

## The Pinto Case

In 1968 in response to strong foreign competition, Ford decided to build a subcompact car — the Pinto — on a 2×2×2 plan (2,000 pounds, \$2,000, in 2 years). In pre-launch tests, Ford discovered that rear end collisions propelled the gas tank onto the rear axle, which had protrusions that ruptured the tank and caused the car to catch fire. Yet Ford did not modify the Pinto's rear axle. Nor did it follow through on an idea to place a rubber bladder in the fuel tank. Why? The reason seems to have been that these changes would have increased the price, lowered sales and reduced profit. That reason is given credence in a cost/benefit study done on modifying the Pinto.

### *Ford's Cost/Benefit Analysis*

Ford applied a generic cost/benefit analysis to accidents based on National Highway Traffic Safety Administration estimates of the worth of a human life — around \$200,000 based on productivity estimates at that time — and its own figures on deaths from car accidents. The analysis is as follows:

#### *Future productivity losses*

Direct: \$132,000

Indirect: \$41,000

Medical Costs - Hospital: \$700; Other: \$425

Property Damages: \$1,500

Insurance administration: \$4,700

Legal and court expenses: \$3,000

Employer losses: \$1,000

Victim's pain and suffering: \$10,000

Funeral: \$900

Assets (lost consumption): \$5,000

Miscellaneous accident costs: \$200

**Total cost per fatality \$200,725**

#### *Benefits*

180 burn deaths, 180 serious burn injuries, 2,100 burned vehicles

Unit cost: \$200,000 per death, \$67,000 per injury, \$700 per vehicle

**Total Benefit:  $(180 \times \$200,000) + (180 \times \$67,000) + (2,100 \times \$700) = \$49.5 \text{ mil.}$**

#### *Costs*

Sales: 11 million cars, 1.5 million light trucks

Unit cost: \$11 per car, \$11 per truck

**Total cost:  $12.5 \text{ million} \times \$11 = \$137.5 \text{ million}$**

On this analysis, Ford decided not to modify the Pinto.

In 1978 in Indiana, a Ford Pinto with three young women aboard was struck in the

rear and all three burned to death. This was only one of a number of such incidents, but this time Ford was indicted for wrongful death.

The judge instructed the jury that Ford would be guilty if it could be shown to have been indifferent to the dangers of the Pinto. Ford hired the Watergate prosecutors to defend it and was acquitted. Nevertheless, in *Grimshaw v. Ford Motor Co* (1981) Ford was sued civilly and had massive damages awarded against it, which were later reduced on appeal.

So this case represents a loss for Ford in terms of reputation, legal costs, project management, and other failures. Yet other auto manufacturers used cost/benefit analysis. Other cars were unsafe in some respects. Fewer than 30 people died in Pinto accidents during the car's 2-million production run.

### **Questions**

So, is there an ethical issue here?

If so, what should it have done differently?

Is there something unethical about using cost-benefit analysis?

For a discussion of the issues see the papers in Douglas Birsch and John H. Fielder, eds. *The Ford Pinto Case*, (Albany: State University of New York Press, 1994).