

THE LEGAL ENVIRONMENT OF BUSINESS

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*To Laura and Carolyn McCarty, Chris, David, and
Dianne Putti, and Julia Marie Bagby.*

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Sponsoring editor: *Frank S. Burrows, Jr.*

Developmental editor: *Joanne White*

Project editor: *Karen J. Murphy*

Production manager: *Irene H. Sotiroff*

Designer: *Diane Beasley Design*

Artist: *Precision Graphics*

Compositor: *Better Graphics, Inc.*

Typeface: *10/12 Berkeley Old Style Medium*

Printer: *R. R. Donnelley & Sons Company*

Library of Congress Cataloging-in-Publication Data

McCarty, F. William. 1941-

The legal environment of business / F. William McCarty, John W.

Bagby.

p. cm.

ISBN 0-256-08482-3

1. Industrial laws and legislation—United States. 2. Commercial law—United States. 3. Law—United States. I. Bagby, John W.

II. Title.

KF1600.M38 1990

346.73'07—dc20

(347.3067)

89-35296

CIP

Printed in the United States of America

2 3 4 5 6 7 8 9 0 DO 7 6 5 4 3 2 1 0

PREFACE



Legal concerns affect every American business, whether a small firm or a multinational enterprise. Today's academic, professional, and general business publications frequently address these concerns with discussions of such issues as insider trading, price fixing, product liability, employment discrimination regulations, alternative dispute resolution methods, and international business ventures.

Clearly, understanding the legal environment in which a business firm operates has become vital for the informed manager and executive who will conduct business in the 1990's and beyond. Citizens and business students need to know the basic legal concepts and the legal processes affecting individual and corporate activities. Accordingly, this text is intended to prepare the student for the business environment with the crucial understanding of legal principles and procedures.

The approach of this text is based on our belief that blending private and public law reflects the legal environment of business better than other approaches. Because the law is not static, students need to understand the dynamic nature of legal concepts. Thus, each chapter of this text features an introductory segment which summarizes past, present, and future developments related to the chapter's legal topic. Further, the integration of case summaries and textual comments effectively presents general concepts and specific applications of legal principles to individual situations.

COVERAGE

We have designed this text to respond to the accreditation standards of the American Assembly of the Collegiate Schools of Business (AACSB). The AACSB standards define the common body of knowledge for business students as including:

... a background of the economic and legal environment as it pertains to profit and/or nonprofit organizations, along with ethical considerations and social and political influences as they affect such organizations.

Thus, this text provides both sufficient historical information for the student to comprehend today's legal environment and also ethical analyses for the student to reflect on ethical problems encountered in the business field.

The coverage of ethics begins in the introductory chapter, which provides an approach to considering ethical dilemmas. The ethics units at the end of each part

offer an opportunity to reflect on ethical problems related to the specific legal topics being reviewed. Finally, the text concludes with an integrative chapter on the social responsibility of business.

This is a comprehensive text. We have sought to provide adequate coverage of the topics which most legal environment of business or business law courses seek to cover. In addition, we have included more topics than many instructors may choose to cover during a typical semester. For example, not every professor will use all the chapters, the end of chapter problems, the case questions, or the ethical analysis units. The individual professor is best able to determine the material which is most important to students at a particular college or university, so we have designed the text to give instructors this flexibility.

TEXT ORGANIZATION

This text is organized in six parts, based on six concepts important to understanding the legal environment of the modern, competitive business firm. Each part concludes with an Ethical Analysis unit and an ethical problem derived from each chapter.

Part 1 presents an overview of the American legal system, focusing on topics such as distinct characteristics of the American legal system, dispute resolution, and constitutional law.

Part 2 focuses on the private law concerns of property, contract, and tort law. Property law is unique in the American legal environment and in countries with a history of economic capitalism and political democracy. The twin foundations of contract and tort law are basic to an understanding of U.S. private law. Both contract and tort law have a profound effect on the obligations and liabilities of American business firms.

Part 3 addresses the legal problems faced by the firm. The United States offers more legal protection for the consumer than any other country in the world. Firms with active plants, offices, and agents in the United States must be aware of special product liability and consumer financing laws. These laws seek to enhance the position of the consumer vis-a-vis the seller of goods or services.

Part 4 discusses laws affecting the organization of business entities. Business firms can use a variety of organizational forms, such as corporations, limited partnerships, partnerships, "S" corporations, and sole proprietorships. Part 4 explores these options as well as the securities regulation laws that affect the firm's method of raising capital.

Part 5 concerns U.S. antitrust laws, which provide a model for many other countries. Although the Reagan years saw fewer antitrust cases in the nation's courts, antitrust laws still occupy a special place in the American legal environment. The severe consequences arising from an unfavorable antitrust case are likely to be an important consideration for the business executive of the 21st century.

Part 6 covers important topics in employee relations. Although union affiliation

has decreased in recent years, management-union practices and agreements often establish the framework for nonunion firms. Whereas some texts combine the topics of employee safety and employment opportunities with other topics, we have given each of these areas special attention as a separate chapter.

Finally, Part 7 focuses on the important topics of environmental law, international business law, and the social responsibility of business. We elected to present these topics at the end of the text because we feel they are integrative with some of the topics considered in earlier chapters. International business, for example, is best reviewed after considering numerous special topics within the domestic environment. Likewise, the social responsibility of business looks beyond the legal concerns of earlier chapters. We believe the introduction of business ethics in the first chapter and the review of its application at the end of each of the six parts of the text, combined with the concluding chapter, provides an excellent integration to this important topic.

CASE FEATURES

This text combines our analysis of important legal principles with extracts from court cases which apply these principles to specific situations. Each chapter includes three to seven cases which begin with a factual summary in the author's language so that the reader can easily understand the problem as viewed by the court. The remainder of each case includes substantial material edited in the language of the court. We have selected a combination of modern and classic cases to portray both a historical context for the development of law and the application of legal concepts to modern problems.

Because the law is subject to individual opinions and different philosophies, some dissenting opinions are given. They present contrasting legal views and offer the reader different approaches to specific problems. The case citations provide the reader with sufficient information for access to the full opinion. Several questions follow each case to ensure that the reader examines important ideas.

CHAPTER PEDAGOGY

As the introductory chapter indicates, we use the SQ3R study method throughout this text. This method emphasizes the survey, questioning, reading, reciting, and review of material.

Each chapter begins with several survey segments. First, the "Key Concepts" section opens each chapter to immediately identify which topics are most important. Second, the "Introduction . . . Past, Present, Future" offers a historical, political, economic, and social perspective. Finally, the "OVERVIEW" provides a prose outline which surveys topics addressed by the text and cases of the chapter.

Several short but pertinent questions address important expressed or implied concerns from each court opinion. Boxed presentations and figures offer relevant information that emerges from the text and case presentations.

Each chapter concludes with a list of key terms and a problem review section which presents a mixture of actual cases, hypothetical problems, and essay questions addressing chapter subjects. This concluding section offers an opportunity to review the terms, text, and case materials.

ADDITIONAL FEATURES

The text includes both a summary and detailed table of contents to enhance the survey features of the text. The glossary, which is more detailed than those found in most legal environment texts, defines each of the bold terms noted in the text so that the reader should need to consult law dictionaries or other sources only rarely. The appendixes present important constitutional and statutory laws which are relevant to the legal environment of business.

SUPPLEMENTS

The *Study Guide for Students* provides a summary of important chapter topics, a brief of cases, and additional objective and essay problems for review. The *Instructor's Manual* contains pertinent information for professors adopting the text. Transparency masters and a computerized test bank are also available to enhance the presentation of material and to aid in preparing quizzes or examinations.

Both the *Study Guide* and the *Instructor's Manual* for the text have been prepared by James Jurinski of the University of Portland. Review problems at the end of each chapter were drafted by Nancy Reeves Mansfield of Georgia State University.

ACKNOWLEDGMENTS

We benefitted from the collegial support received from faculty and administrators of the College of Business Administration at Pennsylvania State University and the Haworth College of Business at Western Michigan University.

In addition, the following reviewers offered valuable suggestions as they reviewed our draft manuscripts for the text:

Sandra Burns, *Arkansas State University*
Larry Clark, *Louisiana State University*
Michael Engber, *Ball State University*

Gamewell Gantt, *Idaho State University*
James Hill, *Central Michigan University*
Susan Jarvis, *Pan American University*
Paul Lansing, *University of Iowa*
Nancy Mansfield, *Georgia State University*
Keith Maxwell, *University of Puget Sound*
John Norwood, *University of Arkansas*
Sheelwant Pawar, *Idaho State University*
Daniel Reynolds, *Middle Tennessee State University*
Burke T. Ward, *Villanova University*
William Wines, *Boise State University*
Larry Zacharias, *University of Massachusetts at Amherst*

Special thanks goes to Keith Nave of BPI, who originally acquired this project and helped in its initial development, and to Frank Burrows, who picked up the project at Richard D. Irwin, Inc., and shepherded it through to completion. We are also indebted to others at Irwin who made numerous worthwhile suggestions to enhance our text:

Joanne White
Gail Korosa
Irene Sotiroff
Karen Murphy
Maureen McCutcheon

We are indebted to the valuable word processing talents of Judy Sartore of Penn State University and Luann Bigelow at Western Michigan University for their assistance in the preparation of the manuscript.

Finally, our appreciation of the support, enthusiasm, and encouragement of two very special people needs acknowledgment: Many thanks to Alma C. McCarty and Robin Sue Bagby.

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