# Unit 4 Midterm Paper

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BU 642-8 Business and Labor Law

**INTRODUCTION**

This paper will evaluate how a company’s system of ethics, court case law, legal statutes and government regulations affect business organizations. It will cover the definition and history of ethics and illustrate it’s progression and evolution. Treatment will be given to how the aforementioned has an effect on protecting society from harm that can be caused by business and unfair business practices.

**HISTORY AND EVOLUTION OF ETHICS**

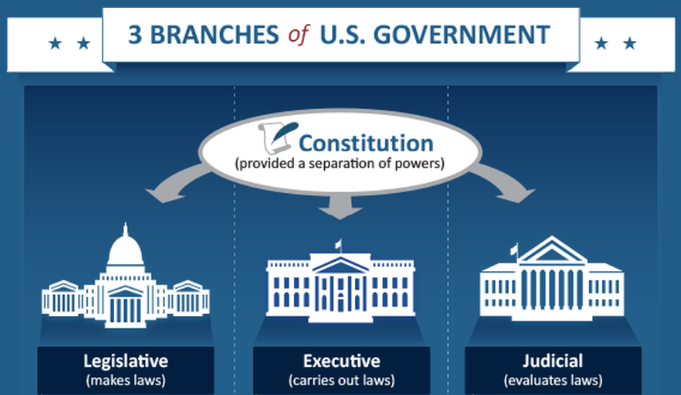
**ETHICS**

“Ethicsthe discipline dealing with what is good and bad and with moral duty and obligation. A set of moral principles.A theory or system of moral values.” ("Ethic", n.d.)

History Ethics is a matter of what is good for individuals and society. The term ethics is derived from Greek word ethikos, which derives from ethos. Ethos means custom or character. The history and development of ethics comes by way of the succession of three Greek Philosophers: Socrates, Plato, and Aristotle.

1. Socrates (469-399 BC) is credited with being the father of the western philosophy of ethics. He believed that dialogue was necessary to discover what was ethical.
2. Plato (428-348 BCE) was a student of Socrates. His approach to ethics was through virtue, which consists of two forms: popular virtue and philosophical virtue. “Popular virtue consists of knowing and applying the rules of conduct of the community.” (Frémeaux, Michelson, Noël-Lemaitre, 2018) Philosophical virtue is developed through constant education of thought, attention and self-consciousness.
3. Aristotle (384-322 BCE) subsequently was the student of Plato. Like his teacher, Aristotle had a prescribed to the school of thought that virtue is developed through repetitious moral training.

Ethics make up the starting point of right and wrong behavior at the individual level and further more at the public or societal level. Institutions were erected around the ideas of ethics. For the greater good of society, ethics are more formalized and instituted by governing powers. They take on a different term, i.e. laws. Laws define right and wrong for the community-at-large. In the United States those governing powers are the three branches of government.



**Figure II. How Federal Regulations Are Made**

**THREE BRANCHES OF UNITED STATES GOVERNMENT**

1. Legislative branch of government is responsible for creating laws. These laws are referred to as statutes. Legislature exist at the federal and state levels on government. Each makes laws. Federal legislature make laws that govern the entire country. State legislature create laws that must coincide with federal laws. State statutes only apply to the state which they were created.
2. Executive branch of government enforces the laws. The executive branch is also referred to as the administrative branch of government. Agencies, such as the Federal Trade Commission, Securities Exchange Commission, and Environmental Protection Agency are empowered to enforce laws by creating regulations. Regulations will provide additional details regarding the laws.
3. Judicial branch of government interprets the laws. This takes place in courts at the federal, state, and municipal levels of the country. The persons interpreting the application of the laws are court judges. Judgements can create more details on the application of laws. During a court case, judges will decided if laws were intended for the particular circumstances presented. Future litigation efforts can use statues in addition to case law.

**DIFFERENT FORMS OF LAW**

**STATUTES**

**REGULATION**

Regulation is “a rule or order issued by an executive authority or regulatory agency of a government and having the force of law.” ("Regulation ", n.d.) Regulations provide further details within the guidelines of the law as provided through the statutes of the legislature. Statutes, also called acts, will be created by legislature. An agency will then create regulations, The agencies are also charged with the duties of enforcing the laws.

**CASE LAW**

Case law “is law established by judicial decision in cases.” ("Case Law", n.d.) It is law based on the opinions of judges and their interpretation of the law as applied to a specific case. Their rulings in the interpretation of law found within court cases are thus known as case law.

**Figure II. How Federal Regulations Are Made**

**APPLICATION AND SOCIETY**

Can society depend on individual moral compasses to ensure that businesses do what is moral. Morality can differ from person to person. “As a result, a definition might be offered in which “morality” refers to the most important code of conduct put forward and accepted by any group, or even by an individual.” (Gert & Gert, 2016) While we all may certainly hope that people “do the right thing” there are many instances of people not being in such a manner. Even in the business sector.

Business do not have the authority to create laws yet they must abide by the laws that are in place. It is usually good business to follow the law. While laws must be followed, moral differs and is not required nor punishable. Thus, business have created a code of conduct that employees must abide by. The code of conduct is known as business ethics or code of ethics also company policy. The business’ code of ethics is not a body of rules created from scratch. Their policy is based on laws, including regulations. “Virtually every code, although quite often legalistic in nature, discusses behavior which goes "beyond the law" or addresses the "spirit" in addition to the "letter" of the law” White and Montgomery, 1980; Cressey and Moore, 1983 (as cited in Schwartz, 2002) A code of ethics can differ among various companies. Schwartz identified a set of moral standards that are universal among companies:

**Corporate Universal Moral Standards:**

1. Trustworthiness (including notions of honesty, integrity, reliability, and loyalty);
2. Respect (including notions of respect for human rights);
3. Responsibility (including notions of accountability);
4. Fairness (including notions of process, impartiality, and equity);
5. Caring (including notion of avoiding unnecessary harm);
6. Citizenship (including notions of obeying laws and protecting the environment)

*Source*: Journal of Business Ethics: A code of ethics for corporate code of ethics, Schwartz, 2002

A code of ethics in business creates a business environment or corporate culture that is conducive to fostering a good reputation, compliance with laws and regulations, a good social standing, accountability, recourse, and attracts employees and business partners. Overall a code ethics helps to protect society from the harm cause by bad business practices.

**Effects of business ethics**

**Commitment**: Return policy of defective products/goods.

**Ethic**: trustworthiness, responsibility, fairness

**Benefit**: Protects consumers from wasting money on products that don’t perform as stated.

**Commitment**: Guaranteed professional services performed.  
**Ethic**: trustworthiness, responsibility, fairness

**Benefit**: Ensures that consumers receive quality service for their money and find themselves in a situation of needing to spend additional money for services that were never actually performed or unnecessary services.

**Note**: Auto mechanics are notorious for bad service. While not all auto service businesses participate in bad business practices, the reputation of those that do has society very suspicious of that industry.

**Commitment**: Going Green  
**Ethic**: responsibility, caring, citizenship

**Benefit**: A paperless environment saves trees, cuts down on pollution, reduces transports and saves water. Telecommuting, carpools, nongas-powered alternative travel methods help reduce pollution. Overall, these acts help with having cleaner are and a healthier environment for society.

**The Effects of Statutes**

* The Fifth Amendment protects against protects the privacy of personal information
* Federal Trade Act addresses deceptive and unfair practices business practices.
* The Gramm-Leach-Bliley Act addresses how financial institutions handle and protect consumer’s information
* The Fair Credit Reporting Act ensures at credit reporting businesses have accurate and secure information of consumers.

**The Effects of Regulation**

* Federal Trade Commission (FTC) protects the society from unfair, deceptive, and fraudulent businesses practices.
* Consumer Product Safety Commission (CPSC) regulates and establishes product safety requirements. The commission can issue recalls, ban products and investigate potential hazards.
  + **Example**: “WASHINGTON, D.C. – In an effort to protect infants from suffocation and death associated with padded crib bumpers, last week the U.S. Consumer Product Safety Commission (CPSC) voted unanimously to advance rulemaking on a federal safety standard for crib bumpers. The proposed rule would prohibit the sale of padded, pillow-like bumpers that fail to meet minimum air flow requirements.” ("CPSC Advances Rulemaking on Crib Bumpers to Protect Infants; Proposed Rule Would Remove Padded, Pillow-like Bumpers from the Market", 2020)
* Food and Drug Administration (FDA) protects public health through its regulation of safety regarding food, medicine and cosmetics.
  + **Example**: “The U.S. Food and Drug Administration (FDA) and the Federal Trade Commission (FTC) issued warning letters to seven companies for selling fraudulent COVID-19 products. These products are unapproved drugs that pose significant risks to patient health and violate federal law. The FDA and FTC are taking this action as part of their response in protecting Americans during the global COVID-19 outbreak.” ("Coronavirus Update: FDA and FTC Warn Seven Companies Selling Fraudulent Products that Claim to Treat or Prevent COVID-19", 2020)
* National Highway Traffic Safety Administration (NHTSA) One of the many missions of the NHTSA it to conduct investigations regarding the safety defects of motor vehicles created by manufacturers as well as create and enforces fuel economy standards
* Department of Transportation (DOT) regulates the transportation systems. This includes transportation on land, sea, and air.
* Federal Communications Commission (FCC) regulates radio, television and phone industries and communications involving cable, wire and satellite.
  + **Example**: “The FCC has officially and finally determined that the major wireless carriers in the U.S. broke the law by secretly selling subscribers’ location data for years with almost no constraints or disclosure. But its Commissioners decry the $208 million penalty proposed to be paid by these enormously rich corporations, calling it “not properly proportioned to the consumer harms suffered. Under the proposed fines, T-Mobile would pay $91M; AT&T, $57M; Verizon, $48M; and Sprint, $12M.” (Coldewey, 2020)

**The Effects of Case Law**

* Pharmaceutical manufacturer Johnson & Johnson was held responsible for the dangerous and even deadly side affects of Propulsid, a prescription heartburn medication. The company was well aware of the dangers yet continued with the sale of the drug. Judgment was awarded against pharmaceutical manufacturer Johnson & Johnson.
* In a case against Bridgestone/Firestone, 155 F.Supp.2d at 1078, approximately 271 people were killed and hundreds more injured to defective tires manufactured by company. The company was found liable. The manufacture recalled 6.5 million tires, paid $15.5 million for consumer education and paid $240 million to settle claims

**CONCLUSION**

Ethics derives from the morals of a person. Ethics is the systematic outward application of morals. “Ethics focuses on the decision-making process for determining right and wrong, which sometimes is a matter of weighing the pros and cons or the competing values and interest. Morality is a code of behavior usually based on religious tenets, which often inform our ethical decisions.” (Weinstein, 2018)

Western ethics originates with the philosophers of ancient Greece. Their philosophy advanced farther and has be incorporated into society via the institutions of government. Through government, ethics take on the form of law. The three branches of government are responsible for law. The legislative branch makes the law. The executive branch enforces the law while the judicial branch of government enforces the law. The actions of the legislative branch takes the form of statutes. The actions of the judicial branch takes the form case law and the actions of the executive branch of enforcement is in the form of regulations.

While society has incorporated ethics on a wide scale in the form of laws, businesses do not have that authority. Within the business world, companies have created rules to govern employee conduct. Those rules are termed the code of conduct or code of ethics. A code of conduct coincides with the law and even goes beyond the law. It informs employees regarding what is expected of the in the performance of their duties. Some areas of conduct that may seem harmless could actually be a conflict of interest and best avoided. A code of ethics would address those issues and make it clear in order that employees are not confused about such situations. The When that code is violated accountability is

Statutes, regulations, case law, and company ethics, together they create layers of protection that are utilized to prevent, protect, and address issues that could cause harm to society.

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