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PREFACE

This *Instructor's Resource Manual* is designed for instructors using the thirteenth edition of *Business, Government, and Society: A Managerial Perspective*. It contains a variety of teaching materials. Instructors with a wide range of teaching philosophies and styles will find information to supplement their knowledge, save their time, and enhance their classroom effectiveness.

John F. Steiner

PART
1
**TEACHING THE BUSINESS,
GOVERNMENT, AND SOCIETY
COURSE**

**AN INTRODUCTION TO THE THIRTEENTH EDITION OF *BUSINESS,
GOVERNMENT, AND SOCIETY: A MANAGERIAL PERSPECTIVE***

This edition retains the basic structure of previous editions. Eighteen chapters cover basic topics. Each chapter has three parts. They begin with a brief story to illustrate the central theme. Text follows. At the end a case study raises issues related to the chapter's subject (except in the introductory Chapter 1).

Our approach to the field emphasizes corporate social responsibility, ethics, government regulation, global influences, and historical background. The central focus connecting these themes is a management perspective.

The new edition is extensively revised and updated. Five new chapter-beginning stories and five new chapter-ending case studies appear. Many new sections and discussions are added. Here is an overview of both what has changed and what remains the same from the last edition.

- ☐ Chapter 1 continues to introduce the field using four models of the business-government-society relationship.
- ☐ Chapter 2, on the business environment, is revised and updated to reflect recent events and the progress of trends. It retains its basic structure as a discussion of deep historical forces and current trends.
- ☐ Chapter 3, on business power is, except for updated references and statistics, unchanged.
- ☐ Chapter 4, on critics of business, continues as a capsule survey of business criticism from ancient times to the present. More attention is paid to the Chicago School and the rise of neoliberalism.
- ☐ Chapter 5, on corporate social responsibility, is unchanged except for a revised discussion of the evolving global CSR system.
- ☐ Chapter 6, is updated with new stories about CSR implementation. Its outline is unchanged.
- ☐ Chapter 7, introducing business ethics, has a revised discussion of criminal prosecution of corporations and a revised discussion of traits that influence individual ethical behavior.

- ❑ Chapter 8, on making ethical decisions, begins with a new story about David Geffen. It contains a new section about brain research on ethical decision making. It also includes a new case study on Ashley Madison, a social networking site for married men and women seeking to have affairs. The case raises issues related to secrets, lies, and deceptions.
- ❑ Chapter 9, on business and politics, begins with a new story about Paul Magliocchetti, a Washington lobbyist. Because of the Supreme Court's *Citizens United v. Federal Election Commission* decision the discussion of election law is revised. The case study is now about *Citizens United*.
- ❑ Chapter 10, on regulation, begins with a new story about how the Federal Aviation Administration regulates commercial rockets. A new fifth wave of regulation is added to the section on waves of regulatory growth because of the recent surge in national security and financial regulation. A new case study invites discussion of the benefit-cost ratio of the major rule requiring positive train controls that came out of the tragic 2008 Metrolink train collision near Los Angeles.
- ❑ Chapter 11, on multinational corporations, is little changed, but it includes a new story about how OECD Guidelines for Multinational Enterprises were applied to pressure a mining corporation in India into greater responsibility toward an indigenous people.
- ❑ Chapter 12, on globalization, trade, and corruption, is extensively revised. Material on globalization is condensed and more space is devoted to discussion of global corruption and enforcement of the Foreign Corrupt Practices Act. A new discussion about the rise of the current global trading system and creation of the World Trade Organization appears.
- ❑ Chapter 13, on pollution from industrial activity, is revised to update national and global regulatory activity. A new case study examines the polar bear as an endangered species. Global warming threatens its survival and the case invites discussion of what can be done to save it.
- ❑ Chapter 14, on managing environmental risk, is updated but remains substantially as in the last edition.
- ❑ Chapter 15, on consumerism, retains its basic discussion of consumerism as both an ideology and a protective movement. It includes a new discussion of Henry David Thoreau, a new section on the defense of materialism, and a new description of the Federal Trade Commission.
- ❑ Chapter 16, on the changing workplace, is unchanged except for updating events and statistics. A new case study tells the story of two workplace raids to remove unauthorized workers. It raises issues about how federal and state immigration policies affect corporations, employees, and migrants.
- ❑ Chapter 17, on the civil rights, women, and diversity in the workplace, has an expanded discussion of diversity management efforts in companies.

- ❑ Chapter 18, on corporate governance, is rewritten. A new introductory story tells how the Hewlett-Packard board fired CEO Marc Hurd for integrity lapses. The chapter text now has new discussions of federal regulation of governance, the powers of stockholders, the governance failure at Lehman Brothers, the Dodd-Frank Act of 2010, board of director dynamics, and major problems with executive compensation.

OBJECTIVES OF A BUSINESS, GOVERNMENT, AND SOCIETY COURSE

Objectives for a course in which *Business, Government, and Society: A Managerial Perspective*, thirteenth edition, is the primary text could be set forth as the following.

- ❑ To clarify the evolving meaning and nature of corporate social responsibility.
- ❑ To understand the ethical duties of business.
- ❑ To explain the power of corporations and industries, past and present, to shape our world.
- ❑ To learn how forces in and outside of business firms are changing the management task, altering business operations, and modifying stakeholder expectations.
- ❑ To explain that many of these environmental forces are global in nature.
- ❑ To develop an understanding of how influential ideas in the business environment shape the business-government-society relationship.
- ❑ To appreciate the importance of law and government regulation as forces guiding business behavior.
- ❑ To study historical patterns in the business-government-society relationship, learning how the past shaped the present, and learning how present trends are shaping the future.
- ❑ To develop in students an ethical and philosophical basis for making business decisions.
- ❑ To incorporate the knowledge of many fields through an interdisciplinary approach.
- ❑ To expose students to analytical methods appropriate for studying major issues in the business-government-society relationship.
- ❑ To develop a tolerance for ambiguities in discussing issues about which knowledgeable observers differ and to develop an understanding that there are no clear solutions to some problems.
- ❑ To conduct a stimulating course having long-lasting value to students in their management careers.

SAMPLE COURSE OUTLINES

Here are three alternative outlines for courses offering a broad overview of business-government-society relationships. They are designed for (1) a sixteen-week semester course using lectures and case studies, (2) an eleven-week quarter course with a lecture orientation, and (3) an eleven-week quarter course oriented toward student research and case study presentations.

OUTLINE 1

A SIXTEEN WEEK SEMESTER COURSE

This course is a broad survey of the business-government-society relationship. Students are assigned chapters in sequence. Case studies are also assigned in order. To liven the class instructors might add student presentations and debates based on term paper and presentation topics listed in the last section of this part of the manual.

WEEK	TOPICS AND CASE STUDIES	CHAPTER
1	Introduction to the Study of Business, Government, and Society	1
2	The Dynamic Business Environment Case: The American Fur Company	2
3	Business Power and Business Critics Cases: John D. Rockefeller and the Standard Oil Trust A Campaign against KFC Corporation	3,4
4	Corporate Social Responsibility Cases: Jack Welch at General Electric Marc Kasky versus Nike	5,6
5	Business Ethics Case: The Trial of Martha Stewart	7
6	Making Ethical Decisions in Business Cases: Short Incidents for Ethical Reasoning Tangled Webs	8
7	Business in Politics Case: <i>Citizens United v. Federal Election Commission</i>	9
8	Midterm Exam	
9	Regulating Business Case: Good and Evil on the Rails	10
10	Multinational Corporations, Globalization, and Trade Cases: Union Carbide Corporation and Bhopal	11,12

	David and Goliath at the WTO	
11	Environmental Management and Regulation Cases: A World Melting Away Harvesting Risk	13,14
12	Consumerism Case: Alcohol Advertising	15
13	Global Forces Changing the Workplace Case: A Tale of Two Raids	16
14	Civil Rights, Women, and Diversity in the Workplace Case: <i>Adarand v. Peña</i>	17
15	Corporate Governance Case: High Noon at Hewlett-Packard	18
16	Final Exam	

OUTLINE 2

AN ELEVEN WEEK QUARTER COURSE (LECTURE ORIENTATION)

This course is a broad survey of business-government-society relationships. Students read chapters in sequence. Case studies are discussed sequentially with the instructor acting as discussion leader. Case discussions are used to vary pedagogy in class. Students may be asked to write term papers on the case studies or on additional topics.

WEEK	TOPICS AND CASES	CHAPTERS
1	Introduction to the Study of Business, Government, and Society and to the Dynamic Business Environment Case: The American Fur Company	1,2
2	Business Power and Business Critics Cases: John D. Rockefeller and the Standard Oil Trust A Campaign against KFC Corporation	3,4
3	Corporate Social Responsibility Cases: Jack Welch at General Electric Marc Kasky versus Nike	5,6
4	Business Ethics Cases: The Trial of Martha Stewart Tangled Webs Short Incidents for Ethical Reasoning	7,8
5	Midterm Exam Business in Politics Case: <i>Citizens United v. Federal Election Commission</i>	9
6	Regulating Business Case: Good and Evil on the Rails	10
7	Multinational Corporations, Globalization, and Trade Cases: Union Carbide Corporation and Bhopal David and Goliath at the WTO	11,12
8	Environmental Management and Regulation Cases: A World Melting Away Harvesting Risk	13,14
9	Consumerism and Global Forces Changing the Workplace Cases: Alcohol Advertising A Tale of Two Raids	15,16
10	Civil Rights, Women, and Diversity/Corporate Governance Cases: <i>Adarand v. Peña</i>	17,18

	High Noon at Hewlett-Packard	
11	Final Exam	

OUTLINE 3

AN ELEVEN WEEK QUARTER COURSE (STUDENT RESEARCH ORIENTATION)

This course is also a survey of basic business-government-society relationships, and students read chapters in sequence. However, unlike Outline 2, this outline defers case discussions until the second half of the quarter (except the short ethical incidents for class discussion in the fourth week). This delay gives students time to do research.

During the first five weeks the instructor can lecture on core areas of the subject matter, such as stakeholder theory, forces in the business environment, charges of business critics, principles of corporate social responsibility, and ethical principles. Students will pick up useful ideas for case analysis.

Cases appropriate to class topics are selected for weeks 6 through 10. The instructor can reduce the number of cases depending on class size, the number of students assigned to each case, and time available.

WEEK	TOPICS AND CASES	CHAPTERS
1	Introduction to the Study of Business, Government, and Society and to the Dynamic Business Environment	1,2
2	Business Power and Business Critics	3,4
3	Corporate Social Responsibility	5,6
4	Business Ethics Case: Short Incidents for Ethical Reasoning	7,8
5	Midterm Exam/Business in Politics	
6	The Government-Business Relationship Cases: The American Fur Company John D. Rockefeller and the Standard Oil Trust Good and Evil on the Rails <i>Citizens United v. Federal Election Commission</i> The Trial of Martha Stewart	9,10
7	Multinational Corporations, Globalization, and Trade Cases: Jack Welch at General Electric Marc Kasky versus Nike Union Carbide Corporation and Bhopal David and Goliath at the WTO	11,12
8	Environmental Management and Regulation	13,14

	Cases: A World Melting Away Harvesting Risk	
9	Consumerism/The Changing the Workplace Cases: Alcohol Advertising A Campaign against KFC Corporation A Tale of Two Raids	15,16
10	Civil Rights, Women, and Diversity/Corporate Governance Cases: <i>Adarand v. Peña</i> High Noon at Hewlett-Packard	17,18
11	Final Exam	

USING THE CASES

There are seventeen end-of-chapter cases, all about real companies or situations. In addition, there is a set of short incidents raising ethical issues following Chapter 8. These cases and incidents are designed to stimulate class discussion by raising questions and emphasizing multiple or opposing perspectives on issues. There are three basic ways to use them.

First, they can be assigned as readings. The case studies are of moderate length and reading them adds additional insight to subjects in the chapters. If cases are used as readings students can be tested on them using questions from the book's test bank.

Second, they can be used for class discussion. This manual has teaching notes for each case to highlight major issues, provide background information, and suggest answers to end-of-case questions. There are many ways to start discussions.

- ☐ The instructor can lead the discussion.
- ☐ One student can be to present a viewpoint to the class or act as a discussion leader.
- ☐ Two students, or two teams, can be assigned to debate pro and con positions on major issues in the case. This is an effective way to encourage lively discussion. All cases are written to generate pro and con debate on main issues.

- ☐ Students can be assigned to play roles. For example, in the case “Marc Kasky versus Nike, Inc.,” students could role-play a company executive, a factory worker, and Marc Kasky. Most cases lend themselves to role playing because they focus on issues where there are broad differences of opinion and values.
- ☐ The class can be divided into small groups. The instructor can then give each group a question to discuss, asking the group to select a member to present its response.

Third, the cases can be assigned for further research. All cases are appropriate for assignment as research projects. They all contain complex issues. Each case is unique, but there are similar basic research tasks.

- ☐ Students can seek background information on issues raised in the case.
- ☐ Students can update cases. Most cases focus on current issues. Students should be encouraged to find out what has happened since the case was written.
- ☐ Students can apply principles and ideas from chapter text to the cases. For example, in writing an analysis of the case “The Jack Welch Era at General Electric,” applying criteria for corporate responsibility set forth in Chapter 5 is appropriate. Application of ideas in the text also encourages students to make a connection between worldly events in the cases and the theoretical material in the chapters.



ALTERNATIVE USES OF CASE STUDIES BY MAJOR TOPIC

Each end-of-chapter case raises issues related to the chapter subject. However, most also raise other issues. The table on the next page shows alternative uses for cases by topic. The topics are these.

- | | |
|--|---|
| <input type="checkbox"/> Advertising/marketing | <input type="checkbox"/> Governance |
| <input type="checkbox"/> Capitalism | <input type="checkbox"/> Historical events |
| <input type="checkbox"/> Civil rights | <input type="checkbox"/> Law |
| <input type="checkbox"/> Consumers | <input type="checkbox"/> Multinational corporations |
| <input type="checkbox"/> Critics of business | <input type="checkbox"/> Politics |
| <input type="checkbox"/> Employees/labor | <input type="checkbox"/> Regulation |
| <input type="checkbox"/> Ethics | <input type="checkbox"/> Social responsibility |
| <input type="checkbox"/> Natural environment | <input type="checkbox"/> Strategy |
| <input type="checkbox"/> Globalization | <input type="checkbox"/> Technology |

CHAPTER CASE STUDY		TOPICS															
		Advertising/marketing	Capitalism	Civil rights	Consumers	Critics of business	Employees/labor	Ethics	Environment	Globalization	Governance	Historical	Law	MNCs	Politics	Regulation	Social responsibility
2	The American Fur Company		•					•				•					•
3	John D. Rockefeller and the Standard Oil Trust		•			•		•				•				•	•
4	A Campaign against KFC Corporation		•		•	•		•								•	•
5	Jack Welch at General Electric					•	•	•						•			•
6	Marc Kasky versus Nike	•	•		•	•	•	•		•			•	•			•
7	The Trial of Martha Stewart							•					•				
8	Short Incidents for Ethical Reasoning							•									
8	Tangled Webs		•				•	•					•			•	
9	<i>Citizens United v. Federal Election Commission</i>											•	•		•	•	
10	Good and Evil on the Rails												•		•	•	•
11	Union Carbide Corporation and Bhopal							•	•	•		•		•			•
12	David and Goliath at the WTO							•		•			•	•		•	•
13	A World Melting Away								•						•	•	
14	Harvesting Risk		•					•	•				•			•	•
15	Alcohol Advertising	•			•								•				
16	A Tale of Two Raids			•			•	•					•			•	•
17	<i>Adarand v. Peña</i>			•				•					•			•	
18	High Noon at Hewlett-Packard							•			•		•				•

TERM PAPER AND PRESENTATION TOPICS

In this section we suggest more than 100 topics, including some for each chapter. Most are suitable for students in an introductory course and require research outside the text. Some are more challenging than others, but most are suitable for either term paper topics or in-class presentations and debates by individuals or teams.

CHAPTER 1 THE STUDY OF BUSINESS, GOVERNMENT, AND SOCIETY

- ☐ A Description and Analysis of the Business, Government, and Society Relationships of (Any Large Corporation)
- ☐ A Comparison of Business-Government-Society Relationships in the United States and Europe
- ☐ Capitalism: Its Strengths and Weaknesses Assessed
- ☐ The Stakeholder Idea: Its Strengths and Weaknesses Assessed

CHAPTER 2 THE DYNAMIC ENVIRONMENT

- ☐ The Changing Global Environment of Royal Dutch/Shell.
- ☐ How the Natural Environment Has Been Changed by Human Activity Since the Industrial Revolution
- ☐ How Postmaterialist Values Change the Business Environment
- ☐ How Advertising Reflects Changing Social Values
- ☐ Ten Events of the Last Decade that Most Changed the Business Environment

CHAPTER 3 BUSINESS POWER

- ☐ How Economic Growth between 1860 and 1929 Changed American Society
- ☐ A History of the Dow Jones Industrial Average
- ☐ Economic Concentration in American Industry: Is It Too Great for the Public Interest?
- ☐ The Life of J. P. Morgan and His Impact on American Industry and Society
- ☐ The Life of John D. Rockefeller and the Rise of the Oil Industry
- ☐ Theories of Economic Elites in the United States: An Evaluation

CHAPTER 4 CRITICS OF BUSINESS

- ☐ The Life and Times of Huey Long (or Mary Lease) and His (Her) Populist Message
- ☐ Nestlé's Marketing of Infant Formula: A Case Study of Criticism and Corporate Response
- ☐ The Story of the Anti-Apartheid Movement: Its Impact on American Corporations
- ☐ The Marxist Critique of Capitalism
- ☐ The Use of Social Responsibility Shareholder Proposals to Challenge Corporate Power
- ☐ Ralph Nader's Life and Views about Corporations
- ☐ The Rise and Importance of Nongovernmental Organizations

CHAPTER 5 CORPORATE SOCIAL RESPONSIBILITY

- ☐ A Description and Analysis of the Social Programs of (Any Large Corporation)
- ☐ The Contrasting Views of Milton Friedman and Ralph Nader on Corporate Social Responsibility
- ☐ The Rise of Civil Regulation as a Method for Advancing Global CSR
- ☐ The Story of the Kimberly Process Certification Scheme
- ☐ Are Socially Responsible Corporations More Profitable?

CHAPTER 6 IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY

- ☐ How (One Large Corporation) Implements Social Performance
- ☐ The Tylenol Crisis and the Role of Johnson & Johnson's Credo
- ☐ An Assessment of Philanthrocapitalism
- ☐ An Assessment of the Bill and Melinda Gates Foundation
- ☐ A Description and Evaluation of the Global Reporting Initiative
- ☐ Is Cause-Related Marketing an Ethically Compromised Form of Philanthropy?

CHAPTER 7 BUSINESS ETHICS

- ☐ Ethical Theory in Aristotle's *Nichomachean Ethics* and Its Applicability to Modern Organizations
- ☐ Nineteenth-Century Business Ethics as Described in Matthew Josephson's *The Robber Barons*
- ☐ Use of Fines to Punish Corporations for Wrongful Behavior
- ☐ The Criminal Prosecution of Enron CEO Kenneth Lay
- ☐ A Description and Assessment of Ethics Programs in Corporations
- ☐ The Use of Paper-and-Pencil Honesty Tests for Detecting Thieves
- ☐ A Comparative Study and Assessment of Corporate Ethics Codes

CHAPTER 8 MAKING ETHICAL DECISIONS IN BUSINESS

- ☐ Religious Ethics as Guidelines for Business Decisions
- ☐ The Story of J. C. Penney: An Ethical Business Leader
- ☐ Immanuel Kant or Niccolò Machiavelli: Whose Ethics are More Appropriate for Modern Business?
- ☐ The Ford Motor Company and the Pinto Gas Tank: A Case Study in Corporate Ethics
- ☐ A Study of Corrupt Payments by Chiquita Brands in Colombia

CHAPTER 9 BUSINESS IN POLITICS

- ☐ The U.S. Constitution: A Document of Economic Determinism or Liberal Idealism?
- ☐ Influence Tactics of Business Lobbies in Washington
- ☐ Have Efforts to Regulate Corporate Campaign Contributions Been Successful?
- ☐ The Rise of Corporate PACs and Their Impact in Federal Elections
- ☐ The Federal Election Commission: Its History, Powers, and Importance
- ☐ Resolved: Corporate Campaign Contributions Are Free Speech and Should Not Be Restricted

CHAPTER 10 REGULATING BUSINESS

- ☐ The Historical Growth of Government Regulation of Business
- ☐ Evolving Interpretation of the Commerce Clause in American Constitutional Law
- ☐ The New Deal Era as a Turning Point in the Business-Government Relationship
- ☐ The Rulemaking Process in Federal Regulatory Agencies
- ☐ The History and Enforcement Patterns of the Environmental Protection Agency (or the Occupational Safety and Health Administration, or the Federal Trade Commission)
- ☐ The *Federal Register* as a Window on Federal Regulation of Business
- ☐ Command-and-Control Regulation versus Market Incentive Regulation
- ☐ Deregulation of the Airline (or Savings and Loan, Electric Power, or Telecommunications) Industry

CHAPTER 11 MULTINATIONAL CORPORATIONS

- ☐ United States-Based Multinational Corporations in Foreign Countries: Are They Socially Responsible?
- ☐ Codes of Conduct for Transnational Corporations: Sources, Content, Strengths, and Weaknesses
- ☐ The United Nations Global Compact
- ☐ Should the Alien Tort Claims Act Apply to Transnational Corporations?
- ☐ Export of Tobacco Products to Third World Countries by U.S. Tobacco Companies

CHAPTER 12 GLOBALIZATION, TRADE, AND CORRUPTION

- ☐ The History of Economic Globalization
- ☐ The History of the European Union
- ☐ The North American Free Trade Agreement: How Has It Worked?

- ☐ Protectionist Trade Legislation: Pro and Con
- ☐ The Impact of Globalization on Nation-State Sovereignty
- ☐ The Impact of American Entertainment Products on Foreign Cultures
- ☐ An Analysis of the Foreign Corrupt Practices Act and Its Enforcement

Does the World Trade Organization Undermine National Sovereignty?

CHAPTER 13 INDUSTRIAL POLLUTION AND ENVIRONMENTAL QUALITY

- ☐ Sustainable Development: Implications and Prospects
- ☐ Should the United States Senate Ratify the Kyoto Protocol?
- ☐ Should Drilling Be Allowed in the Arctic National Wildlife Refuge?
- ☐ An Assessment of the Superfund Law and Its Accomplishments
- ☐ Should the Environmental Protection Agency Regulate Global Warming Gas Emissions?

CHAPTER 14 MANAGING ENVIRONMENTAL QUALITY

- ☐ The Use of Cost-Benefit Analysis in Environmental Regulation
- ☐ The Use of Cap-and-Trade Schemes for Global Warming Gases
- ☐ An Assessment of Green Taxes as a Method for Promoting Sustainable Manufacturing
- ☐ The Precautionary Principle as a Guide for Business Decisions
- ☐ The Greening of American Industry: How Leading Corporations Promote Sustainability

CHAPTER 15 CONSUMERISM

- ☐ The History of Consumer Regulation in the United States
- ☐ An Essay Comparing the Ideas of Henry David Thoreau with the Values of Modern Americans
- ☐ The Story of Ralph Nader as a Consumer Advocate

- ☐ The Global Spread of Consumerism
- ☐ Using Product Liability Law to Hold Firearm Manufacturers Accountable for Gun Violence
- ☐ Taxing Internet Purchases: Pro and Con
- ☐ Is Tobacco Manufacture and Advertising Ethical?

CHAPTER 16 THE CHANGING WORKPLACE

- ☐ Demographic Change in the Labor Force: Implications for Management
- ☐ How Technology and Automation Affect Employment
- ☐ A Comparative Study of Protections for Workers in America, Europe, and Japan
- ☐ The Story of Secretary of Labor Francis Perkins during the New Deal Years
- ☐ Offshoring: Its Causes and Its Significance

CHAPTER 17 CIVIL RIGHTS IN THE WORKPLACE

- ☐ The History of Employment Discrimination Against the Chinese in California
- ☐ The Americans with Disabilities Act
- ☐ Affirmative Action in Corporations: Pro and Con
- ☐ Strategies for Diversity Management in Corporations
- ☐ Barriers to the Advance of Women in Management
- ☐ Sexual Harassment in the Workplace
- ☐ Racial Harassment in the Workplace

CHAPTER 19 CORPORATE GOVERNANCE

- ☐ The Sarbanes-Oxley Act of 2002: Its Costs and Benefits
- ☐ Governance Policies of American Corporations: A Comparative Study
- ☐ Trends in Top Executive Compensation
- ☐ Separating the Chairman of the Board and CEO Positions: Pro and Con
- ☐ Director Compensation: A Comparative Study of (Any Four) Fortune 500 Corporations
- ☐ Analysis of Three Social Responsibility Shareholder Resolutions in the (Most Recent) Proxy Season

PART

2

CHAPTER LEARNING OBJECTIVES, OUTLINES, AND CASE NOTES

1

Introduction to the Field

LEARNING OBJECTIVES

Students can learn:

How the history of ExxonMobil illustrates the significance of business-government-society relations.

Definitions of key terms, including business, government, and society.

The nature and importance of the business-government-society field.

The theory of capitalism and its historical development.

The strengths and weaknesses of stakeholder theory.

Four alternative models of the business-government-society relationship.

The approach to the field taken throughout the text.

SUMMARIZING OUTLINE

Chapter 1 introduces the field and describes how it will be explored. It begins with a story about Exxon Mobil Corporation illustrating the business-government-society relationships of one company.* After some discussion of the nature of the field, including definitions of key terms, four models of the business-government-society relationship are presented. Finally, the chapter sets forth certain approaches and assumptions used in the book.

- ☐ The introductory story is about ExxonMobil. It raises central questions about the role of business in society, including when is a corporation socially responsible?
 - ☐ ExxonMobil descends from the Standard Oil trust incorporated in 1882 by John D. Rockefeller.

* As in the textbook, Exxon Mobil is written as two words when followed by the word Corporation, but as one word when the word Corporation is not used. This is the company's preferred usage.

- ❑ Standard Oil grew so large and powerful that it was broken apart by the Supreme Court in a 1911 antitrust case. Exxon and Mobil were two companies in the original trust. A merger in 1999 reunited them.
- ❑
- ❑ ExxonMobil's corporate culture still reflects the values of Rockefeller, its founder. It is fiercely competitive, profit-focused, and efficient.
- ❑ ExxonMobil faces challenges in its business, government, and social environments.
 - ❑ In the business environment it is challenged by the rise of state-owned oil companies.
 - ❑ With government, it is restricted by laws and regulations in each country in which it does business.
 - ❑ In the social environment it is closely monitored by environmental, civil rights, labor, and consumer groups--some of which are actively hostile.
- ❑ The story of ExxonMobil raises central questions about the role of business in society. When, for example, is a corporation socially responsible? What actions are ethical or unethical?
- ❑ What is the business-government-society (BGS) field and what is its importance?
 - ❑ The field is explained as the study of interrelationships among its three elements, each of which is defined. These interrelationships change over time.
 - ❑ **Business** encompasses a broad range of economic actions, institutions, and processes the purpose of which is to make a profit by providing products and services that satisfy human needs.
 - ❑ **Government** refers to institutions and processes in society that authoritatively make and apply policies and rules.
 - ❑ **Society** is a network of human relations including ideas, institutions, and material things.
 - ❑ **Ideas** are intangible objects of thought and include the following.
 - ❑ **Values**, or enduring beliefs about which fundamental life choices are correct.
 - ❑ **Ideologies**, or bundles of values that create worldviews.

- ❑ **Institutions** are formal patterns of relationships that link people together to accomplish a goal. A range of institutions is necessary to support markets.
 - ❑ **Material things** are the tangible artifacts of a society that shape and are shaped by ideas and institutions.
- ❑ The BGS field is important to managers, because to succeed they must respond to forces in both their economic and noneconomic environments. The history of ExxonMobil illustrates the powerful impact not only of market forces, but of government and social values.
 - ❑ In 1911 the Supreme Court broke up Standard Oil. The decision reflected social values favoring open, competitive markets. These values lay behind the Sherman Antitrust Act and negative public opinion at the time.
 - ❑ In 1989 the *Exxon Valdez* oil spill created acute legal, political, and image problems for the firm.
- ❑ These incidents with ExxonMobil illustrate that business must comply with a **social contract**, that is, an imaginary, unwritten agreement between business and society that defines basic duties and responsibilities of business.
- ❑ Four basic models of the BGS relationship are set forth.
 - ❑ The **market capitalism model** depicts the relationship as a set of arrangements in accord with the assumptions of classical capitalism. It is assumed that social responsibility is measured primarily as economic performance that enhances social welfare.
 - ❑ The basis for the model is the nature of capitalism. It is explained this way.
 - ❑ People have always traded. **Markets** are timeless phenomena.
 - ❑ **Market economies**, or economies in which people produce mainly for trade, not subsistence, developed in the 1700s.
 - ❑ Adam Smith wrote *The Wealth of Nations* in 1776. In it, he explained the market economy, which he called “commercial society.”
 - ❑ The desire for trade is a human instinct.
 - ❑ A division of labor in society led people to satisfy their self-interests by specializing their work, then exchanging goods with each other.
 - ❑ The market’s pricing mechanism reconciles supply and demand. It works to make commodities cheaper, better, and more available.

- ❑ Commercial society coordinates the activities of strangers and, to gain their selfish advantage, they must fulfill the needs of others.
- ❑ By the late 1800s developed economies had evolved from Smith's depiction of innumerable small owner-run businesses into systems of **managerial capitalism** dominated by smaller numbers of large corporations run by hierarchies of salaried managers.
- ❑ Smith's model incorporates important assumptions.
 - ❑ Government intervention in the economy is limited. This is the economic philosophy of *laissez-faire*.
 - ❑ Individuals own private property.
 - ❑ Markets are competitive.
 - ❑ Consumers inform themselves about products and make rational decisions.
 - ❑ Moral restraint accompanies the self-interested behavior of business.
- ❑ Capitalism is recurrently attacked. The enduring criticisms are these.
 - ❑ It is energized by greed, envy, avarice, selfishness, and ruthlessness and so it slights virtues such as love, friendship, and compassion.
 - ❑ It leads to inequalities of wealth and income.
 - ❑ It encourages exploitation of workers.
 - ❑ Capitalist nations engage in imperialism to spread markets.
 - ❑ It places too much emphasis on money and material objects.
 - ❑ It generates conspiracies and monopolies.
 - ❑ It leads to environmental pollution and resource exploitation.
- ❑ The **dominance model** represents society as a pyramid. Atop it, business and government dominate. This is the model of business critics. It suggests that business has too much unchecked power.
 - ❑ Proponents of the model focus on the defects and inefficiencies of capitalism.
 - ❑ It gained a following in the late 1800s.

- ❑ Its perspective is fundamental to populism and Marxism.
- ❑ The **countervailing forces model** shows flows of power and influence between environmental factors, the public, government, and corporations. It represents a pluralist vision in which the power of business is checked and controlled.
 - ❑ It depicts business as deeply integrated into an open society.
 - ❑ It assumes that business is a major force, sometimes dominating but also subject to defeat or compromise.
 - ❑ It suggests that to maintain broad public support, business must adjust to social, political, and economic forces it can influence but not control.
 - ❑ It suggests that business-government-society relationships evolve as changes take place in ideas, institutions, and processes of society.
- ❑ The **stakeholder model** puts the corporation in a web of mutual relationships with persons and groups. It promotes the idea that firms have ethical duties and social responsibilities toward a wide range of stakeholders due to their impacts on them.
 - ❑ **Stakeholders** are those whom the corporation benefits or burdens by its actions and those who benefit or burden the firm with their actions.
 - ❑ **Primary stakeholders** affect or are affected by the corporation immediately, continuously, and powerfully.
 - ❑ **Secondary stakeholders** include a wide range of entities that are less affected by a firm or have less power to affect it.
 - ❑ The stakeholder model reorders the priorities of management from making profits to fulfilling ethical duties
 - ❑ Critics of the stakeholder model argue that it unrealistically demotes stockholders, that ethical duty is an unworkable decision criterion, and that because stakeholder interests vary and conflict with each other there is no objective measure of performance.
- ❑ Finally, the main characteristics of analysis in the book are briefly set forth.
 - ❑ A **comprehensive scope** allows coverage of many topics.
 - ❑ An **interdisciplinary approach** includes scholarship from many fields. However, the central focus is the discipline of management.

- ❑ **Theories** are rudimentary in the field, but where they exist they are discussed. Otherwise, the approach used is **description** of events and discussion of **cases**.
- ❑ A **global perspective** is adopted.
- ❑ **Historical perspective** is added in many chapters to show the action of historical forces, emphasize change, and deepen understanding of current phenomena.

2

The Dynamic Environment

LEARNING OBJECTIVES

Students can learn:

How one large transnational corporation, Royal Dutch Shell, analyzes its environment.

Why the business environment is volatile.

How deep historical forces change the business environment.

Current trends in six key external environments of business and an internal environment.

How a dynamic environment shaped the rise and fall of the American Fur Company.

SUMMARIZING OUTLINE

The basic lesson in this chapter is that business exists in a complex, changing environment. It begins with a story about how Royal Dutch Shell adapts to change by using scenarios. Then nine deep historical forces that cause change are discussed. Then the environment of business is broken down into seven elements, called “key environments,” and recent trends in each are discussed. Finally, the case study on “The American Fur Company” invites discussion about how historical forces shape environments and how the business environment has changed.

- ❑ The introductory story is about Royal Dutch Shell PLC.
 - ❑ Shell uses a unique method of analyzing its environment. Since the 1970s it has used **scenarios**, or plausible projections of the future based on assumptions about current trends.
 - ❑ In the 1990s Shell planners developed a theory of change in the global business environment based on three strong forces: liberalization (or relaxation of trade restrictions), globalization, and technological change.
 - ❑ More recently, they have written two new scenarios, **Scramble** and **Blueprints**, about the future of the global energy system. These scenarios take into consideration the rise of developing nations, a likely shortfall in supplies of oil and natural gas, and growing stress from climate warming.

- ❑ In Scramble, the world fumbles its response to the energy challenge. Human well-being is threatened.
- ❑ In Blueprints the world has a more effective response and catastrophic climate change is avoided.
- ❑ Three specific Shell scenarios are discussed in the story. Students can go to Shell's Web site to learn more about these and additional scenarios.
- ❑ **Nine deep historical forces** cause change in the business environment.
 - ❑ The **Industrial Revolution** was an economic metamorphosis in England in the late 1700s. It initiated a series of changes that created an industrial economy. These changes spread to other countries and continue to spread.
 - ❑ The size and acceleration of industrial growth are astounding. World GDP between 1950 and 2000 exceeded all that came previously in human history.
 - ❑ Industrial growth remakes societies. It places social institutions under great strain.
 - ❑ **Inequality** is a timeless motive force in all political systems. Income inequality between industrialized and less developed nations is pronounced and growing.
 - ❑ Although income inequality is slowly rising, the percentage of people living in poverty worldwide is declining.
 - ❑ The **Human Development Index**, a statistical tool used by the United Nations to measure human progress, shows long-term increases in overall human welfare.
 - ❑ **Population growth** will remain rapid and is faster in less industrialized, non-Western nations.
 - ❑ World population, about 6.9 billion in 2011, will peak at 9.2 billion in 2075, decline for a century, then rise again to about 9 billion in 2300.
 - ❑ For the near future the world population will experience rapid, but slowing, growth.
 - ❑ **Technology** is a powerful force for change. Since the late 1700s there have been five waves of innovation.
 - ❑ New technologies bring productivity gains that sustain long-term economic progress.
 - ❑ Because technology changes faster than human beliefs and institutions, it strains society.

- ❑ **Globalization** is the creation of networks of economic, political, social, military, scientific, or environmental interdependence spanning worldwide distances.

- ❑ It is a long-term environmental force going back to prehistoric times.
- ❑ It exposes transnational corporations to demands of more varied stakeholders, including anticorporate, antiglobalization activists.
- ❑ **Nation-states** are international actors that define many rules and incentives in global markets.
 - ❑ In the past, nations sought to expand their wealth and power by seizing territory. Today, many nations instead seek aggrandizement through international trade.
 - ❑ Global market forces limit the power of governments to control their domestic economies.
- ❑ **Dominant ideologies** are a persistent force.
 - ❑ An **ideology** is a set of reinforcing beliefs and values that creates a worldview.
 - ❑ Ideologies such as constitutional democracy, progress, social Darwinism, and the Protestant Ethic have reinforced industrial capitalism.
 - ❑ With globalization has come a Darwinian competition in the marketplace for ideas and the elimination or marginalization of many religions, languages, and cultural beliefs.
- ❑ **Great leadership** is found in all historical eras. Two views about it exist. One is historian Arnold Toynbee's idea that leaders are situated by fortune at the intersection of powerful social forces. The other is that of essayist Thomas Carlyle, who wrote that great leaders are masters of their own fate and shape history themselves rather than simply representing irresistible causes.
- ❑ **Chance** is a force that may explain otherwise inexplicable environmental changes.
- ❑ The **six key external environments** of business are these.
 - ❑ **Economic.** It includes forces influencing market operations. It is changing today as output grows, corporate investment becomes more international, and markets expand.
 - ❑ **Technological.** Developments in nanotechnology, biotechnology, and digital technology generate turbulence in the environments of many businesses. New technologies will create unforeseeable threats and opportunities for managers.
 - ❑ **Cultural.** Business expansion has many impacts on the shared knowledge, values, norms, customs, and rituals of societies.

- ❑ Industrialization encourages the rise of **postmaterialist values** based on assumptions of security and affluence that lead to demands for quality-of-life improvements.
 - ❑ Postmaterialist values support a global tide of morality that elevates expectations about multinational corporations.
- ❑ **Government.** Two strong trends today are first, the expansion of government activity (including more regulation of business), and second, the rise of more democratic regimes.
- ❑ **Legal.** Laws and regulations codifying corporate duties and responsibilities are now more numerous, complex, and global. There are five enduring trends in this environment.
 - ❑ Growth in number and complexity of laws and regulations.
 - ❑ Expanding duties to protect the rights of stakeholders.
 - ❑ Expanding exposure of corporations to international law with globalization, including **soft law**, or principles and standards in global codes of conduct that are based on emerging norms.
 - ❑ A tendency of voluntary measures to become legal duties.
 - ❑ Expanding liability.
- ❑ **Natural.** Economic activity changes the natural environment and currently disrupts ecosystems.
 - ❑ The World Wide Fund's **Living Planet Index** records a decline in biodiversity. Its Ecological **Footprint** metric suggests that human activity is unsustainable for the long run.
 - ❑ Changing public attitudes based on such measures put pressure on managers to include environmental criteria in decisions.
- ❑ Beside external environments, corporations also have an **internal** environment. It consists of four groups: managers, owners or shareholders, employees, and boards of directors.
 - ❑ Forces in external environments affect the power relationships of these internal groups.
 - ❑ Their duties are defined in laws and regulations.
- ❑ In sum, corporations exist in a dynamic, often turbulent business environment shaped by both deep historical forces and more immediate changes in key current environments.

Note
Case

THE AMERICAN FUR COMPANY

This case study tells the story of a dominant company in the fur trade. In its era, the fur trade was a global industry so important that it might be compared with the energy industry today. The American Fur Company is not a forgotten company that deserves only to be a historical footnote. Rather, it is a company that arguably did as much or more to shape American history than any other. Important lessons can be learned from it.

Discussing the case helps students understand that basic ideas about the business-government-society relationship introduced in Chapters 1 and 2 are applicable in the past as well as the present. Thus, the field offers dynamic ideas for understanding this relationship that, while falling short of a general theory, are useful for classifying phenomena, explaining events in disparate settings, and comparing the past with the present.

Specifically, the case is a springboard for discussion of ideas in Chapters 1 and 2, including models of the business-government-society relationship, deep historical forces, and major environments of business. In addition, some issues in the case anticipate ideas in later chapters. In anticipation of Chapter 3, the American Fur Company story exemplifies how business activity has the power to shape and change society and how this power reaches limits. In anticipation of Chapters 7 and 8 on business ethics, the case raises questions about the behavior of John Jacob Astor and other fur traders.

Answers to Case Questions

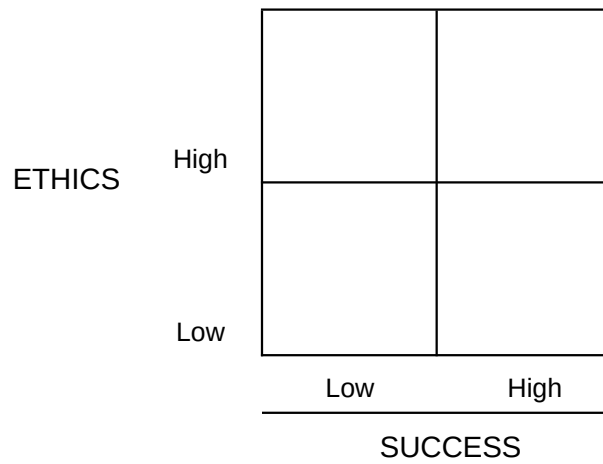
1. How would you evaluate Astor in terms of his motive, his managerial ability, and his ethics? What lesson does his career teach about the relationship between virtue and success?

Astor's actions suggest a motive of greed. His actions in the market and with politicians suggest he had a need for power. His careful planning and attention to detail show a need for control. His abortive effort to form a new nation in the Oregon territory and be its king implies a touch of megalomania.

As a manager he had some admirable qualities. He was hard working, confident, and a good negotiator. He generated visionary strategies. His tactics were expedient. He let others do the difficult work of pioneering an area, then muscled them aside using a set of competitive tactics that carried his signature. These included predatory pricing, plying Indians with whisky, purchases of large quantities of trade goods to lower cost, horizontal and vertical integration along the chain of activities that comprised the fur trade, and use of political influence.

He was ruthless and little inclined to niceties. In his behavior there is a mixture of ethical and unethical by both the standards of his era and the standards of today. For example, decimating a species would be wrong today, but in Astor's era it caused no concern beyond its business implications. But giving whiskey to Indians was plainly seen as wrong in Astor's time, just as it is wrong now.

What is the lesson about the relationship between virtue and success? Is there a moral law in the universe such that if a merchant imposes sustained wrongs and ruin on others then such behavior eventually breeds ill fortune in return? If so, Astor seems to have escaped its application, living a life of wealth, seemingly content. There are four theoretical relationships between ethics and success in business, as illustrated in the table below. Students may be invited to think of examples in each of the four quadrants. The main reason that wealth and virtue are not necessarily connected is that the world often yields before a strong will to power that is unshackled by everyday morality. In addition, luck and the times may influence the fortunes of people in business.



2. How did the environment of the American Fur Company change in the 1830s? What deep historical forces are implicated in these changes?

In the 1830s the fur trade reached its climactic era. It would soon decline in size and influence. The basic cause of its demise was depletion of the animals that were its resource base. Worldwide, fur-bearing animals had been hunted to near-extinction.

As early as 200 B. C. the fur trade made extinct a species of beaver native to northern Greece. By the sixteenth century, demand for pelts had exhausted the supply of fur-bearing animals in Europe and Russia, so Europeans turned to the unexploited lands of North America. There, the fur trade began with the French around 1530 and marched across the continent, depleting one area after another of fur-bearing animals. By the 1830s, 300 years after the beginning of the North American fur trade, the Rocky Mountains were the last bastion of the North American beaver.

As the decade of the 1830s progressed, rapid change in the business environment caused the collapse of the Rocky Mountain fur trade. The beaver population was fast exhausted. Fashion trends shifted and demand for pelts dropped. Silk from China was substituted for beaver, mink, otter, and other skins. A global cholera epidemic made consumers afraid of fur pelts. In addition, the cost of trapping in the Rocky Mountains rose because of encounters with increasingly hostile Indians.

The operation of deep historical forces can be observed in the rise and fall of the fur industry.

- ❑ Although the fur trade was an ancient business, it came to reflect and embody forces created by the **Industrial Revolution**. It introduced factory-made products such as trade goods. It relied on manufactured weapons to dominate more primitively equipped natives. And it tied Indians and settlers in North America into global markets.
- ❑ Some **ideologies** supported and shaped the fur trade, including (1) the idea that humans dominate nature, which exists to be exploited; (2) the theory of classical capitalism, which generated in that era attitudes of exploitation; (3) the idea of progress, which saw economic growth as good; (4) the frontier ethic, or the idea that a wilderness populated by natives was untamed but became civilized when explored and settled; and (5) race doctrines depicting Indians as inferior, ignorant, savage, and unchristian.
- ❑ European-Americans harnessed **technology** to dominate preindustrial Native Americans. However, a major technological advance, the steamboat *Yellowstone*, backfired on its creators when it carried a smallpox epidemic up the Missouri, killing thousands of Indians. That epidemic hastened the end of an already moribund fur industry.
- ❑ The dynamics of **nation-states** played a defining role in the development of North American fur trading. National rivalries over fur resources drove continental exploration and settlement. Competition between British traders and the American Fur Company hastened the exhaustion of beaver. In some parts of Canada, the British practiced conservation by rotating trapping areas, but where international rivalry caused a rush to harvest, such methods were impractical.
- ❑ In the United States, **leadership** in the fur trade came from Astor. His actions defined the competitive environment. The leadership of Thomas Jefferson in making the Louisiana Purchase and in encouraging the presence of American fur traders as a defense against British inroads shaped history. Both George Washington and Thomas Jefferson failed to carry out their visions of government-run trading posts giving fair prices and fair treatment to Indians. Astor's strong-willed expansion pushed aside the half-hearted federal policy.
- ❑ **Inequality** is a major historical force when it creates a schism between haves and have nots. In this sense it was not a major factor shaping the fur trade. However, there was a significant imbalance of power between the traders and the Indians that defined the outcome of a clash of cultures and values.
- ❑ Because of **population growth** in the United States there was pressure to follow the trappers and settle in new areas. Between 1790 and 1830 the population grew from 3.9 million to 12.9 million, increasing by more than 30 percent each decade.¹
- ❑ **Globalization** was a significant force in the fur trade. This was an international industry. As fur resources were exhausted on one continent, activity moved to another.

¹ U.S. Census Bureau, *Statistical Abstract of the United States*: 2001 (121st edition) Washington D.C., 2001, table 1.

- ❑ Finally, **chance** can be read into several events. It was Astor's good fortune to meet a fur trader willing to be his teacher on the long voyage from Europe to America. What if Astor had become friendly with a banker, shipbuilder, or livestock broker? If Astor had arrived in the United States twenty years later, would he have encountered a more entrenched competitor driving a fur company to monopoly? The cholera epidemic of the 1830s occurred just as the industry was wobbling from its excesses and it hastened the end. Likewise, the spread of smallpox by the *Yellowstone* was disastrous misfortune.

3. What were the impacts of the fur trade on society in major dimensions of the business environment, that is, economic, technological, cultural, governmental, legal, natural, and internal?

This evaluation parallels the discussion of these dimensions of the business environment in Chapter 2 on pages 36-45.

- ❑ In the **economic** dimension the fur trade created enormous wealth for those such as Astor who profited from it. Beyond that, it was a global industry that provided a livelihood for many. It created trails and settlements that stimulated economic expansion across the North American continent.
- ❑ In the **technological** dimension the introduction of first the keel boat and then the steamboat on the Missouri River was important.
- ❑ In the **cultural** dimension the primary stress was on native Indian cultures that came in contact with European industrial values. Fur traders introduced new artifacts to Indian societies, including trade goods, alcohol, money, and firearms. New material motives led Indian traders to seek profits to acquire property.
- ❑ In the **natural** dimension the fur traders depopulated the continent of fur-bearing animals from the beaver to the plains buffalo. Over time, they cut down significant forest acreage for forts, trading posts, and fuel.
- ❑ Astor's actions in the **governmental** dimension show how open the young American political system was to corrupt influence. With gifts, loans, and contributions he systematically bribed and suborned a range of politicians including at least one president.
- ❑ The fur trade affected the **legal** environment because it was a source of international tensions that led to treaties. Statutes to set up government trading posts and regulate contacts with Indian tribes were passed to limit the operations of the American Fur Company and its competitors.
- ❑ Of course, the **internal** environment of the American Fur Company was entirely dominated by Astor. Other fur companies were operated as simple proprietorships or partnerships. The scope and power of the fur trade brought no change in the structure of these arrangements.

4. Who were the most important stakeholders of the nineteenth-century fur industry? Were they treated responsibly by the standards of the day? By the standards of today?

Astor, as principal **owner** of the American Fur Company, compensated himself lavishly. The **suppliers** and **employees** of the company were not treated so nobly. Indian trappers were cheated, robbed, and killed. Free trappers and traders worked for low pay under hard, dangerous conditions. **Customers** in markets around the world were served. **Government** was manipulated, bypassed, resisted, and used.

Astor's abuse of weaker stakeholders was typical of the era. In his *History of the Great American Fortunes*, Gustavus Myers compares Astor with other capitalists of the day.

All of the confluent facts of the time show conclusively that every stratum of commercial society was permeated with fraud, and that this fraud was accepted generally as a routine fixture of the business of gathering property or profits. Astor, therefore, was not an isolated phenomenon, but a typically successful representative of his time and of the methods and standards of the trading class of that time.²

By current standards the American Fur Company would not be considered an ethical enterprise.

5. On balance, is the legacy of the American Fur Company and of the fur trade itself a positive legacy? Or is the impact of these companies predominantly negative?

This question invites a utilitarian calculation of benefits and costs. Examples of factors to be considered are listed in the following table.

BENEFITS		COSTS	
■	Created wealth, employment, tax revenue.	■	Economic benefits were narrowly enjoyed.
■	Supplied a product in high demand.	■	Business activity was exploitative.
■	Spurred exploration of the West.	■	Destruction of Native American cultures.
■	Constituted a United States presence in unsettled lands.	■	Ecological damage.
■	Trappers and traders became leading citizens in new settlements.	■	Spread of smallpox.
■	Brought "progress" to areas unsettled by Euro-Americans.	■	Many trappers died in a dangerous occupation.
		■	Retarded growth of respect for a government of laws.

² Gustavus Myers, *History of the Great American Fortunes* (New York: Random House, 1936), pp. 110-11.

The weights assigned to these factors are a matter of opinion. Perspective is important. For the Indians the industry was a disaster. For Astor, the federal government, and later settlers, the benefits undoubtedly outweighed the costs.