

Ethics question



Ethics Question Martin Sharkey Western International Question You are the administrator at the Environmental Protection Agency. It has been reported that a plant in a small town is in violation of the environmental laws. If you enforce the laws' requirements, the plant will be forced to shut down. The plant is the major source of employment for the town, and its closure would impose severe economic hardships. Should that fact play a role in regulatory enforcement

Answer 1

Yes, in my opinion this fact should play a role in the regulatory enforcement. The burden imposed on the company should be weighed against the possible benefits from the regulatory enforcement. In general when the costs exceed the benefits derived from the EPA's regulations, the agency's enforcement power is more easily challenged for reasonableness.

On one hand violation of the environmental laws by the company should be punished and this is within the enforcement powers of the agency. The EPA should follow required procedures and cannot go beyond the authority granted by Congress. Provided the estimated risk concerning the health, safety or environmental protection is greater than the economic impact from the plant closure, then the agency should enforce its decision.

On the other hand, shutting down the plant will cause significant social damage, as the plant is the major source of employment for the town. If breach of environmental laws does not represent a major threat to the health and safety of people and has not significantly impaired local environment, then the agency can take restrictive action other than closing the plant, probably by imposing penalties or fines and undertaking future stricter control over the company's operations.

Question 2

The Environmental Protection Agency requires your company to self-report pollution discharges daily. It is your job to make those reports. The reports could be easily fudged if the company exceeded its designated limits.

Excessive discharges would cost the company \$25, 000 for each day its limit is exceeded. One morning, your supervisor forgot to start the pollution control device, and the designated amount of pollution was exceeded. Your supervisor strongly implies that you should fudge the figures. You are worried that if you don't, you might get fired. Should you report the correct figure to the EPA? Would your answer be different if you knew whether or not the excessive pollution caused any damage?

Answer 2

Reporting excessive pollution discharges is not a simple decision because this will lead to penalties by the EPA, but in my opinion, I should report the figure to the EPA for several reasons.

First, the Clean Air Act requires our company to monitor and report air pollution and we should abide to the regulations. The EPA's substantive rules are enforced so that companies observe them in the areas of regulation and are equal to the statutes enacted by Congress. They are federal law and violations are subject civil and criminal penalties and injunctions. Second, although the costs per one day of excessive discharges are \$25, 000, reporting false information will certainly lead to heavier penalties to the company. This is so, because EPA conducts tests for excessive air pollution emissions, which is one of the investigative powers of the agency. Finally, the pollution was a result of the personal negligence of my direct supervisor and fudging the report would mean covering her mistake and deceiving the

EPA as an institution which would make me involved in an unethical affair. My answer would be the same, no matter whether or not the excessive pollution caused direct damages. For me this is a principal issue, and not a case-related question.

Reference:

1. Meiners, R. E., Ringleb, A. H., & Edwards, F. L. (2006). The legal environment of business (9th ed.). Mason, Ohio: Thomson.