

Ford Pinto Case

Pinto was a car manufactured by Ford Motor Corporation from 1971-1980. During design and production crash tests revealed a serious defect in the gas tank. In crashes over 25 miles per hour, the gas tank always ruptured.

While analyzing the issue of the defective gas tank design, Ford did a cost-benefit analysis. Ford wanted to know if it was cheaper to fix the problem or to pay compensation to victims.

According to Ford's estimates, the unsafe tanks would cause approximately 180 burn deaths, 180 serious burn injuries, and 2,100 burned vehicles each year. Ford then calculated that it would have to pay \$200,000 per death, \$67,000 per injury, and \$700 per vehicle, for a total of \$49.5 million per year in compensation. However, according to their calculations, the cost of saving lives and injuries by fixing the problem was more expensive. Alterations would cost \$11 per car, which added up to \$137 million per year.

The public eventually learned that the Pinto had a tendency to explode in rear-end collisions, and victims and their families sued the company. Jurors awarded the victims huge settlements. When Ford got around to fixing the flawed gas tanks, the "cost-benefit analysis" that Ford submitted to the government was shown to be entirely wrong. The cost of fixing each car was not \$11, but merely one dollar.