



Chapter 6

Legal and Ethical Issues

- Section 6.1 Government and Laws
- Section 6.2 Social Responsibility and Ethics

Government and Laws

Key Terms

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)

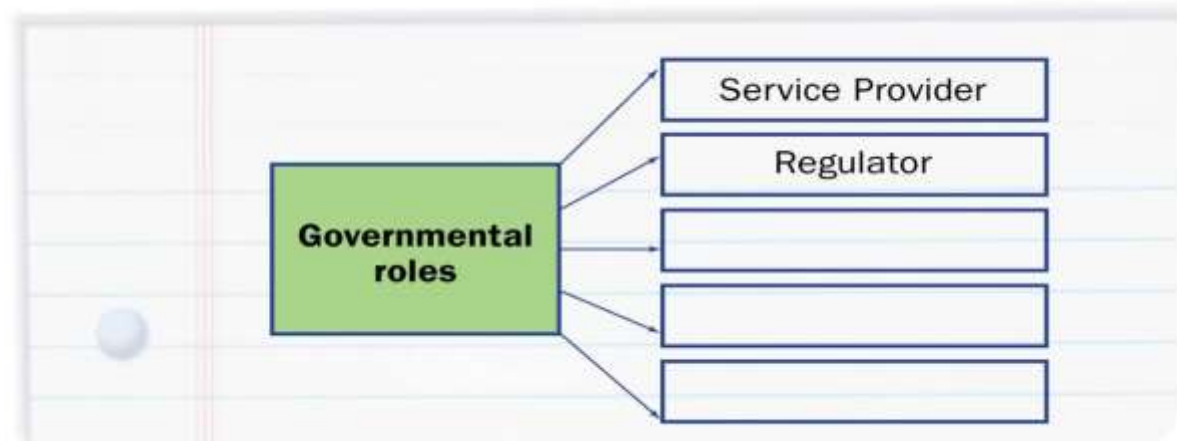
Objectives

- Explain the role of government in a free enterprise system
- Identify federal regulatory agencies and laws that protect consumers, workers, investors, and the environment
- Provide examples of the impact of government regulations on business

Government and Laws

Graphic Organizer

Use a chart like this one to take notes about the U.S. government and its role in the free enterprise system



The Roles of Government

The stability of a government, of its structure, and of its legal system is always a key part of a business's environmental scan.

The Roles of Government

The government plays the roles of:

- Provider of services
- Customer
- Regulator
- Enforcer of free enterprise
- Monitor of the economy

Structure of the United States Government

In the United States each of the three branches of government limits the power of the other two to prevent any branch from becoming too powerful. The three divisions affect business:

- Executive
- Legislative
- Judicial

Structure of the United States Government

The executive branch includes:

- The Office of the President
- Executive departments (agriculture, commerce, defense, etc.)
- Independent agencies and corporations
- Boards, commissions, and committees

Structure of the United States Government

The legislative branch is the U.S. Congress, made up of the Senate and the House of representatives.

These people debate and vote on laws and regulations, while lobbyists try to influence them.

Structure of the United States Government

The judicial branch is responsible for the U.S. laws, specifically in the areas of:

- Interpretation
- Application
- Administration

The Role of Customer Service Provider

The government is responsible for ensuring the safety and general welfare of people within the United States. The Department of Homeland Security spends money on:

- Border protection
- Disaster recovery
- Airport security

The Role of Regulator

In the United States, most laws are designed to protect the individual's:

- Safety
- Health
- Welfare

The Role of Regulator

At the state and local levels, government agencies are involved with consumer protection by:

- Issuing licenses to people who sell services
- Requiring zoning laws
- Maintaining health standards for restaurants and other food-handling businesses

The Role of Regulator

Food and Drug Administration (FDA)

Federal agency that regulates labeling and safety of food, drugs, and cosmetics sold in the United States.

The **Food and Drug Administration (FDA)** ◀ regulates the labeling and safety of food, drugs, and cosmetics sold in the United States. The FDA also approves new products and reviews products already on the market.

The Role of Regulator

Consumer Product and Safety Commission (CPSC)



Federal agency responsible for overseeing the safety of all products except food, drugs, cosmetics, medical devices, tobacco products, firearms and ammunition, motor vehicles, pesticides, aircraft, boats, and fixed site amusement rides.

The **Consumer Product Safety Commission (CPSC)** oversees the safety of products such as:

- Toys
- Electronics
- Household furniture

The Role of Regulator

Equal Employment Opportunity Commission (EEOC)



Federal agency responsible for the fair and equitable treatment of employees with regard to hiring, firing, and promotions.

The **Equal Employment Opportunity Commission (EEOC)** is responsible for the fair and equitable treatment of employees with regard to:

- Hiring and firing
- Promotions

The Role of Regulator

Occupational Safety and Health Administration (OSHA)

Federal agency that provides guidelines for workplace safety and enforces those regulations.

The **Occupational Safety and Health Administration (OSHA)** provides guidelines for workplace safety and enforces those regulations.

The Role of Regulator

Securities and Exchange Commission (SEC)

Federal agency that regulates the sale of securities (stocks and bonds), licenses brokerage firms and financial advisers, and investigates dealings among corporations.

The **Securities and Exchange Commission (SEC)** regulates the sale of securities (stocks and bonds). It monitors and investigates any corporate actions that affect stock values to protect both the investors and the companies.

The Role of Regulator

Environmental Protection Agency (EPA)

Federal agency that protects human health and our environment.

The **Environmental Protection Agency (EPA)** protects human health and the environment. It oversees:

- Reducing air and water pollution
- Hazardous waste disposal
- Recycling

The Role of Regulator

Environmental laws cover such problem areas as:

- Acid rain and asbestos
- Lead poisoning and mercury
- Mold and ozone depletion
- Pesticides and littering

Federal Trade Commission (FTC)

Federal agency responsible for enforcing the principles of a free enterprise system and protecting consumers from unfair or deceptive business practices.

Enforcer of the Free Enterprise System

The **Federal Trade Commission (FTC)** enforces the free enterprise system and protects consumers. It has three bureaus:

- The Bureau of Consumer Protection
- The Bureau of Competition
- The Bureau of Economics

Enforcer of the Free Enterprise System

The Bureau of Consumer Protection has six specialized divisions:

- Advertising and enforcement
- Financial and marketing
- International and planning and information

Enforcer of the Free Enterprise System

The Bureau of Competition prevents anti-competitive mergers and business practices.

The Bureau of Economics studies the impact of its actions on consumers and reports its findings to Congress, to the Executive Branch, and to the public.

Monitor of Our Economy

To ensure economic stability, the government monitors our economy and controls our monetary supply through the Federal Reserve System, our central bank.

Business Supporter

The Small Business Administration (SBA) provides counseling and educational material to prospective business owners.

International Issues

Foreign governments generally have different levels of restrictions when it comes to business practices, so the United States must analyze its role in promoting free enterprise and its ability to do so internationally.

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SECTION 6.1 REVIEW

SECTION 6.1 REVIEW

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Social Responsibility and Ethics

Key Terms

flextime

telecommuting

Ad Council

green
marketing

ethics

Better Business
Bureau

price gouging

whistle-blowing

Objectives

- Provide examples of business's social responsibilities
- Explain the concept of business ethics
- Apply guidelines for ethical behavior

Social Responsibility and Ethics

Graphic Organizer

As you read, jot down an outline of the concept of social responsibility, ethics in business, and the guidelines for ethical behavior.



Business and Social Responsibility

Social responsibility and ethics have become important business topics as trust has deteriorated due to corporate scandals. Corporate scandals and unethical behavior have a very negative effect on consumer confidence and the image of a company.

Business and Social Responsibility

Some businesses believe their role in society includes actions affecting:

- The workplace
- The marketplace
- Their communities
- The environment

In the Workplace

flextime



A program that allows workers to choose their work hours.

telecommuting



A program that involves working at home, usually on a computer, with completed jobs transmitted by e-mail or mail-in disk.

Many businesses try to create a user-friendly workplace environment.

Flextime ◀ allows workers to choose their work hours from pre-determined options.

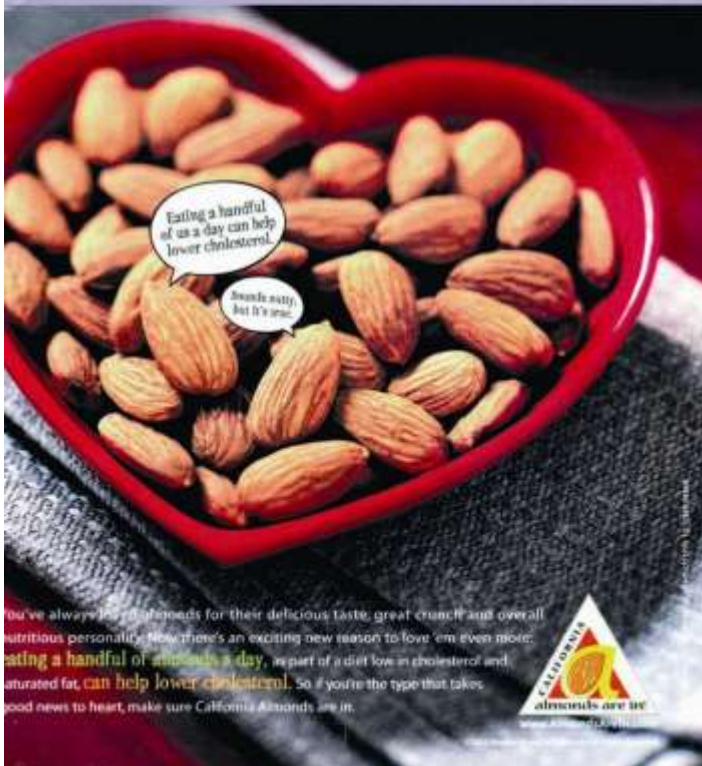
Telecommuting ◀ involves working at home, usually on a computer.

In the Workplace

Other benefits are:

- Extended family leave
- On-site child care
- Health care benefits
- Time off with pay

Here's some good news
about almonds you can
really take to heart.



In the Marketplace

Socially responsible companies cooperate with the government and consumer groups to provide important information to consumers.

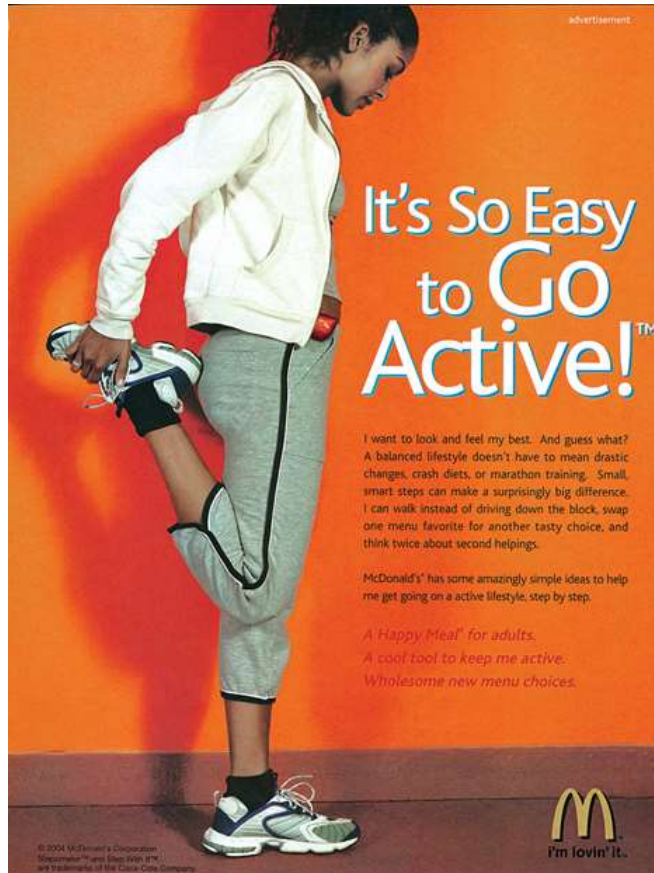
The Almond Board of California informs consumers about the health benefits of almonds.

In the Marketplace

Ad Council

A nonprofit organization that helps produce public service advertising campaigns for government agencies and other qualified sponsors.

The **Ad Council** ◀ is a nonprofit organization that helps produce public service advertising campaigns for government agencies and other qualifying groups.



In the Marketplace

In the broadcast industry, standards for acceptable material are established by the Federal Communications Commission (FCC).

McDonald's shows its efforts to promote healthier menu options.

In the Community

- Local businesses support community efforts by funding teams or helping with food drives.
- Large companies have guidelines and initiatives that define how they see their role in supporting community causes.

In the Community

- The World Business Council for Sustainable Development (WBCSD) is a coalition of international companies who use business leadership to bring about responsible economic development, improved efficiency, and corporate social responsibility.

Business Ethics

ethics



Basic values and moral principles that guide the behavior of individuals and groups.

Ethics ◀ are guidelines for good behavior. Ethical behavior is based on knowing the difference between right and wrong and doing what is right. Ethical businesses follow the laws established for their operations.

Ethics and Consumerism

Consumerism is the effort to protect consumer rights by putting legal, moral, and economic pressure on businesses.

Ethics and Consumerism

President John F. Kennedy's Consumer Bill of Rights states four basic rights:

1. To be informed and protected against fraud, deceit, and misleading statements, and to be educated in the wise use of financial resources
2. To be protected from unsafe products

Ethics and Consumerism

3. To have a choice of goods and services
4. To have a voice in product and marketing decisions made by government and business

Ethics in Marketing

Better Business Bureau (BBB)



One of the oldest nonprofit organizations that establishes self-regulation among businesses.

Ethical principles are important in business.

The **Better Business Bureau (BBB)** is one of the oldest nonprofit organizations to set up self-regulation among businesses. It has a strict Code of Advertising that defines what is acceptable with regard to truth in advertising.

Ethics in Marketing

The American Marketing Association's (AMA) Code of Ethics is a guideline for ethical professional conduct. It addresses:

- Honesty and fairness
- Rights and duties in marketing
- Organizational relationships

Ethics in Marketing

price gouging

Pricing products unreasonably high when there is a high demand resulting from a monopoly or a natural disaster.

Price gouging ◀ is pricing products unreasonably high when the need is great or when consumers don't have other choices.

Ethics in Marketing

Management of marketing information involves issues of privacy. Industries have to keep customer databases private and cannot share information unless the consumers give their direct permission.

Ethics in Marketing

Selling practices that come under scrutiny because of ethical issues often involve:

- Bribes
- Kickbacks
- Favors
- High-pressure tactics used to close a sale

Managerial and Personnel Issues

Whistle - blowing



Reporting an illegal action by one's employer.

From the top level of authority down, managers must take responsibility for establishing and creating a role model for ethical practices within a firm.

Whistle-blowing ◀ involves reporting an illegal action by one's employer.

Guidelines for Ethical Behavior

Companies with an interest in ethical business behavior should follow a decision-making process that includes the following:

- Get the facts.
- Identify all parties concerned.
- Think of all your alternatives.

Guidelines for Ethical Behavior

Evaluate the alternatives by asking the following questions:

- Is it lawful?
- Does it go against company policy?
- How does it affect those involved?
- Will it build a good company reputation?

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SECTION 6.2 REVIEW

SECTION 6.2 REVIEW

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FOCUS on KEY POINTS

Section 6.1

- The government plays a critical role in enforcing the free enterprise system and providing for the health, welfare, and safety of its citizens. The three branches of the U.S. government are the executive, legislative, and judicial branches.

continued

FOCUS on KEY POINTS

Section 6.1

- The Securities and Exchange Commission (SEC) protects investors and the Environmental Protection Agency (EPA) protects the environment. The Federal Trade Commission (FTC) enforces the principles of a free enterprise system.

continued

FOCUS on KEY POINTS

Section 6.2

- Socially responsible businesses have policies and programs that address issues in the workplace, marketplace, community, and environment. Business ethics are guidelines for good behavior. Ethical businesses are community-conscious.



This chapter has helped prepare you to meet the following DECA performance indicators:

- Explain environmental regulations.
- Explain the role of business in society.
- Determine the relationship between government and business
- Identify factors affecting profit.
- Prepare simple written reports.



CHAPTER 6 REVIEW

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