

How do we measure the intrinsic value of a life, in addition to the instrumental value? Though perhaps an interesting mental exercise in which to engage, it is also a critical component of some business decisions and dilemmas. The following decision, though decades old, continues to teach us the hazards of considering only the instrumental value of a life. Though the instrumental calculation seems to make sense, and presumably it did at the time to those involved, you will see in hindsight that the "human element" seems to be missing.

In 1968, Ford Motor Company made a historic decision regarding the Ford Pinto, which was engineered with a rear gas tank assembly that had a tendency to explode in accidents that involved some rear-end collisions. The company allowed the Pinto to remain on the market after it determined that it would be more costly to engage in a recall effort than to pay out the costs of liability for injuries and deaths incurred. In an infamous memo, Ford's senior management calculated what the company would likely have to pay per life lost. It is noteworthy that these estimates were not Ford's alone but were based instead on figures from the National Highway Traffic Safety Administration.

Expected Costs of Producing the Pinto with Fuel Tank Modifications:

- Expected unit sales: 11 million vehicles (includes utility vehicles built on same chassis)
- Modification costs per unit: \$11
- **Total Cost: \$121 million** [11 million vehicles × \$11 per unit]

Expected Costs of Producing the Pinto without Fuel Tank Modifications:

- Expected accident results (assuming 2,100 accidents):
 - 180 burn deaths
 - 180 serious burn injuries
 - 2,100 burned out vehicles
- Unit costs of accident results (assuming out of court settlements):
 - \$200,000 per burn death
 - \$67,000 per serious injury
 - \$700 per burned out vehicle
- **Total Costs: \$49.53 million** [= (180 deaths × \$200k) + (180 injuries × \$67k) + (2,100 vehicles × \$700 per vehicle)]

Using these figures, the costs for recalling and modifying the Pinto were \$121 million, while the costs for settling cases in which injuries were expected to occur would reach only \$50 million.

If you were responsible for deciding whether to engage in the recall, how would you conduct the decision-making process? How would you account for the *intrinsic* as well as the *instrumental* value of a human life? Returning to the question that opened this Decision Point, consider how you would measure your own worth or the value of someone close to you. Who are your stakeholders and what is your value to each of them? How will you measure it—*financially*?

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