Case study: the ford pinto

Business

Part 1 Question A The main characters in this case study are the owners ofFordled by the president, Lee Iacocca. The president is more than determined to regain the market share that Ford enjoyed before the entry of other competitors and therefore he thinks of ways of recapturing their market share. Their market position in the in the car manufacturing industry was threatened by the competition they encountered from domestic and foreign subcompacts, especiallyVolkswagen. In order to regain the market share, Lee Iacocca thinks of the production of a new subcompact, referred as the Pinto within two years.

This rush production of this car leads to an ethical conflict which the owners face in court. During the crash testing period of the Pinto, the car was prone to instant burning due to the induced fuel leakages that caused fire. The car was designed in a way that the fuel system of the car was at the rear part. The owners ignored these ethical consequences and went on with the production of the car which eventually led to the death and loss of many lives as a result of fires from fuel-induced accidents. The owners ignored the fact that the benefits were almost thrice less than the associated costs. All they wanted was to recapture their market share hence they ignored the ethical consequences (Buchanan, 1995).

Question B The aspirations of people vary from person to person based on the ambition in life regardless of the integrity of the person. From the case study, we learn that the producers of the Pinto had divergent view during the initial production of the car. The president of Ford was not guided by his integrity hence he authorized the production of the car despite the ethical challenges it posed to the would-be users. The knowledge of ethical education would have been crucial to the producers of the car because it could have made them use ethical procedures and measures during the production stage. This case study therefore shows that the integrity of a person may not play a crucial part in the quest to realize his aspirations if he lacks the knowledge of ethical education.

This is exemplified by the company's refusal to use in a new design in the production of the car despite their accessibility in favor of the unethical design. The possibility of death as a result of this model would have been minimized if ethical practice would have been put into action. It is obvious from the case study that the motive of the car manufacturer was purely based on monetary gains. The manufacturer focused on the profit side of the business rather than the safety and ethical principles of the business. Question C The characters in the case study should have adopted a moral stand before and during the production of the Ford.

This would therefore imply that they would have put the safety and the well being of a human being before their own interests. The deaths that resulted from the production of this car would have been eliminated in the first place. The Kantian theory says that men should place a moral norm before them and obey it no matter the pressure from within and without the person. This theory is applicable to the producers of the Ford car because if they would have had prior knowledge of this theory, they would have adopted a better design to produce the car (Machan, 1999). The design they would have adopted should place the safety of human beings above the economic gains they desired. In addition, apart from the market forces of demand and supply, any automaker must focus on safety of the user rather than prestige or any other factor for that matter.

Design aspects must be user friendly at all times and guarantee safety. Part 2 The Market Economy A market economy is a type of economy where decisions concerning investment, production of goods and distribution of goods are all based on supply and demand, as well as market prices of goods and services are all determined in a free system of setting up prices. A market economy has a major characteristic where decision regarding investment and allocation/citing of producer goods is just accomplished through regular market meetings. This contrasts quite much with a planned economy, where investment and production decisions of goods and services are all enclosed/embodied in a plan of production. Market economies do not subsist in one pure form since the governments and societies keep changing them in orde to fit in different circumstances in changeable degrees.

Most current market economies are state directed and consist of a degree of economic planning from the government of the day and the government directs all the activities. Markets can be perfect market, free market and/or controlled markets. Perfect Market A perfect market can be defined basing on varied conditions, these conditions are in common known as perfect competition. Perfect competition include: perfect market information, limited participation with intention to set up prices, free from government intervention, an open entry and exit into the market zone, individuals in trade have got equal chances to access important factors of production. There is also profit maximization and limited or no external forces to influence trade and other market activities. In the UAE, this will be quite difficult as there are many potential entrepreneurs who might want to enter into this market system with different rules and regulations concerning prices and introduction of new market ventures.

The general equilibrium theory shows that when we have a perfect competition at the market, the shape of supply and demand curves, there is greater chances of proving that market activities will eventually reach equilibrium, in which supply of goods or items and services at the market are equal to the market demand of these required goods and services at the current price. This equilibrium will ensure that nobody is made better off than the other in exchange process (Buchanan, 1995). The most similar market to the perfect market is the share and foreign exchange markets. Perfect markets have normal profits that are enough to entice participants to stay in the market and thus satisfy customers' demands. The foreign currency in the UAE will encounter some obstacles due to the fluctuation of their currency.

For a free market to operate well, it also should favor the foreign investors, the currency of that country of investment should be strong, rigid and at a commendable exchange rate. This does not favor the UAE due to their ever-changing currency exchange rates. Free Market A free market is a type of market, which is free from economic interventions and strict regulation by the governments, only for protection of property rights. In other words, a free market has no regulation; moreover, it also has no item/product subsidization and is free from the government monopolies. A free market is a market structure in which the distribution and costs of goods/items and services, along the hierarchy between capital and consumer goods are coordinated and supplied basing on the available market demand without hindrance from external forces of regulation or control from the government in charge of that market center and/or monopolies from the government is not there. A free market sharply contrasts with controlled market or regulated market, in which there are strict government interventions and government policies, in the setting of prices and the production of goods as well as in their distribution.

A free market economy is an economy that is entirely composed of free market. Free markets are mostly associated with capitalism. In the perfect free market, products and property rights are not restricted by the government and are voluntarily exchanged at the prices agreed up on by the parties in an exchange activity in a mutual agreement that is the seller and the buyer. Buyers and sellers do not force one another into agreement i. e. they do not follow the practice of forcing people to accept or like their products.

Free Market and Economic Intervention In a market economy, the government takes economic interventions, which moves beyond the basic regulation of fraud at the market places and it, thus, enforces contracts; this is all in an effort to affect its own economy, because many of the government’s taxes are raised from trade activities. Economic Intervention Economic intervention is an economic practice, which favors interventions in free market where the public interest is at large on behalf of the government. An economic intervention is any move taken by the government or any other legal international institution in the market economy or mixed market economy in efforts to impact economy and curb instances of fraud, enforcing contracts and providing public goods and services. Economic intervention is aimed at a variety of political or economic objectives ssuch as: promoting economic growth- this is through curbing any prevalence of black markets. Black markets relate to the situation in market activities where the producers of goods decide to keep their commodities in a safe haven and after the other products have been exhausted on the market, they release these products at a very high price. Black markets exist to exploit consumers who will have a lot of demand for scarce products.

Black markets give a lot of pain to the product consumers and the government that is why the government will always regulate the markets against these acts. Contractarian Ethical Theory The contractarian ethical theory is both a moral theory that explains the origin or the legitimate content of moral norms and a political theory that defines the boundaries of political authority. The political theory of authority asserts that the government, which is legitimate, must derive from the ideas of contract or mutual agreement. The moral theory of contractarianism is about moral norms and that they must derive from the idea of contract or mutual agreement between the interested parties. Free market is absolutely connected with contractarian theory, because in a free market, the parties mutually agree on the price to use in buying and selling their products and is based on a contract where either should deviate from the agreement.

In contractarian ethical theory, the parties in forming an agreement do so without the checks and balances from the government, indeed in the free market economy, traders perform their activities and duties freely so long as they do so basing on the constitution and labor union requirements that temporarily hold accountable some cases arising from trade activities. As we all have innate values of accepting morality, thus as in a free market economy where despite individuals looking for profits and financial gain from their businesses, they are also initiated by their inner to maintain a certain level of morality. The Enforcers of Contracts in Societies Today and the Relation between the " Prisoner's Dilemma" and the Moral ContractIn today's societies, the enforcer of the contract should be the parties involving in the agreement and if it fails to be achieved, then the legal procedure is followed bending the agreement, in other words, the government should now be involved in the case where the agreement is not fulfilled. The labor unions should also be engaged in trade agreements, this is applicable in the place whereby the country has a clearly spelt out constitution that takes into consideration the affairs of its citizens involved in the business industry. The people in trade should have to make and enforce a lasting impression of mutual understanding between them in their trade activities, as this is the easier way of enforcing the contract between or among the business and trade partners. There should also be morals by agreement to be employed in grounding morality rules in rationality in order to defeat the moral skeptics (Machan, 1999).

The society must also justify rational compliance with the norms that have been accepted. These norms must be derived on the initial situation of the conduct of the contracting situation in the business world. The prisoner's dilemma relates to the moral contract, where an individual in trade refuses to oblige to his or her promises, then the legal procedure might be followed, which puts that individual at risk of being arrested and taken to jail. The characterization of people in their natural environment leads to a dilemma that might as well destabilize their ego integrity and trust within and towards other people. This moral dilemma will lead an individual into socially sub-optimal situations that are not desirable and might motivate them to make concessions to one another for some agreement. Controlled (Regulated) Markets The government mostly controls controlled markets, the government issues regulations about the prices and supplies.

The body that is appointed by the government regulates the provision of goods and services. This regulation covers the terms of supplying of goods to the market and services. This body also sets the price that should be allowed to be charged at the market and those whom they are distributed. In the controlled market, there is no mutual agreement between the buyer and the seller to set their own prices, but is done by one central body appointed by the government. Regulated markets commonly control natural monopolies such as communication aspects in the form phones by setting tarrifs.