Chapter 01

Ethics, Social Responsibility, and the Law

**True / False Questions**

|  |  |
| --- | --- |
| 1. | Law consists of values that govern a society's attitudes toward right and wrong.    True    False |

|  |  |
| --- | --- |
| 2. | Law is a means of civil management.    True    False |

|  |  |
| --- | --- |
| 3. | Negative rights theory states that the law originates from an outside source that has emerged from within society.    True    False |

|  |  |
| --- | --- |
| 4. | Ethical rules of conduct developed by various professions are often difficult to understand and follow.    True    False |

|  |  |
| --- | --- |
| 5. | Ethical theories are all based on the assumption that people want to live ethical lives.    True    False |

|  |  |
| --- | --- |
| 6. | Joe believes that there are no absolute standards of right and wrong. Joe's belief is an example of ethical absolutism.    True    False |

|  |  |
| --- | --- |
| 7. | Because relativism emphasizes the highly individualized nature of ethical decision making, it is also called subjective ethics.    True    False |

|  |  |
| --- | --- |
| 8. | Natural law theory holds that right and wrong are measured by the obligations imposed on each individual by an implied agreement among all individuals within a particular social system.    True    False |

|  |  |
| --- | --- |
| 9. | A prescriptive theory explains how to create values that benefit society.    True    False |

|  |  |
| --- | --- |
| 10. | Utilitarianism focuses on the circumstances that an individual faces.    True    False |

|  |  |
| --- | --- |
| 11. | Alfredo engages in cost-benefit thinking if he only focuses on the benefits and problems that his business will face as the result of a decision he makes.    True    False |

|  |  |
| --- | --- |
| 12. | Rational ethics states that people's ethical decisions can be judged only by understanding their situations.    True    False |

|  |  |
| --- | --- |
| 13. | Rational ethics ought to establish universal rules of behavior that apply to all people at all times. For this reason, rational ethics is often referred to as subjective ethics.    True    False |

|  |  |
| --- | --- |
| 14. | The ‘ethic of ultimate ends' must be practiced by national leaders.    True    False |

|  |  |
| --- | --- |
| 15. | All business entities have the status of being a "legal person", under the authority of federal and state statutes.    True    False |

|  |  |
| --- | --- |
| 16. | Utility thinking often results in actions that are clearly unethical and potentially illegal.    True    False |

|  |  |
| --- | --- |
| 17. | Corporate social responsibility flows from the legal rights granted to corporations.    True    False |

|  |  |
| --- | --- |
| 18. | The traditional legal view was that corporate managers could be sued for making a decision that hurt the corporation's profits.    True    False |

|  |  |
| --- | --- |
| 19. | An ethical lifestyle is simply doing what is legal.    True    False |

|  |  |
| --- | --- |
| 20. | Law can frequently succeed in reaching its objectives, even if it is not founded upon ethics.    True    False |

**Multiple Choice Questions**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | \_\_\_\_\_ consist of rules of conduct established by the government of a society to maintain harmony, stability, and justice.      |  |  | | --- | --- | | A. | Morals |  |  |  | | --- | --- | | B. | Ethics |  |  |  | | --- | --- | | C. | Laws |  |  |  | | --- | --- | | D. | Values | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Developing and formulating rules in line with values defines:      |  |  | | --- | --- | | A. | ethics. |  |  |  | | --- | --- | | B. | conduct. |  |  |  | | --- | --- | | C. | law. |  |  |  | | --- | --- | | D. | rationalism. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | \_\_\_\_\_ sees law and morality as united in a common and fundamental bond.      |  |  | | --- | --- | | A. | Ethical relativism. |  |  |  | | --- | --- | | B. | Social contract theory. |  |  |  | | --- | --- | | C. | Utilitarianism. |  |  |  | | --- | --- | | D. | Natural law theory. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | Which of the following do positive law theory and natural law theory have in common?      |  |  | | --- | --- | | A. | They originate from an outside source that has emerged from within society. |  |  |  | | --- | --- | | B. | They believe that human values apply to all people at all times. |  |  |  | | --- | --- | | C. | They believe that human decency will ultimately triumph over human cruelty. |  |  |  | | --- | --- | | D. | They believe in forming and dictating ethical decisions to people. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | The theory of \_\_\_\_\_ argues that each of us can judge a person's ethical decisions only by initially placing ourselves in the other person's place.      |  |  | | --- | --- | | A. | ethical relativism |  |  |  | | --- | --- | | B. | situational ethics |  |  |  | | --- | --- | | C. | social ethics |  |  |  | | --- | --- | | D. | ethical realism | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Samantha believes that one can only judge another's ethical decisions by "standing in his/her shoes." Samantha believes in      |  |  | | --- | --- | | A. | situational ethics. |  |  |  | | --- | --- | | B. | social contract theory. |  |  |  | | --- | --- | | C. | utilitarianism. |  |  |  | | --- | --- | | D. | natural law theory. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | According to ethical relativism:      |  |  | | --- | --- | | A. | human values apply to all people at all times. |  |  |  | | --- | --- | | B. | both natural law and positive law form the basis for its beliefs. |  |  |  | | --- | --- | | C. | there are no objective or absolute standards of right and wrong. |  |  |  | | --- | --- | | D. | the morality of an action is determined by its ultimate effects. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Which of the following is true about the social contract theory?      |  |  | | --- | --- | | A. | It explains how to formulate values that permit a society to run smoothly. |  |  |  | | --- | --- | | B. | It advocates a society in which people must fend for themselves. |  |  |  | | --- | --- | | C. | It states that to live harmoniously, people must give up certain freedoms. |  |  |  | | --- | --- | | D. | It states that people cannot be forced to adhere to rules, or be punished for not doing so. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | "People should never make unsupported judgments about one another but should instead always investigate the facts in an effort to uncover the truth about the character of a person or the nature of a situation." This is a rule originating from:      |  |  | | --- | --- | | A. | ethical relativism. |  |  |  | | --- | --- | | B. | the positive law theory. |  |  |  | | --- | --- | | C. | utilitarianism. |  |  |  | | --- | --- | | D. | the social contract theory. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | George believes in a society where people must fend for themselves rather than give up the freedom to do as they please and in return receive a guarantee that other individuals will curb their behavior. This is an example of:      |  |  | | --- | --- | | A. | a state of nature. |  |  |  | | --- | --- | | B. | a state of society. |  |  |  | | --- | --- | | C. | the social contract theory. |  |  |  | | --- | --- | | D. | utilitarianism. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. | The morality of an action is determined by its ultimate effects according to      |  |  | | --- | --- | | A. | natural law theory. |  |  |  | | --- | --- | | B. | role model ethics. |  |  |  | | --- | --- | | C. | utilitarianism. |  |  |  | | --- | --- | | D. | positive law theory. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. | Anthony is concerned only with corporate benefits and problems rather than the benefits and problems that will result for others outside the boardroom. Anthony practices:      |  |  | | --- | --- | | A. | utility thinking. |  |  |  | | --- | --- | | B. | utilitarianism. |  |  |  | | --- | --- | | C. | social contract theory. |  |  |  | | --- | --- | | D. | ethical relativism. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | \_\_\_\_\_ is a philosophical theory that says ethical values can be determined by a proper application of human reason.      |  |  | | --- | --- | | A. | Utility thinking |  |  |  | | --- | --- | | B. | Rational ethics |  |  |  | | --- | --- | | C. | Social contract theory |  |  |  | | --- | --- | | D. | Ethical relativism | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | The \_\_\_\_\_ must be practiced by individuals because individuals can never foresee the result of their actions.      |  |  | | --- | --- | | A. | ethic of responsibility |  |  |  | | --- | --- | | B. | ethic of relativism |  |  |  | | --- | --- | | C. | ethic of ultimate ends |  |  |  | | --- | --- | | D. | ethic of ultimate needs | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Until recently the only view of corporate responsibility built into the U.S. statutory and common law was:      |  |  | | --- | --- | | A. | making a profit for its creditors. |  |  |  | | --- | --- | | B. | making a profit for its shareholders. |  |  |  | | --- | --- | | C. | making a profit for public purposes. |  |  |  | | --- | --- | | D. | making a profit for the government. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. | A corporate manager who simply looks at the action he/she is about to take and only asks whether the benefit to the shareholders will outweigh the cost to the corporation, is using:      |  |  | | --- | --- | | A. | descriptive theory. |  |  |  | | --- | --- | | B. | concurrent validity. |  |  |  | | --- | --- | | C. | prescriptive theory. |  |  |  | | --- | --- | | D. | utility thinking. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | In terms of social responsibility, which of the following arguments is true?      |  |  | | --- | --- | | A. | Under provisions of most incorporation statutes, a corporation is considered nothing more than a company. |  |  |  | | --- | --- | | B. | The decisions of corporate managers must always be narrowly focused on the profits of the shareholders. |  |  |  | | --- | --- | | C. | Corporate social responsibility is based on the premise it is unethical for corporations to earn profits for themselves. |  |  |  | | --- | --- | | D. | Corporate decisions have an impact on more people than just the shareholders and managers. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | Matrix Corporation's board of directors decide not to outsource U.S. jobs to China, even though it would cut their labor costs by 50%, in order to preserve the interests of the local community. Shareholders sued the directors for failing to maximize profits. Under current U.S. law, the directors:      |  |  | | --- | --- | | A. | are immune from this suit. |  |  |  | | --- | --- | | B. | are clearly liable. |  |  |  | | --- | --- | | C. | are liable unless they put the interest of the shareholders above all other interests. |  |  |  | | --- | --- | | D. | are liable unless granted immunity by a federal prosecutor. | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | The law exercises the power of \_\_\_\_\_ to confiscate privately owned land for community purposes.      |  |  | | --- | --- | | A. | eminent domain |  |  |  | | --- | --- | | B. | the ultimate ruler |  |  |  | | --- | --- | | C. | social justice |  |  |  | | --- | --- | | D. | property statutes | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Which of the following is true of ethical and legal harmony?      |  |  | | --- | --- | | A. | In a utopian society, ethics and law would always differ. |  |  |  | | --- | --- | | B. | Ethical considerations cannot form the foundation of a legal system. |  |  |  | | --- | --- | | C. | A legal system founded on ethics will rarely succeed in reaching its objectives. |  |  |  | | --- | --- | | D. | Ethics can lead the way in difficult situations where law is yet to venture. | |

**Essay Questions**

|  |  |
| --- | --- |
| 41. | Emily is being tried in court for murder. She defends herself by stating that the victim attacked her, and in an attempt to defend herself, she hurt him. Discuss the situation in light of ethics. |

|  |  |
| --- | --- |
| 42. | Julia decides not to dump her used motor oil in the creek that runs behind her garage since that would damage individuals who live downstream and upset the peace and harmony in which she has lived with these neighbors. Name and explain the ethical system Julia has used to make this decision. |

|  |  |
| --- | --- |
| 43. | Lisa realizes that her colleagues and her boss judge her based on the way she speaks. Lisa is French and does not speak fluent English. Discuss the situation. |

|  |  |
| --- | --- |
| 44. | Rachel found a bag of money that fell out of an armored car. She decided to keep the money since she did not have full-time employment and was studying to be a nurse. Name and explain the ethical system that Rachel used to make her decision. |

|  |  |
| --- | --- |
| 45. | Justin learns that the air bags that his employer, Excel Auto Corporation, installs in its new cars can kill or seriously injure young children when the bags deploy in an auto accident. When he reports this to responsible Excel officials, they redesign and recall the old airbags at considerable expense since "it is the best thing to do for the driving public." Name and explain the ethical system Excel used to make this decision. |

|  |  |
| --- | --- |
| 46. | William develops a new design for a gasoline engine that will increase fuel economy by 30%. He decides not to patent this design because it will be good for the environment and the entire world. Name and explain the ethical system William has used to make this decision. |

|  |  |
| --- | --- |
| 47. | Jason decides not to cheat on an exam since he considers himself a morally reasonable person and his action of cheating on exams will undermine the value of degrees issued by his educational institution. Name and explain the ethical system Jason has used to make this decision. |

|  |  |
| --- | --- |
| 48. | Michael is the corporate manager at Hatch & Jake Pvt. Ltd. He is asked to always consider if the benefits to the shareholders outweighs the cost to the corporation. Michael takes the action only if the shareholder's benefits offset corporate costs. Discuss. |

|  |  |
| --- | --- |
| 49. | Amanda Hutchins sued her managers for making merger decisions that caused shareholders to lose money. The managers argued that they made decisions based on the long term benefits of the merger to everyone involved, including the local community and the state. Hutchins argued that the shareholders' profits should be the managers' first priority. Analyze the case and the possible ruling of the court. |

|  |  |
| --- | --- |
| 50. | Amalgamated Enterprises is considering closing its plant in a small U.S. town where its average wages are $10 per hour, and moving production to a foreign country where average wages for the same work will be $2 per hour. Amalgamated is the largest employer in the community. What theories of social responsibility may Amalgamated's management consider in making a final decision about the plant? |

Chapter 01 Ethics, Social Responsibility, and the Law Answer Key

**True / False Questions**

|  |  |
| --- | --- |
| 1. | Law consists of values that govern a society's attitudes toward right and wrong.    **FALSE**  The law consists of rules of conduct established by the government of a society to maintain harmony, stability, and justice. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-01 Define law and morality. Topic: Defining the Law, Morality and Ethics* |

|  |  |
| --- | --- |
| 2. | Law is a means of civil management.    **TRUE**  The law also provides a way to protect the people by enforcing these rights and duties through the courts, the executive branch, and the legislature. The law is therefore a means of civil management. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-01 Define law and morality. Topic: Defining the Law, Morality and Ethics* |

|  |  |
| --- | --- |
| 3. | Negative rights theory states that the law originates from an outside source that has emerged from within society.    **FALSE**  Negative rights theory argues that "rights" are a human invention designed to help people escape moral law. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Distinguish among natural law; positive law; negative rights theories. Topic: Defining the Law, Morality and Ethics* |

|  |  |
| --- | --- |
| 4. | Ethical rules of conduct developed by various professions are often difficult to understand and follow.    **TRUE**  While such rules are admirable, they are often so long and complex that they end up covering pages of text that require an in-depth study just to understand the basics. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Distinguish among natural law; positive law; negative rights theories. Topic: Defining the Law, Morality and Ethics* |

|  |  |
| --- | --- |
| 5. | Ethical theories are all based on the assumption that people want to live ethical lives.    **TRUE**  Although these theories differ in their particulars, they all have one thing in common: Each theory is based on the assumption that people want to live ethical lives. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 6. | Joe believes that there are no absolute standards of right and wrong. Joe's belief is an example of ethical absolutism.    **FALSE**  Ethical relativism says that there are no objective or absolute standards of right and wrong. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 7. | Because relativism emphasizes the highly individualized nature of ethical decision making, it is also called subjective ethics.    **TRUE**  Because relativism emphasizes the highly individualized nature of ethical decision making, it is also called subjective ethics. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 8. | Natural law theory holds that right and wrong are measured by the obligations imposed on each individual by an implied agreement among all individuals within a particular social system.    **FALSE**  Social contract theory holds that right and wrong are measured by the obligations imposed on each individual by an implied agreement among all individuals within a particular social system. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 9. | A prescriptive theory explains how to create values that benefit society.    **TRUE**  A prescriptive theory explains how to come up with the values that permit a society to run smoothly. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 10. | Utilitarianism focuses on the circumstances that an individual faces.    **FALSE**  Utilitarianism is an ethical theory that says that the morality of an action is determined by its ultimate effects. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 11. | Alfredo engages in cost-benefit thinking if he only focuses on the benefits and problems that his business will face as the result of a decision he makes.    **TRUE**  Utility thinking, which is also referred to as cost-benefit thinking, looks only at corporate benefits and problems rather than the benefits and problems that will result for others outside the boardroom. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 12. | Rational ethics states that people's ethical decisions can be judged only by understanding their situations.    **TRUE**  Rational ethics is a philosophical theory that says ethical values can be determined by a proper application of human reason. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-06 Define rational ethics. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 13. | Rational ethics ought to establish universal rules of behavior that apply to all people at all times. For this reason, rational ethics is often referred to as subjective ethics.    **FALSE**  Rational ethics ought to establish universal rules of behavior that apply to all people at all times. For this reason, rational ethics is often referred to as objective ethics. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-06 Define rational ethics. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 14. | The ‘ethic of ultimate ends' must be practiced by national leaders.    **FALSE**  The "ethic of ultimate ends" must be practiced by individuals while the "ethic of responsibility" must be practiced by national leaders. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Ethics and the Government* |

|  |  |
| --- | --- |
| 15. | All business entities have the status of being a "legal person", under the authority of federal and state statutes.    **FALSE**  Corporations and multinational corporations are given the status of "legal persons", under the authority of federal and state statutes. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |

|  |  |
| --- | --- |
| 16. | Utility thinking often results in actions that are clearly unethical and potentially illegal.    **TRUE**  The problem with utility thinking is that it often results in actions that are clearly unethical and potentially illegal. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |

|  |  |
| --- | --- |
| 17. | Corporate social responsibility flows from the legal rights granted to corporations.    **TRUE**  Some of the reasons that corporations should accept social responsibility are built on the legal advantages granted to corporations. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Outline the arguments supporting social responsibility. Topic: Social Responsibility in the Business Sector* |

|  |  |
| --- | --- |
| 18. | The traditional legal view was that corporate managers could be sued for making a decision that hurt the corporation's profits.    **TRUE**  Under the traditional role of corporate managers, those managers could be sued for making a decision that hurt the corporation's profits and thereby reduced or eliminated dividends. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Outline the arguments supporting social responsibility. Topic: Social Responsibility in the Business Sector* |

|  |  |
| --- | --- |
| 19. | An ethical lifestyle is simply doing what is legal.    **TRUE**  Some people determine an ethical lifestyle as simply doing what is legal. Such a course of action may often result in ethical conduct. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-09 Explore the need for law in our society. Topic: The Relationship between Law and Ethics* |

|  |  |
| --- | --- |
| 20. | Law can frequently succeed in reaching its objectives, even if it is not founded upon ethics.    **FALSE**  Ethical considerations should always form the foundation of law and the legal system. If the law is not founded on ethics, it will rarely succeed in reaching its objectives. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-10 Clarify how the law and ethics are usually in harmony with each other. Topic: The Relationship between Law and Ethics* |

**Multiple Choice Questions**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | \_\_\_\_\_ consist of rules of conduct established by the government of a society to maintain harmony, stability, and justice.      |  |  | | --- | --- | | A. | Morals |  |  |  | | --- | --- | | B. | Ethics |  |  |  | | --- | --- | | **C.** | Laws |  |  |  | | --- | --- | | D. | Values |   The law consists of rules of conduct established by the government of a society to maintain harmony, stability, and justice. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-01 Define law and morality. Topic: Defining the Law, Morality and Ethics* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Developing and formulating rules in line with values defines:      |  |  | | --- | --- | | **A.** | ethics. |  |  |  | | --- | --- | | B. | conduct. |  |  |  | | --- | --- | | C. | law. |  |  |  | | --- | --- | | D. | rationalism. |   Ethics is the attempt to develop a means of determining what these values ought to be and for formulating and applying rules that enforce those values. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-01 Define law and morality. Topic: Defining the Law, Morality and Ethics* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | \_\_\_\_\_ sees law and morality as united in a common and fundamental bond.      |  |  | | --- | --- | | A. | Ethical relativism. |  |  |  | | --- | --- | | B. | Social contract theory. |  |  |  | | --- | --- | | C. | Utilitarianism. |  |  |  | | --- | --- | | **D.** | Natural law theory. |   According to one system of legal thought, morality and the law are united in a common bond based on their intrinsic nature. This system of thought is generally known as natural law. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Distinguish among natural law; positive law; negative rights theories. Topic: Defining the Law, Morality and Ethics* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | Which of the following do positive law theory and natural law theory have in common?      |  |  | | --- | --- | | A. | They originate from an outside source that has emerged from within society. |  |  |  | | --- | --- | | **B.** | They believe that human values apply to all people at all times. |  |  |  | | --- | --- | | C. | They believe that human decency will ultimately triumph over human cruelty. |  |  |  | | --- | --- | | D. | They believe in forming and dictating ethical decisions to people. |   Despite the differences between positive law and natural law, they hold one idea in common, namely, the belief that human values apply to all people at all times. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Distinguish among natural law; positive law; negative rights theories. Topic: Defining the Law, Morality and Ethics* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | The theory of \_\_\_\_\_ argues that each of us can judge a person's ethical decisions only by initially placing ourselves in the other person's place.      |  |  | | --- | --- | | A. | ethical relativism |  |  |  | | --- | --- | | **B.** | situational ethics |  |  |  | | --- | --- | | C. | social ethics |  |  |  | | --- | --- | | D. | ethical realism |   The theory, which is known as situational ethics, argues that each of us can judge a person's ethical decisions only by initially placing ourselves in the other person's situation. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | Samantha believes that one can only judge another's ethical decisions by "standing in his/her shoes." Samantha believes in      |  |  | | --- | --- | | **A.** | situational ethics. |  |  |  | | --- | --- | | B. | social contract theory. |  |  |  | | --- | --- | | C. | utilitarianism. |  |  |  | | --- | --- | | D. | natural law theory. |   Situational ethics argues that each of us can judge a person's ethical decisions only by initially placing ourselves in the other person's situation. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | According to ethical relativism:      |  |  | | --- | --- | | A. | human values apply to all people at all times. |  |  |  | | --- | --- | | B. | both natural law and positive law form the basis for its beliefs. |  |  |  | | --- | --- | | **C.** | there are no objective or absolute standards of right and wrong. |  |  |  | | --- | --- | | D. | the morality of an action is determined by its ultimate effects. |   Ethical relativism says that there are no objective or absolute standards of right and wrong. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Which of the following is true about the social contract theory?      |  |  | | --- | --- | | A. | It explains how to formulate values that permit a society to run smoothly. |  |  |  | | --- | --- | | B. | It advocates a society in which people must fend for themselves. |  |  |  | | --- | --- | | **C.** | It states that to live harmoniously, people must give up certain freedoms. |  |  |  | | --- | --- | | D. | It states that people cannot be forced to adhere to rules, or be punished for not doing so. |   At the most fundamental level, the social contract says that for people to live together harmoniously, they must give up certain freedoms to receive certain protections in return. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | "People should never make unsupported judgments about one another but should instead always investigate the facts in an effort to uncover the truth about the character of a person or the nature of a situation." This is a rule originating from:      |  |  | | --- | --- | | A. | ethical relativism. |  |  |  | | --- | --- | | B. | the positive law theory. |  |  |  | | --- | --- | | C. | utilitarianism. |  |  |  | | --- | --- | | **D.** | the social contract theory. |   One rule that emerges from the social contract is that people should never make unsupported judgments about one another but should instead always investigate the facts in an effort to uncover the truth about the character of a person or the nature of a situation. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | George believes in a society where people must fend for themselves rather than give up the freedom to do as they please and in return receive a guarantee that other individuals will curb their behavior. This is an example of:      |  |  | | --- | --- | | **A.** | a state of nature. |  |  |  | | --- | --- | | B. | a state of society. |  |  |  | | --- | --- | | C. | the social contract theory. |  |  |  | | --- | --- | | D. | utilitarianism. |   If the social contract disintegrates, society would return to a "state of nature" in which people must fend for themselves. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. | The morality of an action is determined by its ultimate effects according to      |  |  | | --- | --- | | A. | natural law theory. |  |  |  | | --- | --- | | B. | role model ethics. |  |  |  | | --- | --- | | **C.** | utilitarianism. |  |  |  | | --- | --- | | D. | positive law theory. |   Utilitarianism is an ethical theory that says that the morality of an action is determined by its ultimate effects. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. | Anthony is concerned only with corporate benefits and problems rather than the benefits and problems that will result for others outside the boardroom. Anthony practices:      |  |  | | --- | --- | | **A.** | utility thinking. |  |  |  | | --- | --- | | B. | utilitarianism. |  |  |  | | --- | --- | | C. | social contract theory. |  |  |  | | --- | --- | | D. | ethical relativism. |   Utility thinking, which is also referred to as cost-benefit thinking, looks only at corporate benefits and problems rather than the benefits and problems that will result for others outside the boardroom. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | \_\_\_\_\_ is a philosophical theory that says ethical values can be determined by a proper application of human reason.      |  |  | | --- | --- | | A. | Utility thinking |  |  |  | | --- | --- | | **B.** | Rational ethics |  |  |  | | --- | --- | | C. | Social contract theory |  |  |  | | --- | --- | | D. | Ethical relativism |   Rational ethics is a philosophical theory that says ethical values can be determined by a proper application of human reason. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-06 Define rational ethics. Topic: Ethical Theories* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | The \_\_\_\_\_ must be practiced by individuals because individuals can never foresee the result of their actions.      |  |  | | --- | --- | | A. | ethic of responsibility |  |  |  | | --- | --- | | B. | ethic of relativism |  |  |  | | --- | --- | | **C.** | ethic of ultimate ends |  |  |  | | --- | --- | | D. | ethic of ultimate needs |   The ethic of ultimate ends must be practiced by individuals because individuals can never completely foresee "the ultimate ends" of their actions. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Ethics and the Government* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Until recently the only view of corporate responsibility built into the U.S. statutory and common law was:      |  |  | | --- | --- | | A. | making a profit for its creditors. |  |  |  | | --- | --- | | **B.** | making a profit for its shareholders. |  |  |  | | --- | --- | | C. | making a profit for public purposes. |  |  |  | | --- | --- | | D. | making a profit for the government. |   There are those who say that a corporation has no social responsibility beyond making a profit for its shareholders. This is, in fact, the traditional view of corporate responsibility. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. | A corporate manager who simply looks at the action he/she is about to take and only asks whether the benefit to the shareholders will outweigh the cost to the corporation, is using:      |  |  | | --- | --- | | A. | descriptive theory. |  |  |  | | --- | --- | | B. | concurrent validity. |  |  |  | | --- | --- | | C. | prescriptive theory. |  |  |  | | --- | --- | | **D.** | utility thinking. |   Using utility thinking, a corporate manager simply looks at the action he or she is about to take and asks whether the benefit to the shareholders will outweigh the cost to the corporation. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | In terms of social responsibility, which of the following arguments is true?      |  |  | | --- | --- | | A. | Under provisions of most incorporation statutes, a corporation is considered nothing more than a company. |  |  |  | | --- | --- | | B. | The decisions of corporate managers must always be narrowly focused on the profits of the shareholders. |  |  |  | | --- | --- | | C. | Corporate social responsibility is based on the premise it is unethical for corporations to earn profits for themselves. |  |  |  | | --- | --- | | **D.** | Corporate decisions have an impact on more people than just the shareholders and managers. |   A reason for demanding social responsibility from corporations is that corporate decision making clearly has an impact on more people than just the shareholders and the managers. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-08 Outline the arguments supporting social responsibility. Topic: Social Responsibility in the Business Sector* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | Matrix Corporation's board of directors decide not to outsource U.S. jobs to China, even though it would cut their labor costs by 50%, in order to preserve the interests of the local community. Shareholders sued the directors for failing to maximize profits. Under current U.S. law, the directors:      |  |  | | --- | --- | | A. | are immune from this suit. |  |  |  | | --- | --- | | B. | are clearly liable. |  |  |  | | --- | --- | | C. | are liable unless they put the interest of the shareholders above all other interests. |  |  |  | | --- | --- | | **D.** | are liable unless granted immunity by a federal prosecutor. |   Because corporations have constitutional rights, they owe an obligation to the public and to the community at large to act responsibly. In practical terms, this means that the decisions of corporate managers must not be narrowly focused on the profits of the shareholders. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-08 Outline the arguments supporting social responsibility. Topic: Social Responsibility in the Business Sector* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | The law exercises the power of \_\_\_\_\_ to confiscate privately owned land for community purposes.      |  |  | | --- | --- | | **A.** | eminent domain |  |  |  | | --- | --- | | B. | the ultimate ruler |  |  |  | | --- | --- | | C. | social justice |  |  |  | | --- | --- | | D. | property statutes |   The law also promotes economic growth by granting tax abatements, by rezoning certain urban areas for the establishment of stores and businesses, and by exercising the power of eminent domain to confiscate privately owned land for community purposes. |

|  |
| --- |
| *AACSB: Ethics Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-09 Explore the need for law in our society. Topic: The Relationship between Law and Ethics* |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Which of the following is true of ethical and legal harmony?      |  |  | | --- | --- | | A. | In a utopian society, ethics and law would always differ. |  |  |  | | --- | --- | | B. | Ethical considerations cannot form the foundation of a legal system. |  |  |  | | --- | --- | | C. | A legal system founded on ethics will rarely succeed in reaching its objectives. |  |  |  | | --- | --- | | **D.** | Ethics can lead the way in difficult situations where law is yet to venture. |   Ethics can lead the way in difficult situations or in areas of the social structure into which the law has yet to venture. |

|  |
| --- |
| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-10 Clarify how the law and ethics are usually in harmony with each other. Topic: The Relationship between Law and Ethics* |

**Essay Questions**

|  |  |
| --- | --- |
| 41. | Emily is being tried in court for murder. She defends herself by stating that the victim attacked her, and in an attempt to defend herself, she hurt him. Discuss the situation in light of ethics.     The theory of situational ethics argues that each of us can judge a person's ethical decisions only by initially placing ourselves in the other person's situation. This technique allows us to be aware of the various factors that led to the other person's situation. In Emily's case, she may not have committed a murder had she not been in that situation. |

|  |
| --- |
| *AACSB: Ethics Blooms: Evaluate Difficulty: 3 Hard Learning Objective: 01-03 Explain ethical relativism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 42. | Julia decides not to dump her used motor oil in the creek that runs behind her garage since that would damage individuals who live downstream and upset the peace and harmony in which she has lived with these neighbors. Name and explain the ethical system Julia has used to make this decision.     Julia has applied the social contract theory, according to which there is an implied agreement among all individuals within a particular social system to live harmoniously. Together each individual gives up freedom. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 2 Medium Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 43. | Lisa realizes that her colleagues and her boss judge her based on the way she speaks. Lisa is French and does not speak fluent English. Discuss the situation.     The social contract theory applies to this situation. One rule that emerges from the social contract is that people should never make unsupported judgments about one another but should instead always investigate the facts in an effort to uncover the truth about the character of a person or the nature of a situation. Such a rule prevents people from avoiding one another, cheating one another, or, even worse, attacking one another simply because of the way another person looks, speaks, or acts. |

|  |
| --- |
| *AACSB: Ethics Blooms: Evaluate Difficulty: 3 Hard Learning Objective: 01-04 Describe social contract theory. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 44. | Rachel found a bag of money that fell out of an armored car. She decided to keep the money since she did not have full-time employment and was studying to be a nurse. Name and explain the ethical system that Rachel used to make her decision.     Rachel used utility thinking, also called cost-benefit thinking, since she only considered the benefits and problems for herself rather than others. |

|  |
| --- |
| *AACSB: Ethics Blooms: Apply Difficulty: 2 Medium Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 45. | Justin learns that the air bags that his employer, Excel Auto Corporation, installs in its new cars can kill or seriously injure young children when the bags deploy in an auto accident. When he reports this to responsible Excel officials, they redesign and recall the old airbags at considerable expense since "it is the best thing to do for the driving public." Name and explain the ethical system Excel used to make this decision.     They are applying utilitarianism. The steps in the process are: (1) the action to be evaluated should be stated in unemotional, fairly general terms, (2) a person or classes of people that will be affected by the decision must be identified, (3) good and bad consequences in relation to those people affected must be considered, (4) all alternatives to the action stated in step 1 must be considered, and (5) a conclusion must be reached based upon the alternative that creates the greatest good for the greatest number of people affected by the action. |

|  |
| --- |
| *AACSB: Ethics Blooms: Analyze Difficulty: 3 Hard Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 46. | William develops a new design for a gasoline engine that will increase fuel economy by 30%. He decides not to patent this design because it will be good for the environment and the entire world. Name and explain the ethical system William has used to make this decision.     William is applying utilitarianism. The steps in the process are, (1) the action to be evaluated should be stated in unemotional, fairly general terms, (2) a person or classes of people that will be affected by the decision must be identified, (3) good and bad consequences in relation to those people affected must be considered, (4) all alternatives to the action stated in step 1 must be considered, and (5) a conclusion must be reached based upon the alternative that creates the greatest good for the greatest number of people affected by the action. |

|  |
| --- |
| *AACSB: Ethics Blooms: Analyze Difficulty: 3 Hard Learning Objective: 01-05 Outline the steps in applying utilitarianism. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 47. | Jason decides not to cheat on an exam since he considers himself a morally reasonable person and his action of cheating on exams will undermine the value of degrees issued by his educational institution. Name and explain the ethical system Jason has used to make this decision.     Jason is applying rational ethics. Rational ethics believes that it is logical to establish rules that support the continued existence of society, or, in the context of this question, the educational system used in this society. |

|  |
| --- |
| *AACSB: Ethics Blooms: Evaluate Difficulty: 2 Medium Learning Objective: 01-06 Define rational ethics. Topic: Ethical Theories* |

|  |  |
| --- | --- |
| 48. | Michael is the corporate manager at Hatch & Jake Pvt. Ltd. He is asked to always consider if the benefits to the shareholders outweighs the cost to the corporation. Michael takes the action only if the shareholder's benefits offset corporate costs. Discuss.     Michael and the company are practicing utility thinking or cost-benefit thinking. This thinking is justified in three ways: the profits to the shareholders must always come first; it is unfair to divert funds that belong to the shareholders to activities that would not benefit them; a corporation's manager is accountable to the shareholders and no one else. However, Hatch & Jake Pvt. Ltd. should consider that the law gives the corporation the status of a legal person, which helps the corporation enjoy legal advantages. They owe an obligation to the public and to the people at large to act responsibly. |

|  |
| --- |
| *AACSB: Ethics Blooms: Evaluate Difficulty: 3 Hard Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |

|  |  |
| --- | --- |
| 49. | Amanda Hutchins sued her managers for making merger decisions that caused shareholders to lose money. The managers argued that they made decisions based on the long term benefits of the merger to everyone involved, including the local community and the state. Hutchins argued that the shareholders' profits should be the managers' first priority. Analyze the case and the possible ruling of the court.     Amanda and her shareholders clearly believe in utility thinking - the shareholders' profits should be priority for the managers, and that the corporation's funds should not be diverted into activities that do not result in a profit for them. However, the managers could argue that the corporation enjoys the rights of a legal person and hence they owe an obligation to the community and people at large. They can argue that the merger was in the best interest of the community. Yet, Amanda stands to win the case since the court is likely to rule that community benefits need not come at the loss of shareholders. |

|  |
| --- |
| *AACSB: Ethics Blooms: Evaluate Difficulty: 3 Hard Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |

|  |  |
| --- | --- |
| 50. | Amalgamated Enterprises is considering closing its plant in a small U.S. town where its average wages are $10 per hour, and moving production to a foreign country where average wages for the same work will be $2 per hour. Amalgamated is the largest employer in the community. What theories of social responsibility may Amalgamated's management consider in making a final decision about the plant?     The traditional view of corporate responsibility is that a company has no social responsibility beyond making a profit for its shareholders. Today, many corporations consider the impact of their decisions on the workers and community. Shareholder theory considers these interests. Enlightened self-interest considers the goodwill and related legal and marketing benefits of being socially responsible. |

|  |
| --- |
| *AACSB: Ethics Blooms: Evaluate Difficulty: 3 Hard Learning Objective: 01-07 Explain the dual nature of ethics in government. Topic: Social Responsibility in the Business Sector* |