

Exercise walk-through

Environmental and ethical issues ■ 6.2

eXercise

You must be able to

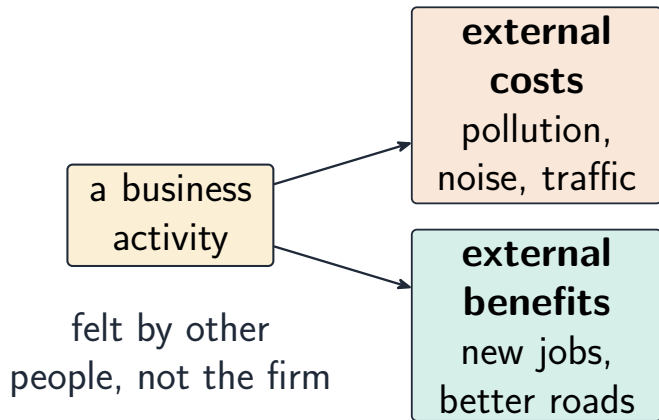
- distinguish external costs from external benefits
- explain sustainable development and the role of pressure groups
- analyse the conflict between ethical behaviour and profit

Method — External costs and benefits

- **External costs** 外部成本: paid by others/society — **pollution** 污染, noise, traffic.
- **External benefits** 外部收益: gains for others — new jobs, better roads.
- **Sustainable development** 可持续发展: meeting today's needs without harming the future.
- **Pressure groups** 压力团体: try to influence firms (media, boycotts). **Ethics** can cost more now but win loyalty later.

Answer shapes: $K + App + An + Ev$ (a justified judgement, for “do you think” questions).

Method — External costs and benefits



A business activity can create external costs and external benefits felt by others

Practice 2.1 ■ 2 marks

Define the term *external cost*.

Solution 2.1

Method: External costs and benefits

Worked steps

a cost of a business's activity that is paid by other people or by society, not by the business (e.g. pollution) (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ■ 2 marks

Identify two external costs of a business building a new factory.

Solution 2.2

Method: External costs and benefits

Worked steps

any two of: pollution; noise; heavy traffic; loss of green space ($1 + 1$).

Practice 2.3 ■ 2 marks

Define the term *sustainable development*.

Solution 2.3

Method: External costs and benefits

Worked steps

meeting today's needs without harming the ability of future people to meet their own needs (2 for a clear definition; 1 for a partial idea).

Exam-style 3.1 ■ 2 marks

Identify two ways a business could reduce its harm to the environment.

Solution 3.1

Worked steps

any two of: recycle; use clean energy; use less packaging; cut waste ($1 + 1$).

Exam-style 3.2 ■ 6 marks

Explain two ways a pressure group could influence a business.

Solution 3.2

Method: External costs and benefits

Worked steps

[6] For **each** of two ways: $K 1 + A$ n up to 2 — e.g. *bad publicity*: a group uses the media to expose pollution → customers may boycott the firm → the firm changes to protect its image. *Protests/boycotts*: a boycott cuts sales → the firm acts to win customers back. Maximum 3 each.

Exam-style 3.3 ■ 6 marks

Do you think a business should behave ethically even if it reduces its profit? Justify your answer.

Solution 3.3

Method: External costs and benefits

Worked steps

[6] Both sides + judgement. **For ethical behaviour:** fair pay and safe products win loyal customers and a good name, raising long-term profit, and avoid fines and bad publicity. **Against:** ethical actions (better pay, cleaner methods) cost more in the short term, lowering profit. **Judgement (Ev):** acting ethically can reduce short-term profit but usually pays off long-term through reputation and loyalty — whether it is worth it depends on the cost and how much customers value ethics.