

The Ethical Basis of Law and Business Management

True / False Questions

1. Federal sentencing guidelines reduce criminal fines for legal violations in companies that have taken specific steps to self-police ethical/legal conduct.

True False

2. Economist Adam Smith believed that humans could not look beyond self-interest.

True False

3. Growing diversity in the workplace has reduced concerns over ethical values.

True False

4. Diverse societies are characterized as societies that have a single, unified system of ethical values that guide behavior.

True False

5. Because of the increased influence of the Internet and extensive coverage of business in the news media, it has become increasingly difficult for businesses to hide questionable behavior.

True False

6. Federal law reduces criminal penalties for companies that take steps to control their ethical conduct.

True False

7. Adam Smith, the author of The Wealth of Nations, perhaps the most famous book on economic theory ever written, denied the existence of any moral element in human nature that goes beyond self-interest.

True False

8. It is appropriate for those engaged in international business to assume that all countries have the same ethical and moral values.

True False

9. Ultimately, the commitment to ethical values is superior to mere observance of the law in ensuring responsible business behavior.

True False

10. Formalism is primarily a duty-based view of ethics that creates moral obligations that one must satisfy in order to be ethical.

True False

11. The foundation of John Rawls's social contract theory is a firm belief that self-knowledge and self-promotion will create the most just society.

True False

12. Businesses working in the international arena find social contract theory especially valuable because it promotes the idea that all parties deserve an equal opportunity for achievement, regardless of the country or system of laws they come from.

True False

13. The social contract theory acknowledges that there are significant social and economic inequalities, but these inequalities should exist solely based upon what a person does, not on who a person is.

True False

14. Within a strict utilitarian system of ethics, an action is considered unethical if it is inherently wrong, regardless of the circumstances under which the action is taken.

True False

15. Modern business ethics reflects elements of both formalism and consequentialism, but tends to focus more heavily on consequentialism.

True False

16. The Protestant ethic proved to be a great influence on modern capitalism, but its focus on absolute moral values was replaced by a focus on wealth and mass consumption.

True False

17. A formalist would conclude that a business's secret monitoring of employees is ethical if the monitoring reveals a significant number of crimes or malfeasance, providing a net good for the business.
- True False
18. Looking into the initial intentions of parties to a business contract evidences consequentialism.
- True False
19. It is unlikely that a business or professional organization would look to law or legislation when drawing up an internal code of ethical conduct.
- True False
20. Courts often use a balancing test when examining whether a party acted with due care in negligence cases.
- True False
21. The legal requirement of honoring confidentiality contains both formalist and consequentialist ethical values.
- True False
22. There is no way to create enough rules to cover all possible ethically significant situations, even if they could be identified in advance.
- True False
23. Ambrose Bierce posited that individuals in large groups such as corporations feel more responsibility and accountability for what happens in the group than they do for what happens in their individual lives.
- True False
24. Of the world's 100 largest economies, 49 of them are countries and 51 are companies.
- True False
25. Profits and business ethics are not contradictory.
- True False

26. Those who argue that a system of property ownership is ethically moral do so by appealing to strict formalism, arguing that the morality of property rights should be determined on an individual basis.

True False

27. A business that does not act ethically severs itself from society, from the good, and ultimately from its own source of support.

True False

28. Because property is a legal system created to focus on individual ownership, it contains no issues of morality.

True False

29. To harm others' safety and health, freedom of choice, or liberty of movement is to infringe their right of property.

True False

30. A major concern of those who criticize property is the power over others conveyed by the possession of great capital resources.

True False

Multiple Choice Questions

31. The Wealth of Nations was written by _____.

- A. Adam Smith
- B. Karl Marx
- C. Emmanuel Kant
- D. Euripides
- E. Socrates

32. Federal law and business leaders alike favor _____ as a means of governing private business ethics.
- A. creating uniform statutes of business ethics
 - B. self-regulation by companies
 - C. giving the federal government exclusive jurisdiction regarding ethics and ethics violation enforcement
 - D. establishment of federal regulators in all private companies to establish and enforce ethical standards
 - E. case-by-case determinations of what constitutes a breach of business ethics
33. Which of the following provides the best definition of ethics?
- A. Ethics is a formal system for evaluating who profits in a business transaction.
 - B. Ethics is merely a different term for the laws and regulations created by a government.
 - C. Ethics is merely another word for morality, which is only involved in what is right and what is wrong.
 - D. Ethics is a simplified term given to the momentary decisions we all make regarding which answer will lead each person to the most personally successful solution.
 - E. Ethics is a formal system for deciding what is right and wrong and for justifying moral decisions.
34. Which is the best definition of "the good", as defined by philosophers?
- A. Increasing profit margins on a quarterly basis.
 - B. The moral goals and objectives we choose to pursue.
 - C. The acquisition of all of the things necessary for having a good life.
 - D. Whatever makes an individual happy.
 - E. Eating meat and consuming alcohol.
35. Mike is driving 15 miles over the posted speed limit when he is pulled over by Tom, a local police officer. As Tom approaches the car, he hears Kathy in the front seat moaning in pain. Mike tells Tom that Kathy is in labor and that he is rushing to the hospital. Tom issues Mike a speeding ticket, nevertheless. Tom's ethical approach in this matter most closely matches:
- A. utilitarianism.
 - B. relativism.
 - C. the Protestant ethic
 - D. formalism.
 - E. hedonism.

36. Ethical formalists maintain that:

- A. harm to an individual is allowable as long as it serves a greater good.
- B. values are situational and change based on circumstance.
- C. harm to individual rights is never justified by an increase in organizational or common good.
- D. the good of the many always supersedes the good of the few.
- E. right and wrong are unknowable.

37. The _____ emphasizes consistency and compels a person to act as he believes everyone should act.

- A. formalist theory
- B. deontological imperative
- C. categorical imperative
- D. contractualist approach
- E. relativistic approach

38. Who developed the theory of the categorical imperative?

- A. Socrates
- B. Plato
- C. John Rawls
- D. Immanuel Kant
- E. Charles Darwin

39. For Immanuel Kant, to be ethical requires that a person act:

- A. only under coercion.
- B. only to benefit himself.
- C. out of a sense of duty.
- D. with a good intent.
- E. without the influence of others.

40. Who developed the social contract theory?

- A. John Rawls
- B. Immanuel Kant
- C. John Locke
- D. Jack Sheppard
- E. Plato

41. The social contract theory concerns itself with how to construct a just society given:

- A. the many inequalities of wealth, knowledge, and social status.
- B. the difficulty of acting toward others as you would have them act toward you.
- C. the many logical fallacies contained in legal contracts.
- D. the implicit agreement that the powerful are best suited to govern.
- E. the inherent nature of those in a society to argue and reject consensus.

42. According to Rawls, it is important to forget our own age, gender, race, intelligence, strength, wealth, or social status when determining just actions. What is the purpose of this?

- A. This permits us to act as pure American citizens.
- B. It keeps us from being self-interested in the ethical values we consider.
- C. This makes each individual like a blank sheet of paper on which a contract may be written.
- D. It makes it easier to consider the usefulness of our actions.
- E. This promotes the assumption that what one personally needs or wants is morally correct.

43. The "veil of ignorance" means that to think ethically you must:

- A. lose the assumption that what you personally want or need is necessarily morally correct.
- B. recognize that one cannot make valid ethical decisions unless they are totally unaware of the other parties involved so as to eliminate bias.
- C. recognize that one cannot make valid ethical decisions unless they are totally unaware of the circumstances leading to the ethical dilemma so as not to be influenced by unchangeable history.
- D. put yourself in the position of those affected by your decision and act as you would want them to act.
- E. make every ethical decision as if you did not have any education in ethical or moral history.

44. Making ethical or moral decisions to promote the common good is a significant principle of ethical _____.
- A. existentialism
 - B. daoism
 - C. utilitarianism
 - D. self-promotion
 - E. fundamentalism
45. The dominant form of consequentialism is:
- A. utilitarianism.
 - B. social contract theory.
 - C. the categorical imperative.
 - D. the Protestant ethic.
 - E. Marxism.
46. The values-based management approach to business ethics illustrates consequentialism through its emphasis on:
- A. teaching ethical values to management and supervisory personnel that enhances the profitability of the company.
 - B. teaching ethical values to all employees that enhance the profitability of the company.
 - C. teaching ethical values to management and supervisory personnel with the aim of avoiding ethical issues whether profitability is affected or not.
 - D. teaching ethical values to all employees with the aim of avoiding ethical issues whether profitability is affected or not.
 - E. teaching ethical values to employees in order to punish them for unethical conduct.
47. Since the primary goal of business is to make a profit, this orientation mainly involves:
- A. deontology.
 - B. formalism.
 - C. consequentialism.
 - D. absence of ethics.
 - E. Darwinism.

48. Business ethics reflects elements of:

- A. formalism only.
- B. consequentialism only.
- C. both fundamentalism and consequentialism with a focus on formalism.
- D. both fundamentalism and consequentialism with a focus on consequentialism.
- E. neither formalism nor consequentialism.

49. The Protestant ethic is rooted in:

- A. utilitarianism.
- B. consequentialism.
- C. relativism.
- D. formalism.
- E. epistemology.

50. According to sociologist Robert Jackall's view of the modern bureaucratic managerial system, how has the Protestant ethic changed over time?

- A. The Protestant ethic has become the only viable ethical system for American corporations.
- B. The profiteering of the Protestant ethic became a justification for economic excess.
- C. The religious consequentialism of the Protestant ethic became the dominant system of formalistic morality.
- D. The Protestant ethic collapsed as a viable ethical system.
- E. The religious formalism of the Protestant ethic has become a type of utilitarian consequentialism.

51. Opponents of the Civil Rights Act of 1964, in an attempt to prevent its passing, inserted a prohibition against _____ discrimination in employment, thinking that such discrimination was acceptable and that many others agreed with them.

- A. age
- B. religious
- C. sex
- D. race
- E. ethnic

52. Which of the following is NOT an ethical rule of legal regulation?

- A. Respect for the liberty and rights of others
- B. Exercising due care
- C. You are your brother's keeper
- D. Acting in good faith
- E. Avoiding conflicts of interest

53. Who, among the following, does not have a duty of confidentiality?

- A. An attorney
- B. A real estate broker
- C. A physician
- D. A mechanic
- E. A certified public accountant

54. In which of the following situations is there a conflict of interest?

- A. A judge who occasionally shops in a store that is involved in a case before the same judge.
- B. A real estate agent representing the buyer and seller of a house with permission from the buyer and seller.
- C. An agent working for a competitor of the agent's principal.
- D. A bank regulator using a credit union.
- E. A lawyer discussing a case with his or her boss.

55. Which of the following is a national group of senior business leaders that has identified a general list of topics that organizational codes of business ethics should cover?

- A. The Corporate Deciders
- B. The Business Roundtable
- C. National Business Ethics Survey
- D. The Board of Review
- E. The Springfield Armory

56. Hannah Arendt believed that immoral behavior was often the result of:

- A. apathy.
- B. ignorance.
- C. thoughtlessness.
- D. boredom.
- E. anger.

57. Plato wrote that immoral behavior often flows from _____.

- A. apathy
- B. ignorance
- C. thoughtlessness
- D. boredom
- E. anger

58. Stakeholder theory suggests that ethical corporate behavior:

- A. strongly relies on government interaction.
- B. focuses on whether corporate actions take the interests of all employees into account before making significant business decisions.
- C. depends on managers who recognize and take into account the various people whose interests the corporation impacts.
- D. takes unacceptable risks only when the risk has a reasonable likelihood of enriching the stakeholders net worth substantially.
- E. requires interaction between managers and customers to promote profit sharing.

59. Which of the following is credited with this expression: "[T]he theory of the Communists may be summed up in a single sentence: Abolition of private property."

- A. Bertrand A. Russell
- B. Karl Marx
- C. Samuel Adams
- D. Justice Potter Stewart
- E. Albert Camus

60. Supporters of private property contend that adequate property in resources maximizes _____.
A. gender equality.
B. total resources for each individual.
C. religious devotion.
D. total wealth in society.
E. communal fairness.
61. The poor may benefit from a private property system more than the rich because private property systems promote _____.
A. diversification of financial obligations.
B. protections of all citizens' resources.
C. accumulation of wealth.
D. unethical conduct.
E. gender equality.
62. What is created through the morality of property, or the legal right to exclude others from the resources one has or acquires?
A. A veil of ignorance
B. A categorical imperative
C. An economic interdependence
D. A field of protection
E. An exclusive private sphere

Short Answer Questions

63. How does the 2008 economic recession illustrate the potential problems of economic interdependence?
64. How would a formalist and a consequentialist view an employer secretly monitoring an employee's e-mail messages?
65. What potential problems arise from the modern corporate structure and its dependence on separation of the managers from the owners?

66. Civil rights leaders in their quest to promote civil rights and equality often held peaceful marches and non-violent sit-ins that they understood to be at times illegal. Their justification for their actions was to promote and give focus to inequities with the ultimate aim of reducing discrimination and establishing equal rights for all. Were these leaders acting ethically? Fully explain your answer citing the ethical theory you believe to apply.

67. Placing himself behind a wall of self-ignorance, Rawls proposed what ethical principles?

68. Peter is an 84-year-old with a heart condition. He has no family and minimal health insurance. He is on a fixed income and barely has enough money to survive. His doctor tells him that he needs to take a particular medicine for three months or his condition will severely worsen. The medicine will cost \$450 and only \$150 of the cost is covered by insurance. Peter goes to the bank and hands the teller a note saying, "Give me \$300.00 or I'll detonate a bomb." When Peter is later apprehended, he told the police that he stole the money to buy needed medicine. Understanding that bank robbery is a crime, is there an ethical theory that can serve to justify Peter's actions?

69. Of the two main systems of ethics, which do you think is better for a corporate philosophy? Compare the two giving examples of each and potential problems.
70. How could a utilitarian argue for the view that the tobacco industry is a positive part of society?
71. What roles do regulations serve in promoting or frustrating ethical decisions in the business world? Do you think there should be more or less regulations on business?

72. Is the concept of due care a formalist or consequentialist concept? What are the difficulties in applying this to business actions?
73. Trevor works at Trevsinc, a company that has been buying from Stigg Corp for years. Stigg Corp., a private corporation, has been doing very well recently, and will soon go public, selling its stock on the open market. As appreciation for his years of loyal service, Stigg Corp. offers Trevor the option of buying a large block of stock at a low fixed price before the initial public offering. However, over the last few months, Trevor has been concerned that the management of Stigg Corp. may not be acting ethically, and that the success may be because of the management's risky actions. What ethical issues must Trevor consider?
74. What are the purposes of permitting self-regulation, and what potential issues may arise from letting certain industries police themselves?

75. When facing an ethical dilemma, what questions should you ask yourself before making a personal or business decision?
76. Do you think it is practical to live by the categorical imperative in a corporate world? What problems could arise by applying this philosophy in a business perspective?
77. Achieving and maintaining an ethical business corporation is a laudable but difficult task. What are some of the obstacles that a corporation faces, by its very nature, in seeking an ethical culture?

78. Even with a code of ethics, why is it important for top management in a corporation to set an example for ethical conduct?
79. What is meant by stakeholder theory and who are the stakeholders of a corporation?
80. What were the four observations made by the Spanish journal, Boletín Circulo, about business ethics?

81. Why should businesses promote openness in communication?

82. How might corporate managers promote a culture of open communication within a corporation?

83. Much has been made in recent years of the disparity of property in the United States. Many say that it is unjust that a small percentage of Americans can own and control a large majority of the country's wealth and resources. Many oppose this view, responding that the very nature of property acknowledges that some may have more than others, but are not immoral for using or controlling more resources. Discuss the various views on the morality of property and your own views on modern America's property disparity.

True / False Questions

1. Federal sentencing guidelines reduce criminal fines for legal violations in companies that have taken specific steps to self-police ethical/legal conduct.

TRUE

Federal sentencing guidelines reduce criminal fines for legal violations in companies that have taken specific steps to self-police ethical/legal conduct.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

2. Economist Adam Smith believed that humans could not look beyond self-interest.

FALSE

Adam Smith recognized a moral element in human nature that goes beyond self-interest.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

3. Growing diversity in the workplace has reduced concerns over ethical values.

FALSE

Diversity fosters concern over values, and in recent years American society has become more openly pluralistic. Several trends illustrate society's concern over the possible fragmentation of ethical values at home, at school, and in business.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

4. Diverse societies are characterized as societies that have a single, unified system of ethical values that guide behavior.

FALSE

Ours is a diverse society, formed from many ethnic backgrounds, races, and religions. As a result, we have few shared ethical values to guide behavior. When a business decision maker does not share common values with society in general, any decision made has a greater likelihood of arousing ethical concern than if there is a common code of behavior and universally accepted values.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

5. Because of the increased influence of the Internet and extensive coverage of business in the news media, it has become increasingly difficult for businesses to hide questionable behavior.

TRUE

From the coverage of stock market manipulations to accounts of Enron's and Arthur Andersen's collapse, the news media and Internet heighten public attention and concern. What used to be considered private is now considered public. The ethical issues that surround nearly every significant business decision are easier to see than they once were.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

6. Federal law reduces criminal penalties for companies that take steps to control their ethical conduct.

TRUE

By reducing criminal fines for companies that have taken specific steps to self-police ethical/legal conduct, federal law encourages self-regulation.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.

7. Adam Smith, the author of *The Wealth of Nations*, perhaps the most famous book on economic theory ever written, denied the existence of any moral element in human nature that goes beyond self-interest.

FALSE

Adam Smith wrote, "However selfish man believes himself to be, there is no doubt that there are some elements in his nature which lead him to concern himself about the fortune of others, in such a way that their happiness is necessary for him, although he obtains nothing from it except the pleasure of seeing it."

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

8. It is appropriate for those engaged in international business to assume that all countries have the same ethical and moral values.

FALSE

Internationally, businesses often face problems when they do business with nations with different moral values. What is wrong in the United States may be right somewhere else and vice versa.

AACSB: Ethics
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

9. Ultimately, the commitment to ethical values is superior to mere observance of the law in ensuring responsible business behavior.

TRUE

Ethical systems also involve a broader-based commitment to proper behavior than does the law. Law sets only the minimum standards acceptable to a society.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: The Nature of Ethics

10. Formalism is primarily a duty-based view of ethics that creates moral obligations that one must satisfy in order to be ethical.

TRUE

Formalism is an approach to ethics that affirms an absolute morality. A particular act is in itself right or wrong, always and in every situation. For example, lying is wrong. There are no justifications for it, and its wrongness does not depend on the situation in which the lie is told.

AACSB: Analytic
Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.

Topic: Two Systems of Ethics

11. The foundation of John Rawls's social contract theory is a firm belief that self-knowledge and self-promotion will create the most just society.

FALSE

Rawls suggests a simple first step in determining the ethical values on which a just society can be built. We should assume that we do not know our age, gender, race, intelligence, strength, wealth, or social status. This step is vital because it keeps us from being self-interested in the ethical values we consider.

AACSB: Analytic
Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.

Topic: Two Systems of Ethics

12. Businesses working in the international arena find social contract theory especially valuable because it promotes the idea that all parties deserve an equal opportunity for achievement, regardless of the country or system of laws they come from.

TRUE

Social contract theory is especially valuable in international business where, in the absence of much law, businesses from various cultures must agree as to the terms under which international business is to take place.

AACSB: Analytic
Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.

Topic: Two Systems of Ethics

13. The social contract theory acknowledges that there are significant social and economic inequalities, but these inequalities should exist solely based upon what a person does, not on who a person is.

TRUE

Though there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is, and everyone must have an equal opportunity for achievement. Since there are natural differences of intelligence and strength and persistent social differences of wealth, class, and status, defining "equal opportunity" is crucial to this ethical principle.

AACSB: Analytic

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.

Topic: Two Systems of Ethics

14. Within a strict utilitarian system of ethics, an action is considered unethical if it is inherently wrong, regardless of the circumstances under which the action is taken.

FALSE

If actions increase the common good, they are ethical. If actions cause overall harm to society, they are unethical. The dominant form of consequentialism is utilitarianism. Utilitarianism judges actions by usefulness, by whether they serve to increase the common good. For utilitarians, the end justifies the means.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.

Topic: Two Systems of Ethics

15. Modern business ethics reflects elements of both formalism and consequentialism, but tends to focus more heavily on consequentialism.

TRUE

Although these two systems are not mutually exclusive in the outcomes of their moral analyses, they begin from different assumptions. Most people adopt elements of both systems in making ethical choices.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

16. The Protestant ethic proved to be a great influence on modern capitalism, but its focus on absolute moral values was replaced by a focus on wealth and mass consumption.

TRUE

The part of the Protestant ethic that supported hard work, success, and rational planning continued, but without the original absolute moral values. The Protestant ethic became transformed into an organizational ethic that supports the modern bureaucratic managerial system.

*AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy*

*Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics*

17. A formalist would conclude that a business's secret monitoring of employees is ethical if the monitoring reveals a significant number of crimes or malfeasance, providing a net good for the business.

FALSE

Formalists might say that secret monitoring treats employees only as a means to the end of increasing organizational efficiency and does not respect their self-worth as individuals. The monitoring also does not respect their dignity and their privacy.

*AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium*

*Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics*

18. Looking into the initial intentions of parties to a business contract evidences consequentialism.

FALSE

For a formalist, a particular act is in itself right or wrong, always and in every situation. For example, lying is wrong. There are no justifications for it, and its wrongness does not depend on the situation in which the lie is told. For the consequentialist, lying itself is not unethical. It is the consequences, or end results of lying, that must be evaluated for their ethical implications. It is the loss of trust or harm done by lying that is unethical.

AACSB: Analytic

19. It is unlikely that a business or professional organization would look to law or legislation when drawing up an internal code of ethical conduct.

FALSE

Legal regulation is a significant source of values for business ethics. In our society ethical values frequently become law and legal regulation can reflect society's ethical values.

20. Courts often use a balancing test when examining whether a party acted with due care in negligence cases.

TRUE

The balancing test is central to the concept of due care, and balances the likelihood that the defendant's conduct will cause harmful consequences, taken with the seriousness of the harmful consequences, against the effort required to avoid the harmful consequences.

21. The legal requirement of honoring confidentiality contains both formalist and consequentialist ethical values.

TRUE

Many "insider trading" scandals have occurred because corporate agents illegally traded on confidential information they learned from their positions in the corporation. The trading, itself, is illegal and unethical, but also a detriment to the corporation.

22. There is no way to create enough rules to cover all possible ethically significant situations, even if they could be identified in advance.

TRUE

As with achieving other challenging business objectives, there will be satisfaction in ethical business decision making.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-03 To generate an individual framework for ethical values in business.
Topic: Sources of Values for Business Ethics

23. Ambrose Bierce posited that individuals in large groups such as corporations feel more responsibility and accountability for what happens in the group than they do for what happens in their individual lives.

FALSE

Bierce once remarked that the corporation is "an ingenious device for obtaining individual profit without individual responsibility."

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

24. Of the world's 100 largest economies, 49 of them are countries and 51 are companies.

TRUE

General Motors has greater annual sales than the gross national products of Denmark, Thailand, Turkey, South Africa, or Saudi Arabia. Wal-Mart's economy is larger than that of Poland, Ukraine, Portugal, Israel, or Greece.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

25. Profits and business ethics are not contradictory.

TRUE

Some of the most profitable businesses have also historically been the most ethical.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

*Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation*

26. Those who argue that a system of property ownership is ethically moral do so by appealing to strict formalism, arguing that the morality of property rights should be determined on an individual basis.

FALSE

Supporters of property defend it through consequentialism, arguing that adequate property in resources maximizes total wealth in society. It provides incentives for individuals and groups to develop both physical and human resources to produce the goods that society values.

AACSB: Analytic
Blooms: Understand
Difficulty: 3 Hard

*Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation*

27. A business that does not act ethically severs itself from society, from the good, and ultimately from its own source of support.

TRUE

Business plays a vital role in serving society, and we cannot isolate the impact of important business decisions from their social consequences. For businesses merely to observe the law is not sufficiently responsible.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

*Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation*

28. Because property is a legal system created to focus on individual ownership, it contains no issues of morality.

FALSE

Property provides an ordering of relations between people. It acknowledges that each person has an exclusive sphere for private resources that all other persons must observe.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Property as a System of Personal Ethics

29. To harm others' safety and health, freedom of choice, or liberty of movement is to infringe their right of property.

TRUE

Property applies both to what is mine and to what is yours. As a part of the system of property, you must recognize what is mine but I also must recognize what is yours. Morally, as well as legally, each must respect the equal right of others to what is proper to them.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Property as a System of Personal Ethics

30. A major concern of those who criticize property is the power over others conveyed by the possession of great capital resources.

TRUE

Karl Marx saw capitalists as oppressing workers and exploiting their labor resources. Religious critics often associate greed with property and argue that property discourages sharing and deprives us of a spiritual focus to life.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Property as a System of Personal Ethics

Multiple Choice Questions

31. The Wealth of Nations was written by _____.

- A.** Adam Smith
- B. Karl Marx
- C. Emmanuel Kant
- D. Euripides
- E. Socrates

Adam Smith wrote The Wealth of Nations, perhaps the most famous book on economic theory ever written.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

32. Federal law and business leaders alike favor _____ as a means of governing private business ethics.

- A. creating uniform statutes of business ethics
- B.** self-regulation by companies
- C. giving the federal government exclusive jurisdiction regarding ethics and ethics violation enforcement
- D. establishment of federal regulators in all private companies to establish and enforce ethical standards
- E. case-by-case determinations of what constitutes a breach of business ethics

Business leaders have become increasingly concerned with business ethics precisely because they want to limit further governmental regulation. They recognize that by encouraging ethical conduct and self-regulation within business organizations, they will prevent outside standards from being imposed on them through public law.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics

33. Which of the following provides the best definition of ethics?

- A. Ethics is a formal system for evaluating who profits in a business transaction.
- B. Ethics is merely a different term for the laws and regulations created by a government.
- C. Ethics is merely another word for morality, which is only involved in what is right and what is wrong.
- D. Ethics is a simplified term given to the momentary decisions we all make regarding which answer will lead each person to the most personally successful solution.
- E. Ethics is a formal system for deciding what is right and wrong and for justifying moral decisions.**

Ethics involves a rational method for examining our moral lives, not only for recognizing what is right and wrong but also for understanding why we think something is right or wrong.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Property as a System of Personal Ethics

34. Which is the best definition of "the good", as defined by philosophers?

- A. Increasing profit margins on a quarterly basis.
- B. The moral goals and objectives we choose to pursue.**
- C. The acquisition of all of the things necessary for having a good life.
- D. Whatever makes an individual happy.
- E. Eating meat and consuming alcohol.

The end result of ethical examination is what philosophers call the good. The concept of the good is central to the study of morality. The good may be defined as those moral goals and objectives we choose to pursue. It serves to define who we are. Thus, leading a good life means more than having the good life. It means more than material possessions and luxury.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Property as a System of Personal Ethics

35. Mike is driving 15 miles over the posted speed limit when he is pulled over by Tom, a local police officer. As Tom approaches the car, he hears Kathy in the front seat moaning in pain. Mike tells Tom that Kathy is in labor and that he is rushing to the hospital. Tom issues Mike a speeding ticket, nevertheless. Tom's ethical approach in this matter most closely matches:

- A. utilitarianism.
- B. relativism.
- C. the Protestant ethic
- D. formalism.**
- E. hedonism.

To a formalist, a particular act is in itself right or wrong, always and in every situation. For example, lying is wrong. There are no justifications for it, and its wrongness does not depend on the situation in which the lie is told.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Property as a System of Personal Ethics

36. Ethical formalists maintain that:

- A. harm to an individual is allowable as long as it serves a greater good.
- B. values are situational and change based on circumstance.
- C. harm to individual rights is never justified by an increase in organizational or common good.**
- D. the good of the many always supersedes the good of the few.
- E. right and wrong are unknowable.

For the formalist, the ethical focus is on the worth of the individual. Individuals have rights, and these rights should not be infringed, even at the expense of society as a whole, because they have an intrinsic moral value to them.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

37. The _____ emphasizes consistency and compels a person to act as he believes everyone should act.

- A. formalist theory
- B. deontological imperative
- C. categorical imperative**
- D. contractualist approach
- E. relativistic approach

Within this ethical system, you should never act in a certain way unless you are willing to have everyone else act in the same way. You cannot make an exception for your own actions.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

38. Who developed the theory of the categorical imperative?

- A. Socrates
- B. Plato
- C. John Rawls
- D. Immanuel Kant**
- E. Charles Darwin

For Immanuel Kant, to be ethical requires that you act with a good intent. To have a good intent, you have to act in ways that are ethically consistent. Note the similarities between Kant's categorical imperative and the Golden Rule: "Do to others as you would have others do to you."

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

39. For Immanuel Kant, to be ethical requires that a person act:

- A. only under coercion.
- B. only to benefit himself.
- C. out of a sense of duty.
- D. with a good intent.**
- E. without the influence of others.

For Immanuel Kant, to be ethical requires that you act with a good intent. To have a good intent, you have to act in ways that are ethically consistent. Note the similarities between Kant's categorical imperative and the Golden Rule: "Do to others as you would have others do to you."

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

40. Who developed the social contract theory?

- A. John Rawls**
- B. Immanuel Kant
- C. John Locke
- D. Jack Sheppard
- E. Plato

The social contract theory of Harvard philosopher John Rawls furnishes an important recent example of how formalism has influenced thinking about business and personal ethics.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

41. The social contract theory concerns itself with how to construct a just society given:

- A. the many inequalities of wealth, knowledge, and social status.
- B. the difficulty of acting toward others as you would have them act toward you.
- C. the many logical fallacies contained in legal contracts.
- D. the implicit agreement that the powerful are best suited to govern.
- E. the inherent nature of those in a society to argue and reject consensus.

To correct for the inequalities of wealth, knowledge, and social status, Rawls suggests a simple first step in determining the ethical values on which a just society can be built. We should assume that we do not know our age, gender, race, intelligence, strength, wealth, or social status.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

42. According to Rawls, it is important to forget our own age, gender, race, intelligence, strength, wealth, or social status when determining just actions. What is the purpose of this?

- A. This permits us to act as pure American citizens.
- B. It keeps us from being self-interested in the ethical values we consider.
- C. This makes each individual like a blank sheet of paper on which a contract may be written.
- D. It makes it easier to consider the usefulness of our actions.
- E. This promotes the assumption that what one personally needs or wants is morally correct.

This step is vital because it keeps us from being self-interested in the ethical values we consider. For example, not knowing our sex or race, will we agree that it is ethical to discriminate in employment compensation based on sex or race? Not knowing our wealth, will we agree that owning property is a fair prerequisite to being able to vote? Not knowing our age or work status, will we agree that it is just for a company to have mandatory retirement of its officers at age 65?

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

43. The "veil of ignorance" means that to think ethically you must:

- A. lose the assumption that what you personally want or need is necessarily morally correct.
- B. recognize that one cannot make valid ethical decisions unless they are totally unaware of the other parties involved so as to eliminate bias.
- C. recognize that one cannot make valid ethical decisions unless they are totally unaware of the circumstances leading to the ethical dilemma so as not to be influenced by unchangeable history.
- D. put yourself in the position of those affected by your decision and act as you would want them to act.
- E. make every ethical decision as if you did not have any education in ethical or moral history.

Placing himself behind a veil of self-ignorance, Rawls proposes two ethical principles. First, everyone is entitled to certain equal basic rights, including liberty, freedom of association, and personal security. Second, although there may be social and economic inequalities, these inequalities must be based on what a person does, not on who a person is, and everyone must have an equal opportunity for achievement.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

44. Making ethical or moral decisions to promote the common good is a significant principle of ethical _____.

- A. existentialism
- B. daoism
- C. utilitarianism
- D. self-promotion
- E. fundamentalism

The ethics of actions are measured by how they promote the common good. If actions increase the common good, they are ethical. If actions cause overall harm to society, they are unethical.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

45. The dominant form of consequentialism is:

- A.** utilitarianism.
- B. social contract theory.
- C. the categorical imperative.
- D. the Protestant ethic.
- E. Marxism.

If formalism focuses on individual rights, consequentialism focuses on the common good. The ethics of actions are measured by how they promote the common good. If actions increase the common good, they are ethical. If actions cause overall harm to society, they are unethical.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

46. The values-based management approach to business ethics illustrates consequentialism through its emphasis on:

- A. teaching ethical values to management and supervisory personnel that enhances the profitability of the company.
- B.** teaching ethical values to all employees that enhance the profitability of the company.
- C. teaching ethical values to management and supervisory personnel with the aim of avoiding ethical issues whether profitability is affected or not.
- D. teaching ethical values to all employees with the aim of avoiding ethical issues whether profitability is affected or not.
- E. teaching ethical values to employees in order to punish them for unethical conduct.

Examples of values-based management include teaching why it is wrong to use company computers for personal entertainment during work hours and why it is unethical to use company long-distance phone service to contact friends and relatives.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

47. Since the primary goal of business is to make a profit, this orientation mainly involves:

- A. deontology.
- B. formalism.
- C. consequentialism.
- D. absence of ethics.
- E. Darwinism.

Unfortunately, with the decline of the Protestant ethic, emphasis on corporate profit alone sometimes conflicts with ethical responsibility. How a profit is made becomes less important than that it is made. Various business scandals illustrate this point.

AACSB: Analytic
Blooms: Understand
Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

48. Business ethics reflects elements of:

- A. formalism only.
- B. consequentialism only.
- C. both fundamentalism and consequentialism with a focus on formalism.
- D. both fundamentalism and consequentialism with a focus on consequentialism.
- E. neither formalism nor consequentialism.

Although business ethics reflect elements of both formalism and consequentialism, they focus more heavily on the latter. Business leaders feel a need to justify what they do in terms of whether or not it produces dividends for their shareholders. Their primary goal or end is to produce a profit. This orientation reflects consequentialism.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics

49. The Protestant ethic is rooted in:

- A. utilitarianism.
- B. consequentialism.
- C. relativism.
- D. formalism.**
- E. epistemology.

The Protestant ethic was rooted in a formalist approach: honesty and keeping promises were intrinsically good. Religion provided the impetus to hard work and achievement. Human desire and indulgence, said Protestants, should be bent to God's will through self-denial, rational planning, and productivity.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

50. According to sociologist Robert Jackall's view of the modern bureaucratic managerial system, how has the Protestant ethic changed over time?

- A. The Protestant ethic has become the only viable ethical system for American corporations.
- B. The profiteering of the Protestant ethic became a justification for economic excess.
- C. The religious consequentialism of the Protestant ethic became the dominant system of formalistic morality.
- D. The Protestant ethic collapsed as a viable ethical system.
- E. The religious formalism of the Protestant ethic has become a type of utilitarian consequentialism.**

The part of the ethic that supported hard work, success, and rational planning continued, but without the original absolute moral values. The Protestant ethic became transformed into an organizational ethic that supports the modern bureaucratic managerial system.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

51. Opponents of the Civil Rights Act of 1964, in an attempt to prevent its passing, inserted a prohibition against _____ discrimination in employment, thinking that such discrimination was acceptable and that many others agreed with them.

A. age
B. religious
C. sex
D. race
E. ethnic

Despite their efforts, however, the Civil Rights Act passed, and over the years, as legal battles involving sex discrimination in employment were fought, Americans' moral sense of the importance of equal employment opportunity regardless of sex caught up with the law.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

52. Which of the following is NOT an ethical rule of legal regulation?

A. Respect for the liberty and rights of others
B. Exercising due care
C. You are your brother's keeper
D. Acting in good faith
E. Avoiding conflicts of interest

In fact, many business and professional organizations look to the law when drawing up their codes of ethical conduct. At least five major ethical rules can be drawn from the law. These include: respect for the liberty and rights of others; the importance of acting in good faith; the importance of exercising due care; the importance of honoring confidentiality; avoidance of conflicts of interest.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

53. Who, among the following, does not have a duty of confidentiality?

- A. An attorney
- B. A real estate broker
- C. A physician
- D. A mechanic**
- E. A certified public accountant

The legal requirement of honoring confidentiality appears in agency law generally and in the professional-client relationship in particular.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

54. In which of the following situations is there a conflict of interest?

- A. A judge who occasionally shops in a store that is involved in a case before the same judge.
- B. A real estate agent representing the buyer and seller of a house with permission from the buyer and seller.
- C. An agent working for a competitor of the agent's principal.**
- D. A bank regulator using a credit union.
- E. A lawyer discussing a case with his or her boss.

A conflict of interest occurs when one attempts to "serve two masters," and no agent or employee of one principal can secretly work for another whose interest competes with that of the first principal.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

55. Which of the following is a national group of senior business leaders that has identified a general list of topics that organizational codes of business ethics should cover?

- A. The Corporate Deciders
- B. The Business Roundtable**
- C. National Business Ethics Survey
- D. The Board of Review
- E. The Springfield Armory

A majority of organizational codes of business ethics, like those created by the Business Roundtable, provide sanctions for their violation, up to and including employee termination. As with professional codes of conduct, it is appropriate to call these organizational codes self-regulation.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

56. Hannah Arendt believed that immoral behavior was often the result of:

- A. apathy.
- B. ignorance.
- C. thoughtlessness.**
- D. boredom.
- E. anger.

The philosopher Hannah Arendt explained that evil often comes from a kind of thoughtlessness.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-03 To generate an individual framework for ethical values in business.
Topic: Sources of Values for Business Ethics

57. Plato wrote that immoral behavior often flows from _____.

- A. apathy
- B. ignorance**
- C. thoughtlessness
- D. boredom
- E. anger

Plato wrote that immoral behavior often flows from ignorance.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-03 To generate an individual framework for ethical values in business.
Topic: Sources of Values for Business Ethics

58. Stakeholder theory suggests that ethical corporate behavior:

- A. strongly relies on government interaction.
- B. focuses on whether corporate actions take the interests of all employees into account before making significant business decisions.
- C. depends on managers who recognize and take into account the various people whose interests the corporation impacts.**
- D. takes unacceptable risks only when the risk has a reasonable likelihood of enriching the stakeholders net worth substantially.
- E. requires interaction between managers and customers to promote profit sharing.

Stakeholder theory includes but goes beyond the responsibilities of corporate governance, which focuses on the legal responsibilities of managers to society and to the investor-owners of the corporation.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

59. Which of the following is credited with this expression: "[T]he theory of the Communists may be summed up in a single sentence: Abolition of private property."

- A. Bertrand A. Russell
- B. Karl Marx**
- C. Samuel Adams
- D. Justice Potter Stewart
- E. Albert Camus

Property critics like Marx seem to long for a time when the abundant resources of nature were common to everyone, sufficient to satisfy the needs of all, and free for the taking.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

60. Supporters of private property contend that adequate property in resources maximizes _____.

- A. gender equality.
- B. total resources for each individual.
- C. religious devotion.
- D. total wealth in society.**
- E. communal fairness.

Private property provides incentives for individuals and groups to develop both physical and human resources to produce the goods that society values.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

61. The poor may benefit from a private property system more than the rich because private property systems promote _____.

- A. diversification of financial obligations.
- B. protections of all citizens' resources.**
- C. accumulation of wealth.
- D. unethical conduct.
- E. gender equality.

The poor may actually benefit from an adequately enforced property system more than the rich since the rich are often able to guard their resources better than the poor and are less likely to have their resources coerced from them.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

62. What is created through the morality of property, or the legal right to exclude others from the resources one has or acquires?

- A. A veil of ignorance
- B. A categorical imperative
- C. An economic interdependence
- D. A field of protection
- E. An exclusive private sphere**

Property provides an ordering of relations between people. It acknowledges that each person has an exclusive sphere for private resources that all other persons must observe.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

Short Answer Questions

63. How does the 2008 economic recession illustrate the potential problems of economic interdependence?

As credit from the banks dried up, the adverse economic effects spiraled throughout the economy. The mortgages that had been bundled and used as collateral for the banks' investments were lost, so many homeowners found their mortgages increased when it became clear that many banks were insolvent. The homeowners, unable to meet their monthly payments, soon became unable to pay their bills, and soon withdrew from the economy as their discretionary income shrank. By 2011 about four million families had lost their homes to foreclosure and another half million had slipped into the foreclosure process or were seriously behind on their mortgage loan payments. Some \$11 trillion in household wealth had vanished, with retirement accounts and life savings swept away. Millions of workers lost their jobs during the recession, and even as the economy began to recover, they had difficulty finding new work.

*AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard*

*Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics*

64. How would a formalist and a consequentialist view an employer secretly monitoring an employee's e-mail messages?

Formalist: it is a means to an end of corporate efficiency, and does not respect the self-worth of the individual employees. Formalists might conclude that this behavior is unethical. Consequentialist: the act of monitoring is neither right nor wrong. Monitoring the e-mail to punish wrongdoers is ethical because it increase productivity and benefits society. The same monitoring can lower employee morale when it is discovered, thus decreasing productivity and loyalty.

*AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium*

*Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics*

65. What potential problems arise from the modern corporate structure and its dependence on separation of the managers from the owners?

The problem is that the corporate leaders are not the real owners of corporations. The stockholders are, and although corporate executives and managers may own some stock, they seldom own significant percentages of very large companies. The ethical problem that can arise is that the executives and managers who control what the stockholders own are sometimes able to manipulate corporate actions for their own benefit, actions that have unacceptable risks to the owners and others.

*AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium*

*Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Two Systems of Ethics*

66. Civil rights leaders in their quest to promote civil rights and equality often held peaceful marches and non-violent sit-ins that they understood to be at times illegal. Their justification for their actions was to promote and give focus to inequities with the ultimate aim of reducing discrimination and establishing equal rights for all. Were these leaders acting ethically? Fully explain your answer citing the ethical theory you believe to apply.

Student answers will vary. Those who believe that they acted unethically should cite and explain a formalist approach to justify their answer. Those students who believe that the actions were ethical should cite a consequentialist/utilitarian approach to justify their answer.

*AACSB: Ethical
Blooms: Remember
Difficulty: 2 Medium*

*Learning Objective: 02-01 To compare the connection between law and ethical principles.
Topic: Contemporary Business Ethics*

67. Placing himself behind a wall of self-ignorance, Rawls proposed what ethical principles?

Rawls states that 1) everyone is entitled to certain equal basic rights, including liberty, freedom of association, and personal security; and 2) although there are some social and economic inequalities, these inequalities must be based on what a person does, not who a person is. Everyone must have an equal opportunity for achievement. Rawls insists that everyone in society have the right to an equal place at the starting line.

AACSB: Analytic
Blooms: Remember

Difficulty: 3 Hard

Learning Objective: 02-01 To compare the connection between law and ethical principles.

Topic: Two Systems of Ethics

68. Peter is an 84-year-old with a heart condition. He has no family and minimal health insurance. He is on a fixed income and barely has enough money to survive. His doctor tells him that he needs to take a particular medicine for three months or his condition will severely worsen. The medicine will cost \$450 and only \$150 of the cost is covered by insurance. Peter goes to the bank and hands the teller a note saying, "Give me \$300.00 or I'll detonate a bomb." When Peter is later apprehended, he told the police that he stole the money to buy needed medicine. Understanding that bank robbery is a crime, is there an ethical theory that can serve to justify Peter's actions?

The ethical theory of consequentialism examines the moral consequences of actions rather than the morality of the actions themselves. No one may argue that stealing can be legal but Peter's purpose was not to do harm and was merely for self-survival where he had no alternative. A consequentialist will view his actions as ethical under these circumstances.

AACSB: Analytic
Blooms: Remember

Difficulty: 3 Hard

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.

Topic: Two Systems of Ethics

69. Of the two main systems of ethics, which do you think is better for a corporate philosophy? Compare the two giving examples of each and potential problems.

Students should engage the material, discussing the implications of how to always know what is moral for formalists and the relativity of deciding right and wrong only after the consequences have been considered. Students should exhibit knowledge of the material in how corporate managers must be held accountable to objective standards, but compare this with the overarching purpose of profit.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

70. How could a utilitarian argue for the view that the tobacco industry is a positive part of society?

Utilitarian's view of the tobacco industry as a positive part of society: 1) tobacco products have been consumed in the United States since at least the early 1600s; 2) hundreds of thousands of people are involved in the growing, manufacturing, distributing, and selling of tobacco products; and 3) tobacco companies spend about \$13 billion annually in advertising and promoting tobacco sales which benefits the economy.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Two Systems of Ethics

71. What roles do regulations serve in promoting or frustrating ethical decisions in the business world? Do you think there should be more or less regulations on business?

Legal regulations limit freedom and restrain the choices of those who participate in business. Companies are limited in the decisions they can make, preventing them from exercising their own ethical decision-making. But regulations also promote equality and prevent companies from only seeking profit, regardless of the ethical implications. Regulations may reflect the changes in society, which can often reflect increased equality, inclusiveness, and welfare. But governments may also impose regulations that do not reflect societal values, or, worse, society's values may not be the most ethical impositions.

AACSB: Analytic

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.

Topic: Sources of Values for Business Ethics

72. Is the concept of due care a formalist or consequentialist concept? What are the difficulties in applying this to business actions?

Due care demands that individuals and companies do what is right, given the information available, so it seems that it has a basis in formalism. But the decisions regarding due care are usually made in court only after something has gone wrong. The Bridgestone/Firestone issue discussed in the text draws attention to the consequentialist nature of due care, in that the decision was a balance between the small fraction of tires that showed defects and the overall potential for damage or injury that could result. The problem is that it is often difficult for companies to know whether to choose reason and permit the small defects to exist or to choose pure morality and never let anything that could go wrong cause an injury.

AACSB: Analytic

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.

Topic: Two Systems of Ethics

73. Trevor works at Trevsinc, a company that has been buying from Stigg Corp for years. Stigg Corp., a private corporation, has been doing very well recently, and will soon go public, selling its stock on the open market. As appreciation for his years of loyal service, Stigg Corp. offers Trevor the option of buying a large block of stock at a low fixed price before the initial public offering. However, over the last few months, Trevor has been concerned that the management of Stigg Corp. may not be acting ethically, and that the success may be because of the management's risky actions. What ethical issues must Trevor consider?

Students should discuss conflicts of interest. Specific consideration should be given to the issue of accepting stock options before the IPO, whether taking these is something similar to a bribe, and whether Trevor should accept the options, at all. Further, students should discuss the complications that arise through Trevor's concerns about Stigg's management, and whether he wants to take a risk on the stock, if he chooses to take it.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

74. What are the purposes of permitting self-regulation, and what potential issues may arise from letting certain industries police themselves?

Self-regulation is a means of promoting autonomy within the business sectors. Fields such as doctors and lawyers should properly regulate themselves, as theirs are specific, idiosyncratic fields and the knowledge of how best to regulate them should be made by those who best know the fields, namely those within them. Promoting self-regulation in business is important to foster self-determination, and creates cultures of accountability. Self-regulation also eases the burden of the government. But self-regulation can be susceptible to self-interest and may permit these industries to avoid accountability.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-02 To analyze why ethical consequentialism and not ethical formalism has been the chief source of values for business ethics.
Topic: Sources of Values for Business Ethics

75. When facing an ethical dilemma, what questions should you ask yourself before making a personal or business decision?

Questions to ask: 1) Have I thought about whether the action I may take is right or wrong? 2) Will I be proud to tell of my action to my family, employer, or news media? 3) Am I willing for everyone to act as I am thinking of acting? 4) Will my decision cause harm to others or to the environment? 5) Will my actions violate the law?

AACSB: Analytic

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 02-03 To generate an individual framework for ethical values in business.

Topic: Sources of Values for Business Ethics

76. Do you think it is practical to live by the categorical imperative in a corporate world? What problems could arise by applying this philosophy in a business perspective?

Kant believed that you have a moral duty to act in the way you believe everyone should act. You should never act in a certain way unless you are willing to have everyone else act in the same way. You cannot make an exception for your own action. Kant said that to make an exception for your own behavior is immoral and unethical. This is problematic in the real world, as it relies on your own sense of justice to determine how others should act toward you. But it also forecloses the possibility of doing something potentially wrong in a minor sense to effect a greater result. For instance, some business decisions will undoubtedly have negative results, and one would not want those results imposed on oneself. But sometimes those decisions must be made in order to best serve the business. Relying on individual morality may, in itself, be selfish and impractical.

AACSB: Analytic

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 02-03 To generate an individual framework for ethical values in business.

Topic: Sources of Values for Business Ethics

77. Achieving and maintaining an ethical business corporation is a laudable but difficult task. What are some of the obstacles that a corporation faces, by its very nature, in seeking an ethical culture?

There are three distinct obstacles that corporations face in their quest to be ethical. First, there is an emphasis on profit. The nature of a corporation is that its purpose is to make money. Stakeholders demand and expect profits that often force decision makers to choose between black, white and gray issues. Second, the effect of the group maintains that the larger a group, the less responsibility the individual feels for their actions. Third, there is often a control of resources by nonowners. When these nonowners have control of the corporate property, it is easy for a manipulation of these resources for personal gain or pleasure, resulting in abuse.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

78. Even with a code of ethics, why is it important for top management in a corporation to set an example for ethical conduct?

It is important for top management to set an ethical example to stress that any code of ethics is important and enforced. Also, as Jackall argues, employees want to 'fit in'; the employees fit in by emulating the top management. If the employees are going to act like the top management, then you want them to act ethically.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

79. What is meant by stakeholder theory and who are the stakeholders of a corporation?

Stakeholder theory holds that ethical corporate behavior requires that directors and managers take into account everyone whose interests the corporation impact. Those impacted are called stakeholders. Stakeholders include customers, suppliers, creditors, employees, the community at large, as well as the board of directors, the officers, investors and the managers.

AACSB: Analytic

80. What were the four observations made by the Spanish journal, Boletín Circulo, about business ethics?

The four observations about business ethics are that: 1) profits and business ethics are not contradictory; 2) an ethical organizational life is a basic business asset that should be encouraged; 3) ethics are a continuing concern to the business community; and 4) business ethics reflect business leadership.

81. Why should businesses promote openness in communication?

For ethical corporate values to make their most significant impact on decision making, corporate employees must be willing to talk with each other about ethical issues. Openness promotes trust, and without trust even the best-drafted code of ethics will likely fall short of achieving an ethical business corporation. Beyond helping establish trust, openness in communication is necessary for ethical corporate decision making because of the complexity of information required to evaluate the implications of many business decisions.

82. How might corporate managers promote a culture of open communication within a corporation?

Students' answers may vary. Ways to promote communication include top management providing a good role model of concern for speaking out on ethical issues. Another possibility is for employees to meet periodically in small groups to consider either real or hypothetical ethical problems. In general, a shared corporate commitment to the ideal of ethical decision making is important to openness in communication.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation

83. Much has been made in recent years of the disparity of property in the United States. Many say that it is unjust that a small percentage of Americans can own and control a large majority of the country's wealth and resources. Many oppose this view, responding that the very nature of property acknowledges that some may have more than others, but are not immoral for using or controlling more resources. Discuss the various views on the morality of property and your own views on modern America's property disparity.

Students' answers may vary. Student can discuss Marx, Communism, socialism, and religious criticisms of property. In support of property, students should discuss how it is impossible to go back to some time, possibly imaginary, when there were no resource allocation problems, and focus on how adequate property in resources maximizes total wealth in society, stating that the poor may actually benefit from an adequately enforced property system more than the rich.

AACSB: Analytic
Blooms: Remember
Difficulty: 3 Hard

Learning Objective: 02-04 To evaluate the obstacles and rewards of ethical business practice in our property-based legal system.
Topic: Achieving an Ethical Business Corporation