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| *Indicate whether the statement is true or false.* |

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| 1. Ads can be unfair but not deceptive.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. The Federal Trade Commission carries out the broadly stated goal of preventing unfair and deceptive trade practices.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. Vague generalities and obvious exaggerations are permissible in advertising.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. Deceptive advertising occurs if a reasonable consumer would be misled by the advertising claim.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. Puffery constitutes Advertising, Marketing, and Sales.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. A sanction known as bait-and-switch advertising requires a company to advertise the products of its competitor to counter its own false claims.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. An information label must be attached to every new car to include the fuel economy estimate for the vehicle.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. Package labels must use words that the ordinary consumer understands.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. The Food and Drug Administration must ensure the safety of new drugs.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. Credit can be denied on the basis of marital status.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. The Truth-in-Lending Act applies to persons who, in the ordinary course of their business, lend money, sell on credit, or arrange for the extension of credit.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. In a transaction subject to the Truth-in-Lending Act, the terms of a credit instrument must be fully disclosed.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. Credit can be denied on the basis of race.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. A credit-card company must send monthly bills to cardholders twenty-one days before the due date.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. Any time a consumer is denied credit or insurance on the basis of his or her credit report, the consumer must be notified of that fact.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 16. A credit collection agency may contact a debtor at any time.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 17. Creditors attempting to collect debts are generally considered to be debt-collection agencies.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 18. Under the doctrine of nuisance, persons may be liable if they use their property in a manner that unreasonably interferes with others’ rights to use or enjoy their own property.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 19. An environmental impact statement must be prepared for every major federal or state action that significantly affects the quality of the environment.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 20. Federal law provides the basis for issuing regulations to control multistate air pollution.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 21. Different standards for air quality depending on whether the sources are located in clean areas or polluted areas.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 22. A public authority, such as a state’s attorney general, can sue to stop a “public” nuisance.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 23. Businesses that engage in ultrahazardous activities are *not* liable for any injuries the activities cause.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 24. With regard to air pollution, there is one set of ambient standards—maximum permissible levels of certain pollutants—and the federal government formulates plans to achieve them.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 25. Those who knowingly violate the Clean Air Act may be subject to criminal liability.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 26. Performance standards for new sources of *water* pollution require the use of *any available control technology*, or AACT.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 27. New sources of water pollutants must install pollution-control equipment before beginning operations.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 28. The Environmental Protection Agency sets *maximum* levels for pollutants in public water systems.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 29. The government can recover the cost to clean up a hazardous waste disposal site from the persons who were even remotely responsible.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 30. National Pollutant Discharge Elimination System permits can be issued even if a discharge will violate water-quality standards.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 31. The National Pollutant Discharge Elimination System focuses only on industrial wastewater and storm water discharges.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 32. Under the Clean Water Act, criminal penalties apply whether a violation was intentional or unintentional.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 33. Public water systems operators must come as close as possible to meeting the Environmental Protection Agency’s standards by using *any* available technology.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 34. It is a violation of federal law to sell a pesticide or herbicide that has a chemical strength different from the concentration declared on the label.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 35. There are no defenses to liability under the Comprehensive Environmental Response, Compensation, and Liability Act.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 36. Wild Things, Inc. (WTI), in its ads, makes claims about its products that are obvious exaggerations and claims that are false but appear to be true. WTI may be subject to sanctions for​   |  |  |  | | --- | --- | --- | |  | a. | ​neither the false claims nor the obvious exaggerations. | |  | b. | ​only the false claims. | |  | c. | ​only the obvious exaggerations. | |  | d. | ​the false claims and the obvious exaggerations. | |

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| 37. Soundbites Corporation makes and markets cellphones. Soundbites’s ad states that on its phones voices and text come through as “clear as the sky on a cloudless day.” The Federal Trade Commission would consider this claim   |  |  |  | | --- | --- | --- | |  | a. | ​false and misleading. | |  | b. | ​impermissibly vague and general. | |  | c. | ​a deceptive half-truth. | |  | d. | ​none of the choices. | |

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| 38. In its ads, Crunchy Inc. makes various claims about its snack products. Crunchy’s advertising claims would most likely be deemed deceptive if the claims   |  |  |  | | --- | --- | --- | |  | a. | ​mislead a reasonable consumer. | |  | b. | contain vague generalities. | |  | c. | ​contain vague generalities. | |  | d. | ​include obvious exaggerations. | |

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| 39. Hearth & Home Furniture store advertises bedroom suites at a “Special Low Price of $599.” When Ilene tries to buy one of the suites, Jill, the salesperson, tells her that they are all sold and no more are obtainable. Jill adds that Hearth & Home has other bedroom suites available for as low as $2,599. This is   |  |  |  | | --- | --- | --- | |  | a. | ​a cease-and-desist order. | |  | b. | bait-and-switch advertising. | |  | c. | ​counteradvertising. | |  | d. | ​puffery. | |

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| 40. Spicy Salsa, Inc., complains to the Federal Trade Commission (FTC) about an ad broadcast by Tangy Taco Sauce Company, Spicy Salsa’s competitor. The FTC investigates and concludes that the ad is deceptive. The FTC’s next step is to   |  |  |  | | --- | --- | --- | |  | a. | ​conduct negotiations between the competitors. | |  | b. | draft a formal complaint. | |  | c. | ​issue a cease-and-desist order. | |  | d. | ​permit Spicy Salsa to broadcast similarly deceptive counteradvertising. | |

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| 41. Mello’s Mattress Company advertises a special sale on mattresses on its Web site. The mattresses are normally sold for $1,000, but are advertised on the site for $499. The sale price does not include the shipping cost. Mello’s charges $250 for shipping. To avoid claims of Advertising, Marketing, and Sales, Mello’s should   |  |  |  | | --- | --- | --- | |  | a. | ​clearly and conspicuously disclose the shipping cost in its ads. | |  | b. | display the shipping cost in small print on Mello’s Web page. | |  | c. | ​include the shipping cost on the last page of Mello’s Web site. | |  | d. | ​not reveal the shipping cost. | |

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| 42. Elise and many other consumers complain to the Federal Trade Commission (FTC) that a Faux Diamonds Company ad is deceptive. The FTC’s first step is to   |  |  |  | | --- | --- | --- | |  | a. | ​draft a formal complaint. | |  | b. | investigate. | |  | c. | ​issue a cease-and-desist order. | |  | d. | ​order restitution. | |

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| 43. SmartPhone Company’s ad states that its product is “The Best that Money Can Buy.” Because of this ad, the Federal Trade Commission is most likely to issue   |  |  |  | | --- | --- | --- | |  | a. | ​a cease-and-desist order. | |  | b. | a counteradvertising order. | |  | c. | ​a multiple product order. | |  | d. | ​none of the choices. | |

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| 44. Gear Motor Company makes cars. Federal law requires Gear to attach an information label that includes the Environmental Protection Agency’s fuel economy estimate for a vehicle to   |  |  |  | | --- | --- | --- | |  | a. | ​every new car. | |  | b. | no car—compliance with the law is voluntary. | |  | c. | ​select old and new cars. | |  | d. | ​whichever vehicles Gear chooses. | |

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| 45. Bagels n’ Pastries, Inc., makes and sells a variety of bread products. Bagels n’ Pastries’s product packages must include   |  |  |  | | --- | --- | --- | |  | a. | ​the company owner’s identity. | |  | b. | the contents’ net quantity. | |  | c. | ​the restaurants and stores in which the product is sold. | |  | d. | ​the type of consumer most likely interested in the product. | |

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| 46. Wellness Insurance Company offers health and medical insurance to consumers. Under current federal health-care laws, Wellness is prohibited from   |  |  |  | | --- | --- | --- | |  | a. | ​denying coverage for preexisting conditions. | |  | b. | ​enabling more children to obtain health-insurance coverage. | |  | c. | ​allowing adults under age twenty-six to remain on their parents’ health insurance. | |  | d. | ​ending lifetime and most annual limits on care. | |

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| 47. ​Fun-E Products, Inc., makes and sells toys. The government agency that has the authority to remove a potentially hazardous toy from the market is   |  |  |  | | --- | --- | --- | |  | a. | ​the Consumer Product Safety Commission. | |  | b. | ​the Federal Reserve Board of Governors. | |  | c. | ​the Federal Trade Commission. | |  | d. | ​the Food and Drug Administration. | |

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| 48. Grover signs an installment contract with Home Appliance Store to finance the purchase of new kitchen appliances—stove, refrigerator, dishwasher, microwave, and toaster oven—for $3,999. This transaction is subject to   |  |  |  | | --- | --- | --- | |  | a. | ​no federal law. | |  | b. | ​the Fair Credit Reporting Act. | |  | c. | ​the Telecommunications Act. | |  | d. | ​the Truth-in-Lending Act. | |

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| 49. Teri borrows $10,000 from USA National Bank to remodel a room in her home. This transaction is subject to   |  |  |  | | --- | --- | --- | |  | a. | ​no federal law. | |  | b. | ​the Consumer Leasing Act. | |  | c. | ​the Consumer Product Safety Act. | |  | d. | ​the Truth-in-Lending Act. | |

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| 50. Cecilia borrows $20,000 from Debit & Credit Union to repair her home and to buy a car. She buys a laptop from eStuf Store in a transaction financed by the seller. If these parties are subject to the Truth-in-Lending Act, Regulation Z applies to   |  |  |  | | --- | --- | --- | |  | a. | ​the car loan only. | |  | b. | ​the home repair loan only. | |  | c. | ​the retail installment sale only. | |  | d. | ​the car loan, the home repair loan, and the retail installment sale. | |

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| 51. Tory borrows $10,000 from USA National Bank to remodel a room in her home. This transaction is subject to   |  |  |  | | --- | --- | --- | |  | a. | ​no federal law. | |  | b. | ​the Consumer Leasing Act. | |  | c. | ​the Consumer Product Safety Act. | |  | d. | ​the Truth-in-Lending Act. | |

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| 52. Phil has a credit-card from Credible Cards, Inc. Credible Cards decides to make changes to Phil’s credit-card terms. Credible Cards   |  |  |  | | --- | --- | --- | |  | a. | ​must give Phil at least thirty days’ notice before changing the terms. | |  | b. | ​must give Phil at least forty-five days’ notice before changing the terms. | |  | c. | ​need not give Phil any notice before changing the terms. | |  | d. | ​is not allowed to change the terms. | |

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| 53. Dina takes out a student loan from Earnest Bank. When she fails to make the scheduled payments for six months, Earnest advises her of further action that it will take. This is a violation of   |  |  |  | | --- | --- | --- | |  | a. | ​no federal law. | |  | b. | ​the Fair and Accurate Credit Transactions Act. | |  | c. | ​the Fair Debt Collection Practices Act. | |  | d. | ​the Truth-in-Lending Act. | |

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| 54. Refuse Reuse & Disposal Center operates a recycling plant. Stan and other Refuse Reuse neighbors file a suit, alleging injuries from the plant. To succeed, they must show that the defendant failed to use reasonable care if the suit is based on​   |  |  |  | | --- | --- | --- | |  | a. | ​a negligence theory. | |  | b. | ​a nuisance theory. | |  | c. | ​any theory. | |  | d. | ​a strict liability theory. | |

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| 55. Congress enacts a new air quality statute that applies to businesses. To enforce federal environmental legislation, the federal government relies on   |  |  |  | | --- | --- | --- | |  | a. | ​all levels of government and private citizens. | |  | b. | ​federal agencies only. | |  | c. | ​local sheriffs and police departments. | |  | d. | ​businesses’ voluntary compliance. | |

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| 56. Regulations governing air pollution cover mobile and stationary sources. Those who may be subject to penalties for violations of the Clean Air Act include   |  |  |  | | --- | --- | --- | |  | a. | ​corporate officers who knowingly violate the act. | |  | b. | ​persons who provide information about violators but otherwise fail to act. | |  | c. | ​private citizens who fail to sue violators. | |  | d. | ​none of the choices. | |

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| 57. Ultrahazard Removal & Disposal Corporation transports radioactive materials. Vincent, an Ultrahazard employee, is diagnosed with radiation sickness after exposure to the materials. Vincent’s suit against Ultrahazard to recover for the injury is known as   |  |  |  | | --- | --- | --- | |  | a. | ​an environmental impact statement. | |  | b. | ​a nuisance. | |  | c. | ​a toxic tort. | |  | d. | ​a hazardous substance response. | |

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| 58. Plywood & Particleboard Mill, Inc., does not use filters on its stacks, which consequently pollute the air. Quinn, a Plywood employee, suffers respiratory illness. To succeed in a suit against the company on the ground of negligence, Quinn must show that he suffers from   |  |  |  | | --- | --- | --- | |  | a. | ​a distinct harm separate from that affecting the general public. | |  | b. | ​a lesser harm than an injunction would impose on Plywood. | |  | c. | ​Plywood’s failure to use reasonable care to avert herm to Quinn. | |  | d. | ​the same harm as that affecting the general public. | |

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| 59. The court is most likely to award Robyn an *injunction*​   |  |  |  | | --- | --- | --- | |  | a. | ​if letting the pollution continue is *equally* as harmful as stopping it. | |  | b. | ​if letting the pollution continue is *less* harmful than stopping it. | |  | c. | ​if letting the pollution continue is *more* harmful than stopping it. | |  | d. | ​under no circumstances. | |

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| 60. The court is most likely to award Robyn *damages*   |  |  |  | | --- | --- | --- | |  | a. | ​if letting the pollution continue is *equally* as harmful as stopping it. | |  | b. | ​if letting the pollution continue is *less* harmful than stopping it. | |  | c. | ​if letting the pollution continue is *more* harmful than stopping it. | |  | d. | ​under no circumstances. | |

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| 61. Energy Market Corporation wants to build a wind power plant on private land, for which a federal permit is required. For this action, an environmental impact statement is   |  |  |  | | --- | --- | --- | |  | a. | ​prohibited. | |  | b. | ​required. | |  | c. | ​unnecessary. | |  | d. | ​voluntary. | |

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| 62. The National Park Service hires Outdoor Play, Inc., to replace outdated playground equipment in a handful of national parks. For this action, an environmental impact statement is most likely   |  |  |  | | --- | --- | --- | |  | a. | ​prohibited because the action does not affect the environment. | |  | b. | ​required because the action is “federal.” | |  | c. | ​unnecessary because the action is not “major.” | |  | d. | ​voluntary because the action does not affect the environment. | |

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| 63. Loaf & Biscuit Company operates a commercial dough making and packaging plant—a “major source”—that emits hazardous air pollutants for which the Environmental Protection Agency has set maximum levels of emission. The plant does not use any equipment to reduce its emissions. Under the Clean Air Act, this is most likely   |  |  |  | | --- | --- | --- | |  | a. | ​a violation. | |  | b. | ​not a violation because dough is not considered a pollutant. | |  | c. | ​not a violation because the plant does not use any equipment. | |  | d. | ​not a violation because the plant is not a mobile source. | |

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| 64. The operations of Commercial Concrete, Inc., are major sources of air pollution. These operations must use   |  |  |  | | --- | --- | --- | |  | a. | the absolutely cleanest air technology. | |  | b. | ​the best available filter technology. | |  | c. | ​the maximum achievable control technology. | |  | d. | ​the most affordable scrubbing technology. | |

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| 65. Industrial Solvents, Inc., averages $15,000 profit per day before deciding to ignore air pollution standards, after which the average is $50,000. Industrial Solvents is subject to a fine of   |  |  |  | | --- | --- | --- | |  | a. | $0. | |  | b. | ​$15,000 per day. | |  | c. | ​$50,000 per day. | |  | d. | ​$65,000 total. | |

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| 66. Smelting & Refining Company generates solid waste considered hazardous. The company labels and packages properly all waste to be transported to a disposal site. Under the Resource Conservation and Recovery Act, this is most likely​   |  |  |  | | --- | --- | --- | |  | a. | ​not a violation. | |  | b. | ​a violation because Smelting & Refining generates solid waste. | |  | c. | ​a violation because the waste is transported off-site. | |  | d. | ​a violation because the waste is considered hazardous. | |

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| 67. Energy Resources, Inc., operates an oil refinery near Forest River, which flows into Grove Lake. Discharging oil from the refinery into the river can result in an assessment of   |  |  |  | | --- | --- | --- | |  | a. | ​cleanup costs and damages. | |  | b. | ​cleanup costs only. | |  | c. | ​damages only. | |  | d. | ​no cleanup costs or damages. | |

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| 68. County Water & Sewer operates a public water supply system. County Water must send to every household that it supplies with water an annual statement describing   |  |  |  | | --- | --- | --- | |  | a. | ​County Water’s financial situation and material facts that might affect it. | |  | b. | ​other operations, such as irrigation and water conservation, in which County Water is involved and to what extent. | |  | c. | ​parties who might be held liable if pollution problems arise. | |  | d. | ​the source of the water, and any contaminants and health concerns. | |

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| 69. HazMat Waste Corporation operates a hazardous waste storage facility. Concerned that there may be a release of chemicals from the site, HazMat sells the property to Investment Holdings, Inc. If there is a release, HazMat is most likely   |  |  |  | | --- | --- | --- | |  | a. | ​liable. | |  | b. | ​not liable because the site was sold *before* the release. | |  | c. | ​not liable because HazMat was concerned about the release. | |  | d. | ​not liable because HazMat no longer operates the facility. | |

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| 70. BioChemical Disposal Corporation operates a hazardous waste storage facility. ChemCo Inc. buys BioChemical before it is discovered that the firm’s disposal practices violated CERCLA. With respect to these violations, Superfund imposes on ChemCo   |  |  |  | | --- | --- | --- | |  | a. | ​strict liability. | |  | b. | ​liability under the nuisance doctrine. | |  | c. | ​liability on a negligence theory. | |  | d. | ​no liability. | |

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| 71. Rely Battery Corporation makes batteries for motor vehicles. The Federal Trade Commission (FTC) learns that Chuck’s Automotive Stores, a retail company that sells Rely’s batteries, engages in Advertising, Marketing, and Sales practices. What actions can the FTC take against Chuck’s? |

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| 72. Bertha owns land located outside Centre City. Bertha sells the land to Disposal & Recycling, Inc., which establishes a hazardous waste disposal facility at the site. Disposal & Recycling accepts only waste transported by Eco Trucking Inc. exclusively from Federated Industries, Inc. Several years later, Disposal & Recycling closes its facility and sells the land to Garden Variety Retail Corporation, which builds a Home & Yard store on the site. Meanwhile, some of Centre City’s citizens complain to the Environmental Protection Agency (EPA) that the city’s municipal water supply is polluted. The EPA investigates and discovers that the sources of the pollution are leaks of hazardous waste from what is now the Home & Yard site. The EPA cleans up the site. Who can be held liable for the cost of cleaning up the site? What standards must Centre City meet regarding the water? |

**Answer Key**

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| 1. False |

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| 2. True |

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| 3. True |

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| 5. False |

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| 6. False |

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| 7. True |

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| 11. True |

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| 13. False |

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| 50. d |

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| 70. a |

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| 71. The Federal Trade Commission (FTC) can investigate the problem, and if, after the investigation, it believes that Chuck’s has engaged in Advertising, Marketing, and Sales, it can send a formal complaint to the alleged offender. Chuck’s may agree to a settlement. If not, the FTC can conduct a hearing before an administrative law judge (ALJ). If the FTC succeeds in proving that Chuck’s ads are deceptive, it can issue a cease-and-desist order requiring the advertising to stop. It might also impose a counter-advertising sanction, requiring Chuck’s to issue new ads—in print, on radio, and on television—to inform the public about the earlier misinformation. |

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| 72. Disposal & Recycling, Eco Trucking, Federated Industries, or Home & Yard may be held liable for the cost of cleaning up the site.  Under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), or Superfund, the EPA can recover the cost of cleaning up a leaking hazardous waste disposal site from the party who generated the waste disposed of at the site, the party who transported the waste to the site, the party who owned or operated the site at the time of the disposal, or the current owner of the site. These potentially responsible parties are jointly and severally liable: a party who generates only a fraction of the waste, for example, can be held liable for the entire cleanup cost. Of course, whoever is held liable for the cost can bring a contribution action against any other person who is, or who may be, liable for a percentage of the expense.  Under the Safe Drinking Water Act, Centre City, as an operator of a municipal water supply system, is required to meet the EPA’s standards for the levels of pollutants in public water systems. Centre City must use the best available technology that is economically and technologically feasible to meet these standards. |