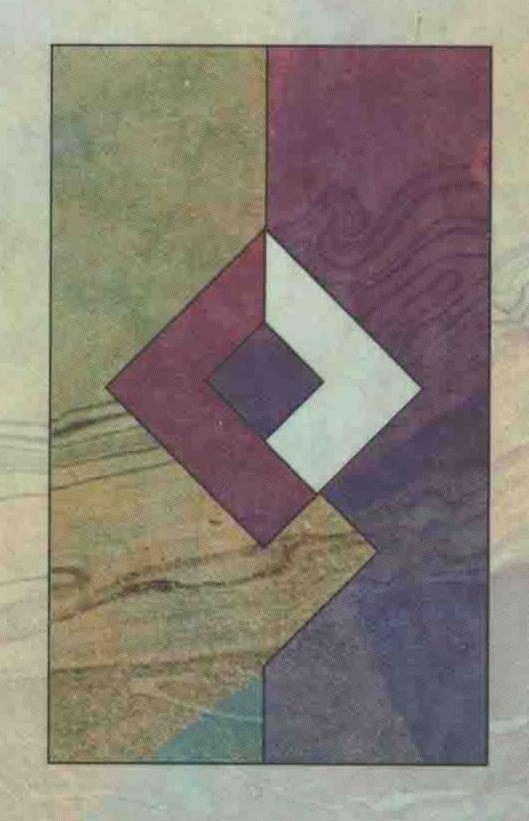
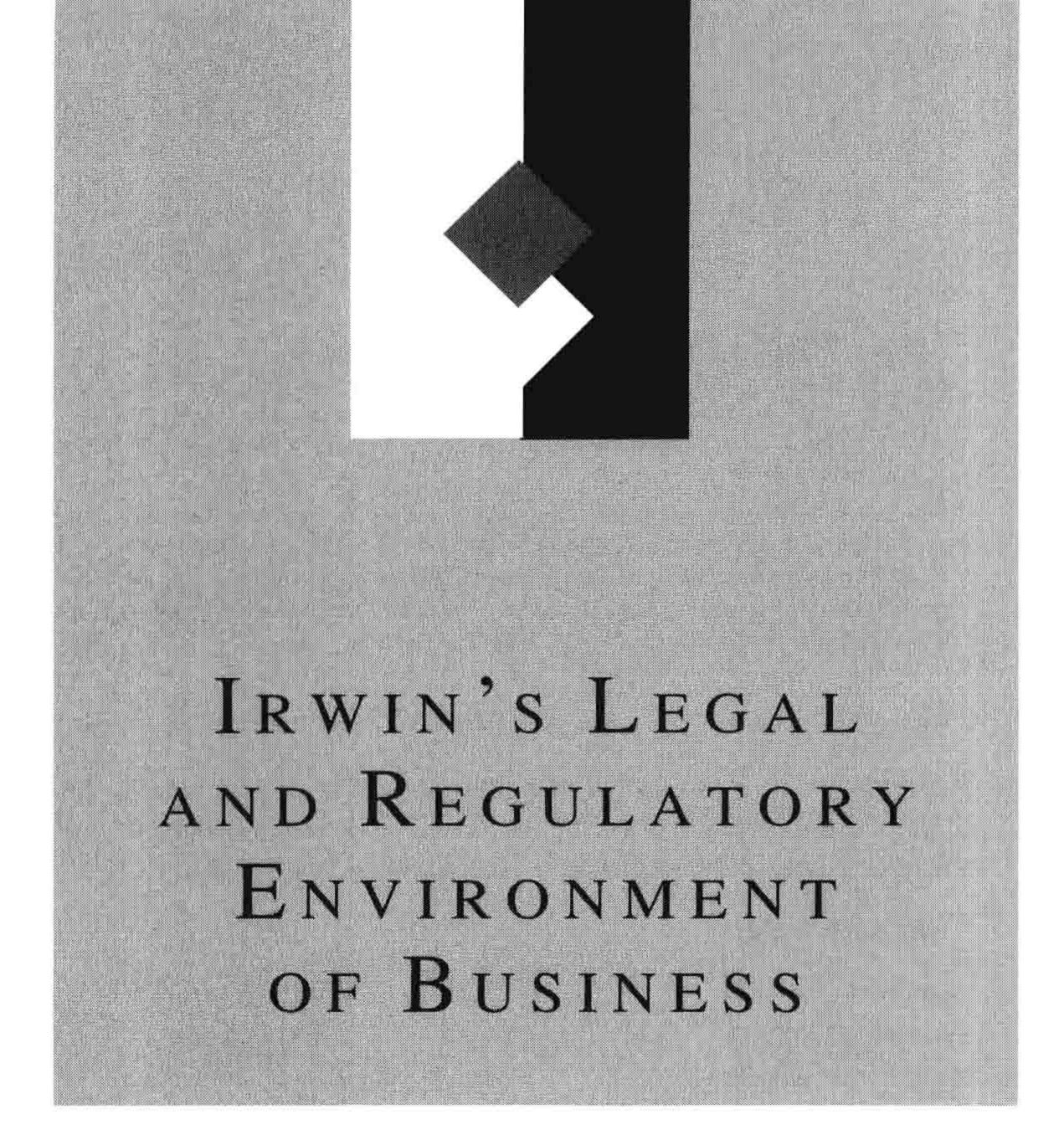
THIRDEDITION



IRWIN'S LEGAL AND REGULATORY ENVIRONMENT OF BUSINESS

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THIRD EDITION

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In recognition of the fact that our company is a large end-user of fragile yet replenishable resources, we at IRWIN can assure you that every effort is made to meet or exceed Environmental Protection Agency (EPA) recommendations and requirements for a "greener" workplace.

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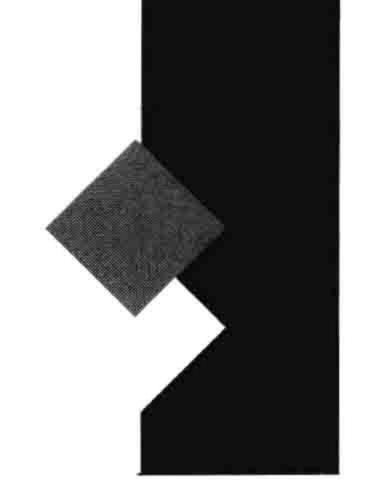
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To:
Alma, Julie, Cari, Chris, David,
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and to:
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PREFACE

The legal and regulatory environment of business continues to be of significant concern for both small firms and large global enterprises. The regulatory environment within the United States is changing as existing federal legislation and regulations are reviewed, revised and sometimes totally eradicated. Globally, new international institutions, such as the World Trade Organization, and changing regional agreements, such as the North American Free Trade Agreement and the Maastricht Treaty of the expanded European Union, have altered the rules affecting many business activities.

The countries of Europe are moving closer together as laws within the European Union are harmonized and those in former Eastern Bloc countries like Bulgaria, the Czech Republic and Poland are altered to enhance their free enterprise developments. In Asia, China is adopting new intellectual property laws and establishing commercial banks to make loans based on business criteria rather than political considerations. The opening up of China, the demise of the Soviet Union, the continued growth of southeast Asia economies, and the integration of North American economies have globalized the business environment.

This third edition integrates international perspectives into topical legal problems. The business manager preparing for the twenty-first century needs to understand the legal environment wherever business is transacted. What are some of the differences in the legal environments in Germany and in Korea? How are contract disputes usually resolved in business relations with Japan? What actions are prohibited by the competition policies in the European Union? How can firms protect their intellectual property in countries without a long history of enforcement of property rights?

As the first chapter of the text notes, ethical and legal analysis of problems are each important of business managers. As business customs, practices, and legal rules often differ from one country to the next, firms transacting global business must carefully establish, review and communicate clear guidelines for ethical behavior to mangers as they move from one culture to another.

Critical thinking skills are essential to legal analysis. By analyzing the issues, reasons and conclusions reached by judges in court cases, one can better determine how particular legal policies are applied. Just as evidence presented in courts is subject to cross-examination, the business manager reading a report, article or memorandum of understanding must question assumptions and challenge illogical assertions based on faulty data. In this edition of the text, we have brought to the fore the need for critical thinking. Each chapter begins with several critical thinking questions, cases and contextual introductions are followed by critical thinking questions, and each chapter concludes with questions and exercises that review legal principles, apply legal reasoning to problems and reinforce critical thinking skills.

We have retained our use of chapter introductions that provides historical, political, economic and social context to the subjects of each chapter. This provides a framework for present legal concerns by noting past, present, and possible future developments. The case extracts which illustrate important chapter principles, include many classic and well-received cases from prior editions as well as newer cases on develop-

ing legal issues. Each case is followed by several case questions, usually including at least one calling for a critical thinking analysis. By posing questions at the beginning of each chapter, after each case, at times within the textual material, and at the end of the chapter, this edition continues the proven SQ3R pedagogy: study, question, read, recite and review.

We have designed this text to respond to the accreditation standards of the American Assembly of the Collegiate Schools of Business (AACSB). Those standards state:

Both undergraduate and MBA curricula should provide an understanding of perspectives that form the context for business. Coverage should include:

- Ethical and global issues
- The influence of political, social, legal, regulatory, environmental and technological issues, and
- The impact of demographic diversity on organizations.

In the beginning chapter, we introduce the reader to both ethical as well as legal analysis. Throughout the subsequent chapters, ethical dilemmas are presented within the chapters and the concluding chapter focuses specifically on the social responsibility of business firms. The international environment of business, which was the penultimate chapter in the previous edition, has been moved to the first part of the text so that the understanding of the global legal environment is studies alongside the national legal environment of the United States.

This is a comprehensive text. We have added a new chapter on commercial transactions and new material on intellectual property while condensing, where appropriate, some material from previous chapters into fewer pages and chapters.

TEXT ORGANIZATION

The text is organized into eight parts, based on concepts important to an understanding of the social, political, legal and regulatory environment of modern, competitive business firms. Throughout the chapters contained in each part there are discussions of ethical, international, and controversial matters.

Part 1 introduces the legal systems of the United States and contrasts this with systems in other nations. This focuses on topics concerning legal process and institutions, and dispute resolution techniques. Chapter 3 provides comprehensive coverage of the legal environment of international business and creates a framework from which to study the remaining international matters throughout the book. Chapter 4 consolidates ADR and the court systems into one chapter.

Part 2 focuses on governmental powers over business as dictated by constitutional and administrative law. Fundamental constitutional rights are organized numerically by amendment and placed within the framework of a business environment. Regulatory matters such as agency controls, hearing requirements, administrative remedies, etc. are simplified and made more accessible.

Part 3 focuses on the private law concerns of property, torts, contracts and commercial transactions. Property law is fundamental to nations with a tradition of market economics, capitalism, and democracy, like the United States. The discussion of torts addresses the responsibilities between individuals. Contract and commercial law is the basis of all transactions and provides the foundation for international

commerce. The separate commercial law chapter in this edition provides comprehensive business law topic coverage.

Part 4 addresses several particular legal problems that business firms face. The United States offers consumers more legal redress than most other nations. However, product liability and consumer financing laws are spreading throughout the world, changing the relationship between consumers and producers of goods and services.

Part 5 discusses the formation, financing, operation, and internal and external problems of operating business organizations. A wide variety of forms are discussed: sole proprietorships, Subchapter S corporations, and corporations. Regulations of the securities markets govern firms' access to the public capital markets.

Part 6 addresses the competition laws known as antitrust in the United States. While antitrust enforcement diminished during the 1980s, there are signs of its resurgence. The European Economic Community (EC), Japan, and other industrial nations are now beginning to adopt and enforce anti-monopoly laws largely based on the U.S. model. These considerations are likely to become more important considerations as the 21st century approaches.

Part 7 addresses the important considerations of employee relations. The expanding direct regulation of employment by the federal, state, and local governments has led to somewhat greater coverage of these areas in this edition. Workplace safety, compensation matters, employment contract conditions, and equal employment laws are discussed in two separate chapters.

Part 8 provides an integrative capstone to the study of the legal environment. This part focuses on environmental law and the social responsibility of business. These matters have received increasing attention during the 1990s but are placed last to highlight how they apply concepts discussed earlier. This also provides an opportunity for students to integrate other concepts learned earlier into a more complex framework.

____ CASE FEATURES

The text combines our analysis of important legal principles with extracts from court cases that apply some of the principles to specific situations. Each chapter includes three to six cases. All cases are introduced by a factual summary in the authors' language so that the reader can understand the situation being discussed by the court. Both recent and later cases are used to portray both a historical context for the development of the law and the current conditions in which legal problems occur. New cases have been added in every chapter so that students can see how contemporary legal problems are being addressed.

Because the law is subject to individual opinions and different interpretations, some dissenting opinions are included. They present contrasting legal views and often pose different approaches to solving particular problems. We continue to include case questions so that vital concepts of each situation are addressed by the reader.

_____CHAPTER PEDAGOGY

Each major topic is introduced with contextual matters covering the historical, social, political, and economic influences that have shaped the legal environment of business. The text employs the SQ3R study method that is introduced more fully in Chapter 1. This method enhances students' critical thinking skills by emphasizing the survey, question, read, recite, and review method of study.

Each chapter begins with several survey techniques to engage student interest:

- Critical Thinking Questions open each chapter, identifying important topics and encouraging students to strive for higher levels of learning related to important topics.
- Introduction . . . Past, Present, and Future sections present contextual matters that provide integrative perspective for the issues that have been addressed by law and regulation.
- Thought Questions at the end of the introductory section draw attention to the core concepts presented.

Within the Chapters, other techniques are used to highlight content and features:

- Case questions follow each judge's decision. These questions address important expressed or implied concerns raised by the case.
- Ethical Dilemma boxes, identified with the symbol, draw points of law into the context of ethical considerations.
- International Perspective and Commentary boxes, identified with the ▼ symbol, focus the student's attention on the global impact of points of law in business.
- Margin Glossary terms provide students an immediate definition for key words and phrases presented in the body of the text.
- Readings from the business press coverage of key controversies, presented in shaded boxes, enhance students' ability to question important contemporary issues.

At the end of each chapter, there are three elements that review important concepts:

- Summary text restates main ideas in a brief, narrative form to provide a quick review for the student.
- Critical Thinking Review Questions encourage students to describe, compare and contrast, distinguish between, and make assumptions about issues raised by the authors.
- Critical Thinking Exercises probe to deeper levels of learning, urging students to interpret, apply, analyze, and identify differences among issues.

ADDITIONAL FEATURES

The text includes both a brief and a detailed table of contents to enhance the survey features of the text. The end-of-book glossary, which is more detailed than that in many texts, defines each term that is boldfaced or italicized in the text. This frees the reader from constantly consulting outside references and legal dictionaries. The appendixes present the U.S. Constitution, excerpts from the Uniform Commercial Code, and Spanish-English equivalents for important legal terms.

SUPPLEMENTS

The Instructor's Manual, prepared by the authors, contains answers to case and problem questions, transparency masters, and excerpts from important laws and regulations. Computest 4, a computerized text bank, is also available to enhance the preparation of quizzes or examinations.

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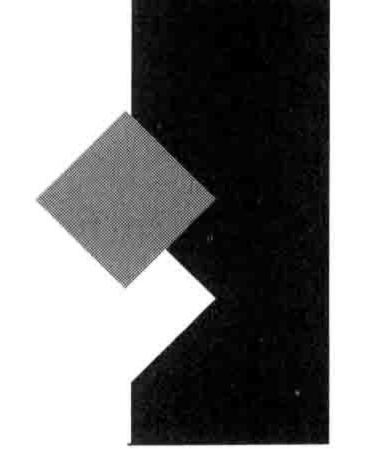
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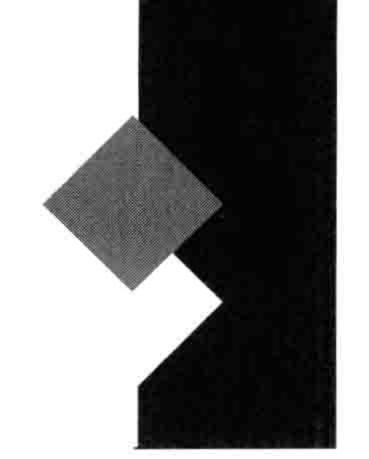
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