

Chapter 18 – Business and Regulations

Section 18.1 Corporation Regulations

What You'll Learn

- Explain the source of federal power in the regulation of business.
- Identify the laws that regulate the sale of securities.
- Distinguish between the laws and to regulate antitrust activity.
- Describe what laws regulate corporate takeovers.

Once you understand the background for government regulations, you will appreciate why the government plays a regulatory role to ensure competition and fairness.

Key Terms

- Commerce Clause
- Security
- Registration Statement
- Prospectus

- Monopoly
- ### Academic Vocabulary
- Commerce
 - Administer
 - certify

The **Commerce Clause** in the U.S. Constitution gives the federal government the power to _____ interstate commerce, or business among the states.

- Interstate commerce = with in _____ states
- Intrastate commerce = with in _____ state only

The government regulates business in _____ major areas:

- Securities
- Antitrust
- Corporate takeovers

Securities are _____ instruments such as stocks, bonds, and interests in sports teams or racehorses.

One of the major causes of the stock market crash of **1929**, which led to a worldwide economic depression, was the sale of _____ securities.

To prevent this from happening again, the U.S. Congress passed the Securities Act of **1933**, which requires that all securities be _____ registered and prohibits _____ practices.

The Securities Exchange Act of **1934** created the Securities and Exchange Commission (SEC), which enforces securities _____ and regulates the securities industry.

Following a series of corporate scandals in the **1990s**, Congress passed the Sarbanes-Oxley Act, which made corporate _____ and accounting firms more accountable.

During the late 19th century, some crucial industries were taken over by trusts to create monopolies.

A **monopoly** is when one person or company controls the _____ market for a product or service. A monopoly can _____ competition and dictate prices.

In **1890** Congress passed the Sherman Antitrust Act, which made monopolies _____.

The Act, however, was considered too vague, so in _____ Congress passed the Clayton Antitrust Act, which made specific business practices illegal.

In the same year, Congress passed the Federal Trade Commission Act, which created the Federal Trade Commission (_____). The FTC protects both consumers and businesses from unfair business practices.

In the 1960s and the 1980s, many large corporations took over _____ companies to form huge conglomerates.

These takeovers were often unannounced and involved _____ of dollars.

To protect shareholders, the U.S. Congress passed the Williams Act, which set strict rules for corporate _____.

18.1 Wrap Up:

1. A major cause of the stock market crash of 1929 was:

- a) the sale of worthless securities
- b) government regulations
- c) corporate takeovers
- d) none of the above

2. A monopoly is control of the entire market for a product or service by one person or company.

True or False

3. What is the federal government's authority to regulate business based on?

4. What are securities and what are some examples of them?

5. What is a monopoly?

Section 18.2 Environmental Laws

What You'll Learn

- Describe the laws that regulate the environment.
- Identify the federal and state agencies that regulate the environment.
- Identify the federal and state agencies that are responsible for regulating energy.
- Describe the impact of international law on energy regulation and conservation.

If you ever go into business, you need to know that there are environmental and energy laws you have to obey.

Key Terms

- Environmental Protection Agency (EPA)
- Federal Energy Regulatory Commission (FERC)
- Nuclear Regulatory Commission

(NRC)

Academic Vocabulary

- Comply
- Emissions
- proactive

In the 19th century, the rise of industrialism led to factory-produced waste which _____ the land, air, and water.

By the mid-20th century, the _____ to the environment had become apparent.

In 1955 Congress passed the Air Pollution Control Act, the first bill to recognize air pollution as a _____ problem. It provided funds to research the problem.

A few years later, Congress passed the Clean Air Act of 1963, which provided funds to fight air pollution and set standards for _____ from factories, mills, and power plants that pollute the air.

In 1969 Congress established the **Environmental Protection Agency (EPA)**, the federal agency responsible for protecting the _____.

The EPA has the _____ and responsibility to:

- set environmental rules
- conduct _____ research
- enforce environmental laws
- provide _____ about environmental laws

To deal with the pollution of rivers, lakes, and coastal waters, in 1972 Congress passed the Clean _____ Act, also called the Federal Water Pollution Control Act.

In 1976, Congress passed the Toxic Substances Control Act, which gave the EPA the power to police the use of _____ industrial chemicals, such as asbestos, mercury, and lead.

By the 1990s, environmental pollution was recognized as a _____ as well as a national problem.

In 1997, members of the United Nations signed the Kyoto Protocol, an international agreement to reduce the _____ gases that contribute to global warming.

There are currently more than 160 nations that have signed the agreement.

The U.S. government has also passed laws to regulate and _____ the use of energy, or fuel.

In 1977 the federal government created the Department of Energy (DOE). The DOE has two functions:

1. develop and implement a national _____ policy
2. regulate the nation's _____ energy program

The Federal Energy Regulatory Commission (FERC), which is part of the DOE, regulates _____ and natural gas. It is also responsible for regulating oil pipeline rates.

The Nuclear Regulatory Commission (NRC), which is also part of the DOE, regulates nuclear energy. This includes regulating the construction of nuclear power plants and the _____ of nuclear materials.

_____ state in the U.S. has its own energy office to deal with issues such as developing _____ forms of energy and reducing the cost of energy production.

The International Energy Agency (IAE) is a group made up of _____ nations, including the U.S. Its goals include developing alternate forms of energy and creating strategies to deal with shifts in the Earth's climate.

18.2 Wrap Up

1. The first bill to recognize air pollution as a national problem was passed in:

- a) the 1890s
- b) the 1920s
- c) the 1950s

d) the 1980s

2. The Environmental Protection Agency is responsible for developing and implementing a national energy policy.

True or False

3. The international agreement to reduce greenhouse gases is:

- a) the Air Pollution Control Act
- b) the Clean Water Act
- c) the Kyoto Protocol
- d) the International Energy Agency

4. What federal agency is responsible for combating pollution?

5. What was the Federal Energy Regulatory Commission (FERC) created to do?

6. What are the goals of the International Energy Agency (IEA)?

7. What is the difference between interstate commerce and intrastate commerce and why is the distinction important?