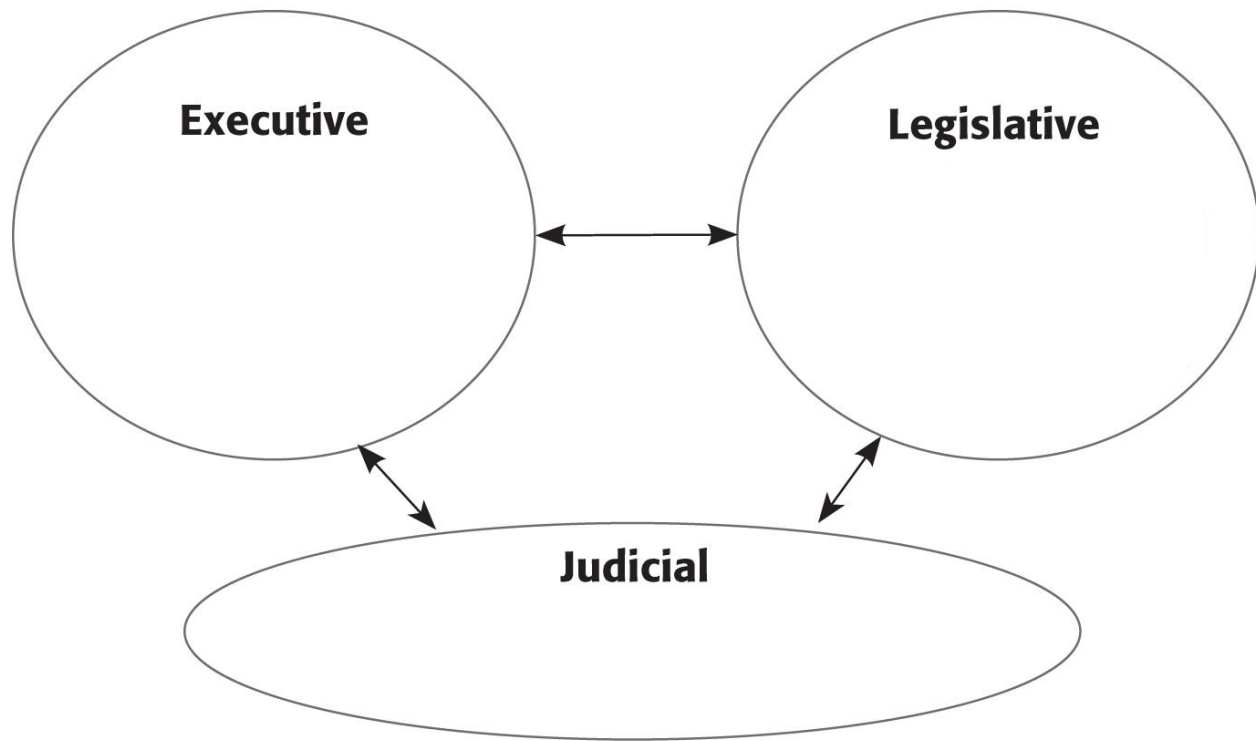
**Legislative
Branch**

**Judicial
Branch**

The Role of Government

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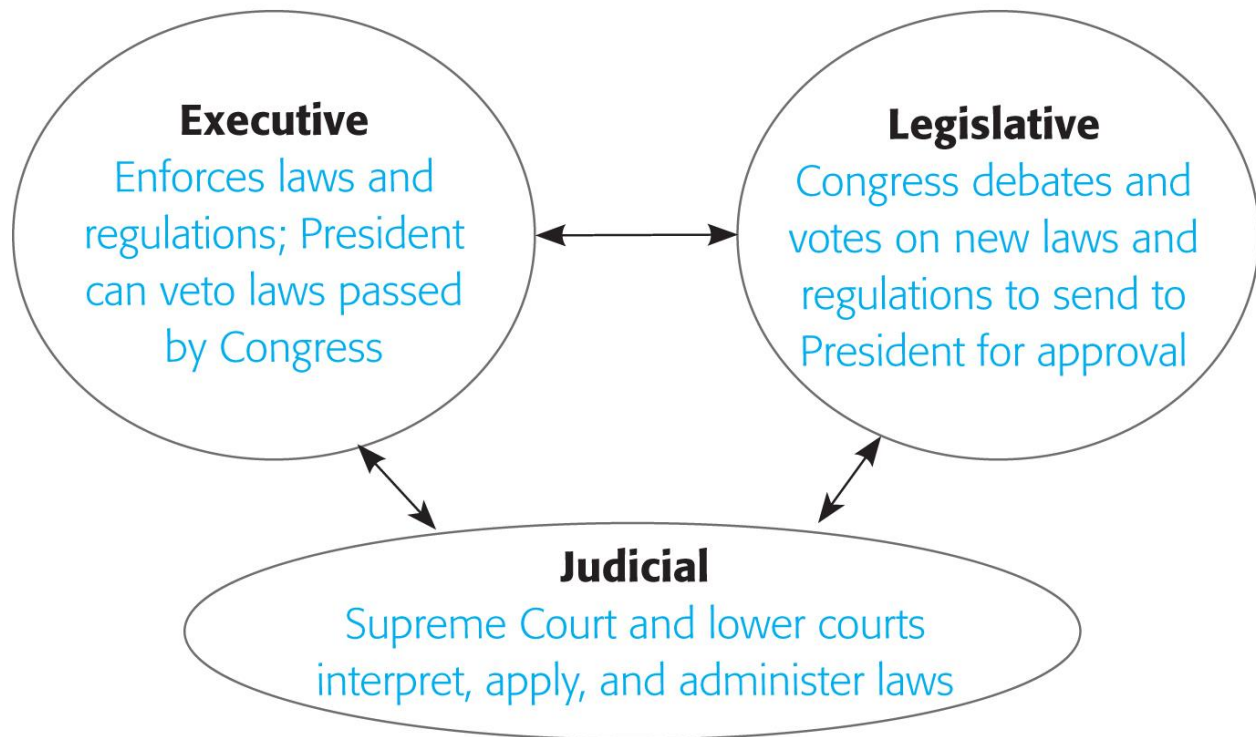
The Primary Duty of Each Branch of Government



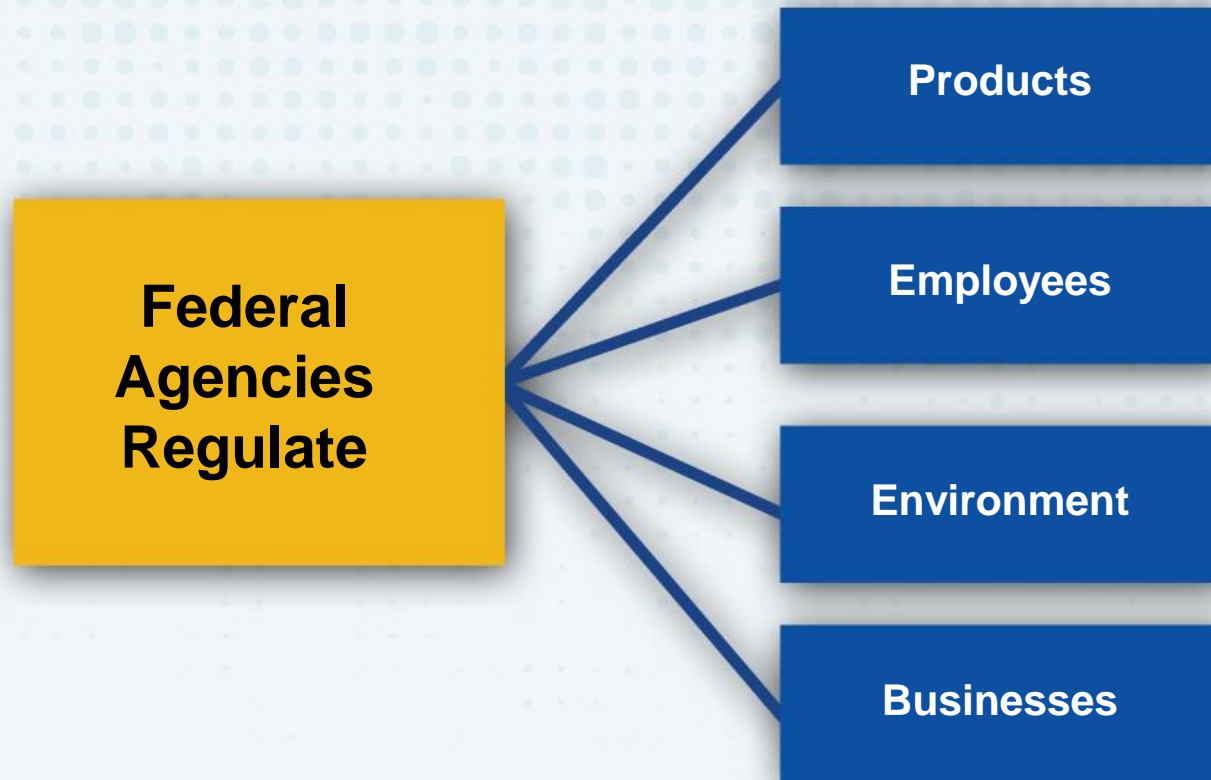
The Role of Government

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The Primary Duty of Each Branch of Government



The Role of Government



The Role of Government

The Role of Regulator

Protecting
Consumers

Protecting
Workers

Protecting
Investors

Protecting the
Environment

Food and Drug
Administration (FDA)

Consumer 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

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

Protecting the Environment



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.

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

Environmental Protection Agency (EPA)



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

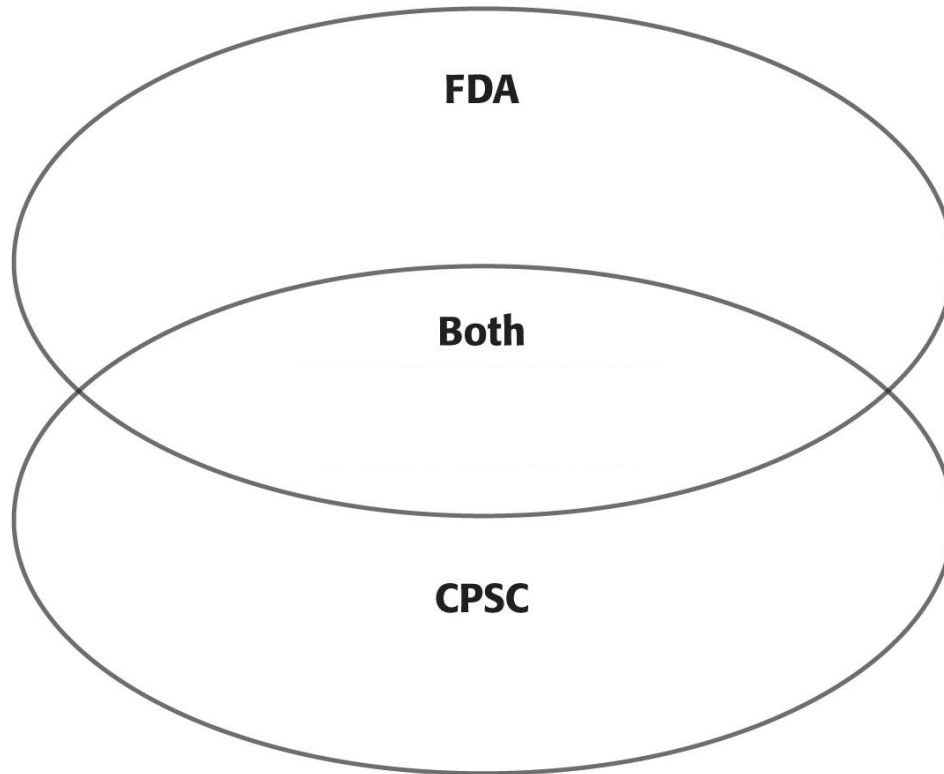
Bureau of
Economics

-  **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

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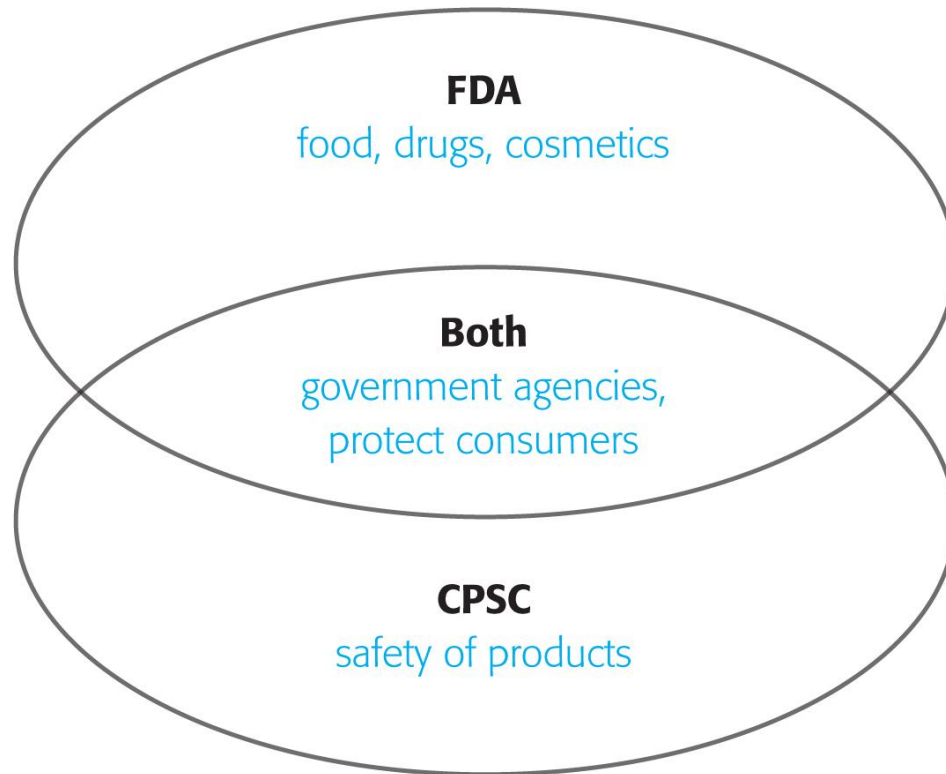
Differences and Similarities



The Role of Government

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Differences and Similarities



The Role of Government

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Bureau of Consumer Protection

Bureau of Consumer Protection

Division	Purpose
Advertising Division	
Enforcement Division	
Financial Practices Division	
Marketing Practices Division	
International Division of Consumer Protection	
Division of Planning and Information	

The Role of Government

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Bureau of Consumer Protection

Bureau of Consumer Protection

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

The Role of Government

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Bureau of
Consumer Protection

Sherman Antitrust Act

**Hart-Scott-Rodino
Amendment**

**Federal Trade
Commission Act**

**Robinson-Patman
Act**

Goal:

The Role of Government

Graphic
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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

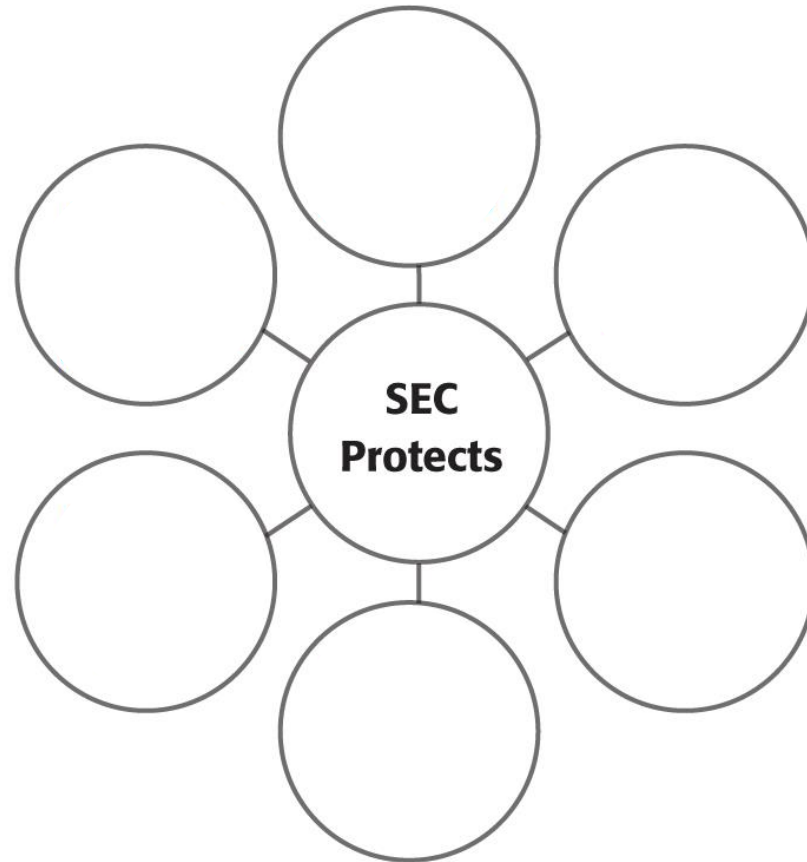
Goal:

Prevent anti-competitive mergers and business practices

The Role of Government

Graphic
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The SEC



The Role of Government

Graphic
Organizer

The SEC



Government and Laws



After You Read

Section 6.1

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.



After You Read

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.

Government and Laws



After You Read

Section 6.1

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.

Social Responsibilities and Ethics



Before You Read

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.

THE MAIN IDEA

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.

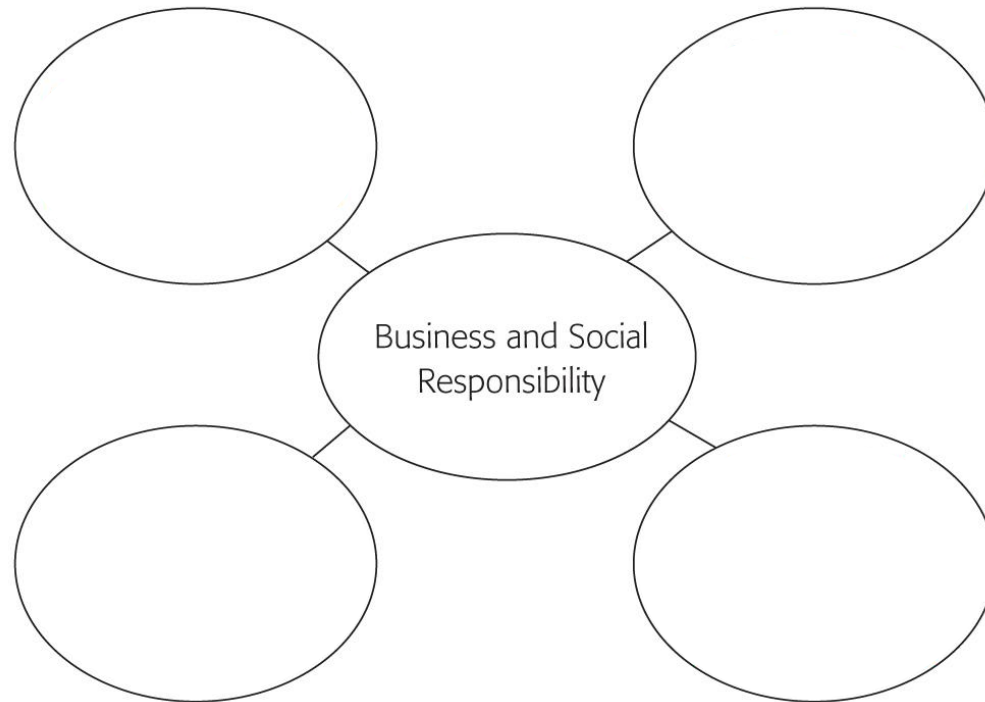
VOCABULARY

- flextime
- telecommunicating
- Ad Council
- green marketing
- ethics
- Better Business Bureau
- price gouging
- whistle blowing

Social Responsibilities and Ethics

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



Social Responsibilities and Ethics

Graphic Organizer

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



Business and Social Responsibility

In the Workplace

▶ Flextime

▶ Telecommuting

▶ Extended Family Leave

▶ On-Site Child Care

▶ Health Care Benefits

▶ Time Off with Pay



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.

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.

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.

Social Responsibilities and Ethics

Business and Social Responsibility

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The Uses of Employee Benefits

Employee Benefit

Flextime

Telecommuting

Extended Family Leave

On-Site Child Care

Health Care Benefits

Time Off with Pay

Example of When Benefit Might Be Useful

Social Responsibilities and Ethics

Business and Social Responsibility

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The Uses of Employee Benefits

Employee Benefit

Flextime

Telecommuting

Extended Family Leave

On-Site Child Care

Health Care Benefits

Time Off with Pay

Example of When Benefit Might Be Useful

A parent wants to start work early so he can be done when school gets out.

An employee must move 120 miles from her place of work.

A worker has an elderly parent who has had surgery.

A parent wants to eat lunch with her child.

A child must have her tonsils removed.

A worker wants to take a vacation to Alaska.

Social Responsibilities and Ethics

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.

Business Ethics

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.

Social Responsibilities and Ethics

Business Ethics

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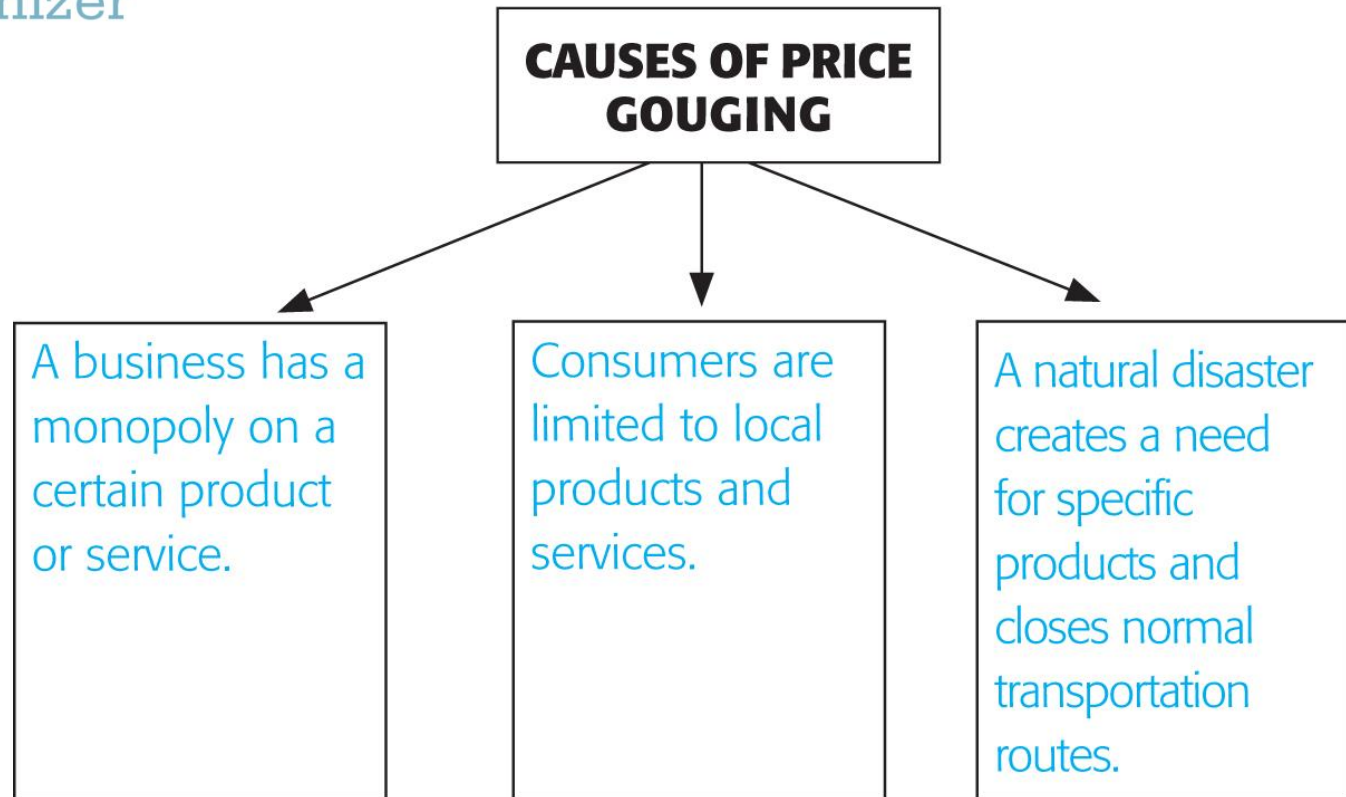
**CAUSES OF PRICE
GOUGING**

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Social Responsibilities and Ethics

Business Ethics

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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.

Social Responsibilities and Ethics



After You Read

Section 6.2

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.

Social Responsibilities and Ethics



After You Read

Section 6.2

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.

Social Responsibilities and Ethics



After You Read

Section 6.2

3. **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.

Marketing Essentials



End of **Chapter 6** legal and ethical issues

Section 6.1 Government and Laws

Section 6.2 Social Responsibilities and Ethics