

File: ch02, Chapter 2: A Historical Perspective on Business Ethics

Multiple Choice

1. _____ were granted by the British government to allow several people to create organizations by pooling financial resources, which enabled riskier business projects to be undertaken.
- a) pacts
 - b) charters
 - c) constitutions
 - d) doctrines
 - e) none of the above

Ans: b

Response: See page [42](#)

Level: Easy

2. Settlements in Roanoke, Jamestown and Plymouth were early examples of _____.
- a) business ventures
 - b) participant democracies
 - c) uplifting indigineous populations
 - d) all of the above
 - e) none of the above

Ans: a

Response: See page 41

Level: Medium

3. The _____, chartered by King James, searched for gold and gems and led trading in furs and spices in the Roanoke Islands.
- a) Columbus excursions
 - b) Jamestown settlements
 - c) Virginia Company of London
 - d) American Charters
 - e) none of the above

Ans: c

Response: See page 42

Level: Medium

4. _____ were laborers who served their masters for several years in exchange for transportation, food, clothing, lodging, and eventual freedom.

- a) slaves
- b) settlers
- c) indentured servants
- d) Pilgrims
- e) none of the above

Ans: c

Response: See page 43

Level: Easy

5. Among the reasons Pilgrims settled in Massachusetts were desires for:

- a) religious freedoms
- b) economic opportunities
- c) new trade routes
- d) all of the above
- e) none of the above

Ans: d

Response: See pages 42-43

Level: Medium

6. The _____ in 1773 was a major colonial incident resulting from the East India Company's monopolistic business practices.

- a) Boston Tea Party
- b) Plymouth settlement
- c) Revolutionary war
- d) all of the above
- e) none of the above

Ans: a

Response: See page 44

Level: Medium

7. The Boston Tea Party was a response to which of the following British policies?

- a) monopolistic business practices
- b) attempts to limit religious freedoms
- c) attempts to limit the rights of indigenous people
- d) all of the above
- e) none of the above

Ans: a

Response: See page 44

Level: Medium

8. Which of the following early leaders was not among the authors of the Declaration of Independence?

- a) Thomas Jefferson
- b) James Madison
- c) Benjamin Franklin
- d) all of the above
- e) none of the above

Ans: e

Response: See page 44

Level: Easy

9. Which of the following rights were not included in the Bill of Rights?

- a) right to bear arms
- b) freedom of the press
- c) freedom from unreasonable search and seizure
- d) freedom to rule the colonies
- e) freedom of religion

Ans: d

Response: See page 44

Level: Easy

10. The fundamental belief on which the Declaration of Independence was founded, grounded in philosophical notions of basic human rights, was _____.

- a) the right to bear arms
- b) the right to own property
- c) government should be based on the consent of the governed
- d) government should pursue happiness
- e) none of the above

Ans: c

Response: See page 44

Level: Medium

11. _____, a Scottish philosopher, provided many of the teachings that underlie capitalist systems.

- a) James Madison
- b) Adam Smith
- c) John Locke
- d) King George III
- e) none of the above

Ans: b

Response: See page 45

Level: Medium

12. Fundamental notions behind Adam Smith's concept of a fair economic system include which of the following?

- a) reason and liberty
- b) freedom and religious control
- c) selfishness and justice
- d) all of the above
- e) none of the above

Ans: a

Response: See page 45

Level: Medium

13. Adam Smith argued that "wealth of nations" resulted from which of the following?

- a) freedom and competition
- b) economic self-interest
- c) capitalist economic systems
- d) all of the above
- e) none of the above

Ans: d

Response: See page 45

Level: Medium

14. According to its definition, capitalism as an economic system is characterized by which of the following?

- a) mercantilist policies
- b) democratic policies
- c) freedom and competition
- d) religious freedom
- e) selfishness at all costs

Ans: c

Response: See page 45

Level: Medium

15. Which of the following were not among the benefits early capitalists associated with a free and competitive market economy?

- a) more goods and services
- b) lower prices
- c) better-quality products
- d) greater labor flexibility

e) higher tax revenues

Ans: e

Response: See page 45

Level: Easy

16. Adam Smith argued that when self-regulating moral mechanisms fail, _____ must serve to protect the public from egregious immoral actions.

- a) democracy
- b) strong justice systems
- c) individual sanctions
- d) all of the above
- e) none of the above

Ans: b

Response: See page 46

Level: Medium

17. Prior to capitalism, key management positions were often filled based on which of the following?

- a) family connections
- b) political connections
- c) wealth
- d) all of the above
- e) none of the above

Ans: d

Response: See page 45

Level: Easy

18. Government intervention in the marketplace, Smith reasoned, is needed under only which of the following conditions:

- a) when contracts are violated
- b) when merchants abuse their freedom by committing injustices against others
- c) when the pursuit of self-interest does not generate highly desired social welfare benefits
- d) all of the above
- e) none of the above

Ans: d

Response: See page 46

Level: Medium

19. Smith cautioned that owners who do not rely on moral sentiments when dealing with laborers could result in which of the following problems:

- a) an overabundance of labor, which could drive wages below subsistence levels
- b) excessive application of piece-rate incentives, which could increase productivity in the short term but damage the worker's health in the long run
- c) excessive application of division of labor, which could increase productivity in the short term but damage the worker's intellectual abilities in the long term
- d) all of the above
- e) none of the above

Ans: d

Response: See page 47

Level: Difficult

20. The period in the early 1800s marked by significant economic growth in the United States was called:

- a) the Revolutionary War
- b) the Industrial Revolution
- c) the Declaration of Independence
- d) the birth of capitalism.
- e) none of the above

Ans: b

Response: See pages 47-48

Level: Easy

21. The Industrial Revolution was characterized by which of the following?

- a) religious freedom
- b) development of ammunitions
- c) technological innovation
- d) all of the above
- e) none of the above

Ans: c

Response: See page 48

Level: Easy

22. The Sherman Antitrust Act of 1890 outlawed which of the following?

- a) monopolies
- b) mercantiles
- c) charters
- d) all of the above
- e) none of the above

Ans: a

Response: See page 49

Level: Medium

23. In the late 1880s, states began to compete against one another in which of the following ways?

- a) relaxing religious freedoms
- b) introducing the right to bear arms
- c) simplifying rules for obtaining corporate charters and eliminating tax restrictions
- d) monopolizing business operations
- e) none of the above

Ans: c

Response: See page 49

Level: Medium

24. First developed in the late 1880s in response to increasing corporate complexity and growth, the concept of _____ refers to laws protecting individual shareholders from financial liability if businesses are sued or fail.

- a) antitrust legislation
- b) limited liability
- c) antitrust acts
- d) all of the above
- e) none of the above

Ans: b

Response: See page 49

Level: Medium

25. _____ is a system in which some individuals are perceived as property, and thereby capable of being owned by other people and subject to the whims of their owners, with no provisions for eventual freedom.

- a) slavery
- b) indentured servitude
- c) low-wage workers
- d) all of the above
- e) none of the above

Ans: a

Response: See page 49

Level: Easy

26. The U.S. Constitution was written without addressing the issue of slavery to:

- a) recognize that slaves were fundamental to the growth of the new nation
- b) appease southern states whose economies depended on slaves
- c) protect the rights of paid workers
- d) all of the above
- e) none of the above

Ans: b

Response: See pages 49-50

Level: Medium

27. Dependency on slave labor _____ during the Industrial Revolution.

- a) increased
- b) decreased
- c) stayed the same
- d) was outlawed
- e) was eliminated

Ans: a

Response: See page 50

Level: Medium

28. A(n) _____ is an association of employees that advances its members interests, including wages, benefits, work rules and other conditions of employment, through collective bargaining with an employer.

- a) oligopoly
- b) strike
- c) labor union
- d) all of the above
- e) none of the above

Ans: c

Response: See page 50

Level: Easy

29. Philosophers including _____ and Friedrich Engels disputed Adam Smith's assumptions about the moral sentiments of business people, and inspired some union organizers.

- a) Karl Marx
- b) Samuel Gompers
- c) Milton Friedman
- d) all of the above
- e) none of the above

Ans: a

Response: See page 50

Level: Medium

30. The establishment of _____ was an early victory for labor unions, resulting from strikes across the nation in 1886.

- a) fair wages
- b) the eight-hour work day
- c) equal pay for all workers
- d) all of the above
- e) none of the above

Ans: b

Response: See page 51

Level: Medium

31. The 1935 passage of which law legally obligated employers to negotiate with duly elected unions and codified regulations governing the process for forming a union?

- a) the National Labor Relations Act (NLRA)
- b) the Sherman Antitrust Act (SAA)
- c) the Taft Hartley Act (TFA)
- d) the National Strike Act (NSA)
- e) none of the above

Ans: a

Response: See page 51

Level: Medium

32. U.S.-born _____ unionized immigrant farm workers in California and led a 10-year nationwide boycott against grapes picked by nonunion workers.

- a) Che Guevera
- b) Cesar Chavez
- c) Samuel Gompers
- d) Taft Hartley
- e) none of the above

Ans: b

Response: See page 51-52

Level: Medium

33. _____'s emphasis on liberty has increased national wealth more than any other economic system.

- a) socialism
- b) communism
- c) capitalism
- d) feudalism
- e) none of the above

Ans: c

Response: See page 53

Level: Easy

34. Education is _____ correlated with wealth, with a slight decline occurring at the doctoral level.

- a) positively
- b) negatively
- c) equally
- d) inversely
- e) none of the above

Ans: a

Response: See page 54

Level: Easy

35. The minimum wage, the lowest wage an employer can legally pay an employee, an amount higher than what the market would otherwise establish, was federally mandated by which of the following pieces of legislation?

- a) the Fair Labor Standards Act
- b) the National Labor Relations Act
- c) the Great Depression Act
- d) the Living Wage Act
- e) none of the above

Ans: a

Response: See page 54

Level: Medium

36. In 2009, the federal government tried to determine “fair compensation” for top executives that accepted federal bailout funds by:

- a) limiting the total amount of compensation
- b) regulating stock options
- c) mandating lump sum payments
- d) requiring cash bonuses
- e) none of the above

Ans: e

Response: See page 57

Level: Medium

37. One method that may assist in more equitable levels of executive pay that limits incentives for stock price manipulation is:

- a) extended payout periods for stock options
- b) lump-sum stock option payouts

- c) elimination of stock options
- d) all of the above
- e) none of the above

Ans: a

Response: See page 57

Level: Medium

38. The Reagan Administration of the 1980s began a process of deregulation, or _____, which continued under the Clinton and Bush administrations.

- a) lifting government restrictions on market activity
- b) tightening government restrictions on market activity
- c) ensuring equitable stock options
- d) ensuring consumer protections
- e) none of the above

Ans: a

Response: See page 57

Level: Medium

39. The Federal Sentencing Guidelines, issued in 1991, were an attempt by the government to:

- a) mandate policies and procedures that reinforce ethical behavior
- b) require widespread consumer protections
- c) require widespread worker protections
- d) encourage managers to implement policies and procedures that reinforce ethical behavior
- e) none of the above

Ans: d

Response: See page 58

Level: Medium

40. A B Corporation is distinct from the typical C Corporation designation because the B Corporation certification focuses on:

- a) maximizing shareholder wealth
- b) limiting worker compensation
- c) ethics, sustainability and social responsibility
- d) all of the above
- e) none of the above

Ans: c

Response: See page 60

Level: Medium

41. Which of the following best practices are consistent with the Optimal Ethics Systems Model:

- a) hiring ethical people
- b) codes of ethics and codes of conduct
- c) environmental management
- d) all of the above
- e) none of the above

Ans: d

Response: see pages 62-63

True/False

42. It is important to consider the historical perspective to appreciate the evolution of the current economic and regulatory systems.

Ans: True

Response: See page 40

Level: Easy

43. Capitalism was chosen as the economic system for the newly formed United States because it was the easiest way to become competitive with Britain.

Ans: False

Response: See page 45

Level: Easy

44. Christopher Columbus's voyage from Europe was motivated by a desire to discover resources in other areas of the world.

Ans: True

Response: See page 41

Level: Easy

45. Many indigenous populations were harmed by early European exploration.

Ans: True

Response: See page 41-42

Level: Easy

46. Early charters hindered groups of people from creating organizations by pooling financial resources, which enabled riskier business projects to be undertaken.

Ans: False

Response: See page 42

Level: Medium

47. Early settlements by English colonists were often marked by warfare with indigenous peoples.

Ans: True

Response: See page 42

Level: Easy

48. The Pilgrim settlement at modern-day Plymouth, Massachusetts, was a business venture established as a trading colony.

Ans: True

Response: See page 42-43

Level: Easy

49. All groups at Plymouth were required to observe the Pilgrims' strict religious lifestyle.

Ans: False

Response: See page 43

Level: Medium

50. Peaceful relations between indigenous tribes and the Pilgrims ended when the indigenous tribes violated fur trading pacts and land agreements.

Ans: False

Response: See page 43

Level: Medium

51. On July 4, 1776, colonial leaders declared political independence from Britain, an act of treason punishable by death.

Ans: True

Response: See page 44

Level: Medium

52. The Bill of Rights was the original introduction to the Declaration of Independence.

Ans: False

Response: See page 44

Level: Medium

53. The Bill of Rights outlined rights including freedom of speech, freedom of the press, and freedom from unreasonable search and seizure.

Ans: True

Response: See page 44

Level: Easy

54. Victory in the Revolutionary War meant abandoning England's government-controlled mercantilist system in favor of commercial laws that encouraged and protected liberty in the business sector.

Ans: True

Response: See page 45

Level: Medium

55. Adam Smith asserted that laborers must be tightly controlled to preserve economic growth.

Ans: False

Response: See page 45-46

Level: Medium

56. Mercantilist policies discouraged monopolies, avoided quotas on imports, and promoted freedom for tradesmen.

Ans: False

Response: See page 45

Level: Medium

57. Adam Smith's notions of selfishness and self-interest are identical.

Ans: False

Response: See page 46

Level: Medium

58. Capitalism was touted by Adam Smith and his followers as ethically superior to government-controlled mercantilism due to its emphasis on individual freedom and competition.

Ans: True

Response: See page 45

Level: Medium

59. Adam Smith's writings did not address the moral elements of capitalism.

Ans: False

Response: See page 45

Level: Medium

60. Adam Smith and early proponents of capitalism believed a strong system of justice is essential to punish those who do not appropriately self-regulate their behaviors, and to reinforce contracts.

Ans: True

Response: See pages 45-46

Level: Medium

61. Adam Smith promoted self-interest as the primary motivation for individual behavior.

Ans: True

Response: See page 45

Level: Easy

62. Adam Smith argued that free people naturally disregard the interests of others.

Ans: False

Response: See page 45

Level: Medium

63. Smith argued that laborers benefit from capitalism because economic growth generates jobs and more choice among occupations.

Ans: True

Response: See pages 46-47

Level: Medium

64. Living in an expanding economy hinders jobs and disposable income.

Ans: False

Response: See page 47

Level: Easy

65. Huge population growth through illegal immigration, primarily from Europe, characterized the Industrial Revolution.

Ans: False

Response: See page 47

Level: Medium

67. U.S. capitalism, by definition, avoids ethical dilemmas arising from exploitation of laborers.

Ans: False

Response: See pages 49-55

Level: Medium

68. The founders of the United States addressed the obvious contradiction between slavery and liberty in the Constitution.

Ans: False

Response: See pages 49-50

Level: Medium

69. The U.S. founders renounced slavery and refused to own slaves.

Ans: False

Response: See page 50

Level: Easy

70. Labor unions were originally intended to reduce power imbalances between owners and laborers.

Ans: True

Response: See page 50

Level: Easy

71. Though many union organizers have lived sacrificial lives for the well-being of others and emphasized non-violence, some union activity has been hampered by the stigmas of violence and corruption.

Ans: True

Response: See page 51

Level: Easy

72. Income inequality is unique to capitalist societies.

Ans: False

Response: See page 53

Level: Medium

Essay

73. Discuss the key components of Adam Smith's conception of capitalism, including his justification of the ethics of capitalism.

Ans: "Reason" and "liberty" are key. Mercantilist policies should be replaced by economic systems based on freedom and competition. Individuals naturally pursue self-interest; government does not need to mandate such pursuits. The benefits of a free and competitive market economy include more goods and services, lower prices, better-quality products, less inefficiency, labor flexibility. Smith distinguished between selfishness and self-interest and contended that self-regulating moral mechanisms should be emphasized, though an independent justice system must protect against egregious immoral actions. Freedom and liberty are essential values, people naturally respect the interests of others, people morally self-regulate.

Response: See pages 45-46

Level: Medium

74. Identify and define at least four major issues surrounding labor rights in the U.S. capitalist economy, from the founding of the United States through recent history including the 2009 federal bailout.

Ans: May include slavery, strikes and the rise of labor unions, including relationship to Marxist thought, 1933 National Labor Relations Act following the Great Depression, discussions of wages and compensation including minimum wage and the concept of a living wage, executive compensation and "fair compensation" attempts following the 2009 bailout.

Response: See pages 49-57

Level: Medium

75. Define and provide an overview of the Optimal Ethics Systems Model.

Ans: Synthesizes the various approaches of ethical behavior into a best practices framework for reinforcing ethical behaviors and reducing ethical risks in organizations. Best practices may include hiring ethical people, codes of ethics and codes of conduct, ethical decision-making frameworks, ethics training, employee diversity, ethics reporting systems, ethical leadership, work goals and appraisals, empowering ethical employees, environmental management and community outreach and respect.

Response: See pages 62-63

Level: Medium