

Objectives



after completing this lesson, YOU will be able to



» Understand something of the **history of unsafe products and consumer frauds** in the United States, and how industries are implicated; and

» Discuss some major cases in the *tobacco, automobile, and pharmaceutical industries*.

For this lesson, please read:

» Rosoff, Pontell and Tillman, *White-collar Crime*:

- **Chapter 3. Unsafe Products**

The United States has a long history of companies marketing products that injure us, make us sick and even kill us. According to the **National Commission on Product Safety**, an estimated **30,000** people are *killed each year, another 110,000 are permanently disabled, and 20 million more are injured.*





SEVERAL industries

Premium Brands



Cigars

Value Brands



In this lesson we will briefly consider several industries and products that have been highlighted in the recent past: *the tobacco, automobile, and pharmaceutical industries.*

When the dangers of tobacco smoking began to be documented, several lawsuits charged that **the manufacturers knew they were marketing a dangerous product**. These lawsuits were brought by **smokers who had contracted lung cancer**, or the families of those who had died.



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The lawsuits almost always failed, as the companies could easily outspend their adversaries in court. They also argued that smokers should have known through warnings on cigarette packs and from other general information that they were putting themselves at risk by smoking.

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While their attorneys made these arguments, companies continued to deny that smoking was a definite health hazard and that nicotine contained in tobacco was addictive. *In fact, in 1994, the leading executives of the seven largest U.S. tobacco companies told a congressional panel that **using tobacco was not harmful.***

Months after these hearings, however, secret documents were discovered that suggested that **companies knew of such health risks and had intentionally hidden the information.**

» *For example, documents from one company showed that it had actually studied the effects of nicotine on the body and the brain for 15 years, and failed to report its finding to the government that nicotine was a highly addictive substance.*

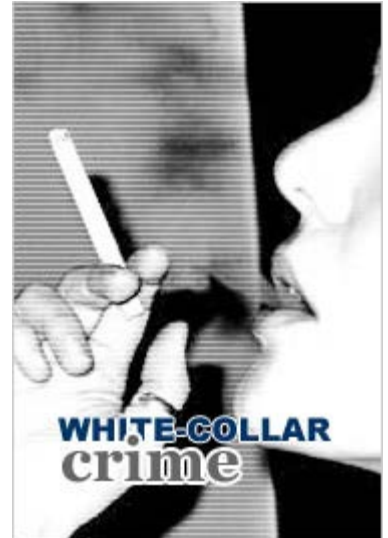
Later, a number of articles published in the ***Journal of the American Medical Association (JAMA)***, based on documents from another company, showed that it had hidden information from the public on the addictiveness of nicotine, the health risks of cigarette smoking, and the dangers of secondhand smoke for over three decades.

»» The growing evidence that tobacco companies were duplicitous in dealing with the public prompted members of Congress to press for fraud and perjury charges against the corporations and their executives. **A number of settlements and lawsuits have resulted since, and many more are still pending in courts throughout the country.**

The companies have finally changed their stance, and now openly admit the dangers posed by cigarette smoking.



Despite the new proclamations of the companies, the case of tobacco demonstrates the ***"postponed violence"*** of white-collar crime. Although it is **less obvious, less immediate, and less directly traceable** to its perpetrators, such violence is no less devastating to victims.



Two basic elements stand out regarding the corporate disregard for consumer safety in the auto industry:

resistance against safety devices and defects in design.

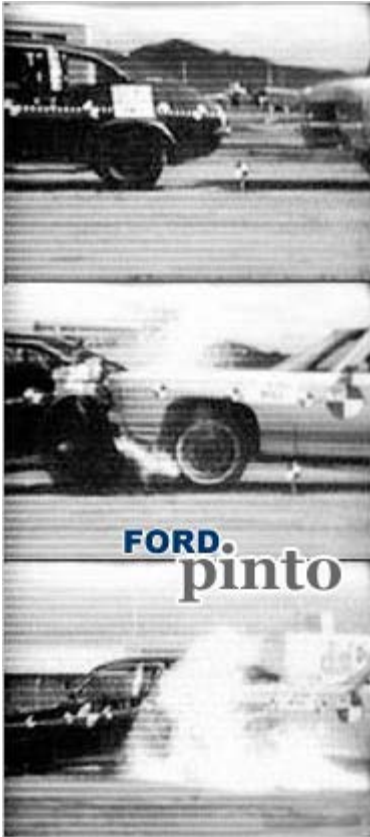
Corporate resistance against safety devices is not a new development. As early as 1929, the president of GM refused to install safety glass in autos because it was too costly. He argued that the company was not a “charitable institution.”



The Ford Pinto scandal in the 1970s illustrates the second element: design defects.



Before the car was produced, crash tests showed that its fuel system ruptured easily with rear-end collisions, causing an explosion. The company, however, had already begun tooling the assembly line for production. Management, in a desperate competition with Volkswagen in the subcompact car market, made the decision to produce the car with the known defect.



Documents later showed that the company had actually *calculated its profits* through this course of action.

» *The \$11 repair to fix the defect on all Pintos would have cost the company \$137 million, compared to 180 burn deaths, 180 burn injuries, and 21,000 burned vehicles which would have cost only \$49.5 million — assuming \$167,000 per death and \$67,000 per injury.*

By continuing to make cars that they knew would kill and injure people, Ford could anticipate a savings or profit of \$87.5 million. **It was the first documented case where a major company had actually put a *price tag on human life.***

Ford's apparent indifference to human life provides perhaps the most significant testimony to the paradox of white-collar violence:

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Someone who would never think of hurting or killing you on a face-to-face basis, and who may otherwise be a model citizen, will wound or kill you from behind the corporate veil.

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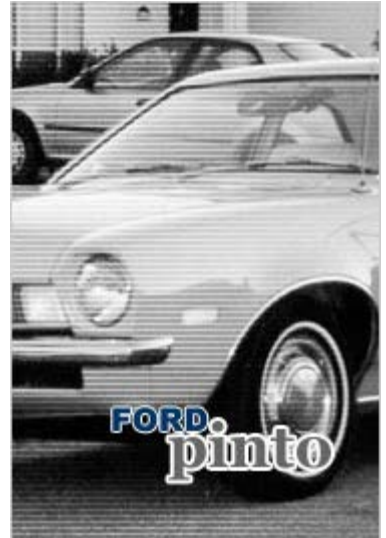
Moreover, **the criminal justice system was ill equipped to deal with this novel case.** The company was charged with reckless homicide under the doctrine of corporate criminal liability, and stood trial in Indiana.



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After spending millions on its defense, Ford was acquitted, with the unnerving defense that ***the Pinto was no more dangerous than other cars that were produced at that time.*** If anything positive came from the case, it was probably that car manufacturers might think twice about ignoring design defects in the future.

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Decades later, Ford was again embroiled in controversy regarding defective Firestone tires that were original equipment on trucks and the best-selling Explorer.





A year earlier, Firestone had paid a \$50,000 fine for manufacturing another defective tire (the 500 series), in which the steel belts separated from the tire. Ford had noticed the problem with the newer ATX/Wilderness tires and was replacing them on vehicles in a number of countries, but had failed to report the defect in the United States until one year later.

Most of the blame was ascribed to Firestone, when it was discovered that the company had more than 1,500 legal claims in the three previous years regarding the defective ATX tires. *Firestone, in turn, repeatedly blamed customers for “abusing” their tires and overloading their vehicles, making the tires more unstable.*



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The **list of consumer frauds** goes on, *from products that affect children, to adulterated food, dangerous drugs and devices, as well as quackery involving medical devices, nutrition, and drugs.*

Upton Sinclair's book *The Jungle* exposed the disgusting state of the meatpacking industry in the United States at the turn of the 20th century, which led to legislation that began to regulate such businesses.

» Drugs whose full effects had not been tested or disclosed were released into the marketplace and caused severe harm or death. Drugs such as Bendectin, Thalidomide, MER/29, Oralflex, and Halcion, for example, have caused unnecessary and preventable harm to the American public.

» Devices such as the Dalkon Shield, silicone breast implants, and Rely Tampons are all examples of products that should never have been released.

» Quackery has produced some of the most bizarre products and claims as to their usefulness that have ever been unleashed on the American public. All of these involve **unsafe products.**

Forum *discussion*



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Pick one example of an unsafe product from the chapter and
apply to it *one major causal explanation of white-collar crime.*

» Write two paragraphs on this topic.

Summary

>> a brief overview of what you learned



» The United States has **a long history of companies marketing products that injure us, make us sick, and even kill us.**

» The case of tobacco demonstrates the **"postponed violence" of white-collar crime.** Although it is less obvious, less immediate, and less directly traceable to its perpetrators, such violence is no less devastating to victims.

» Two basic elements stand out regarding the corporate disregard for consumer safety in the auto industry: **resistance against safety devices and defects in design.**