



ETHICS - 24 CASE STUDY SUMMATIVE

GM Ignition Switch



Has General Motors learned its \$900 million lesson?

General Motors' \$900 million plea deal with the U.S. government after the automaker concealed a deadly ignition-switch defect linked to the deaths of 124 people has rekindled a debate over how tough federal prosecutors should be when fighting corporate wrongdoing.

Here's the core of the debate: Do so-called deferred-prosecution deals that grant companies a pass on criminal prosecution in exchange for big fines and future compliance merely re-enforce bad corporate behavior? Or do the deals permit prosecutors to press for systemic reforms that a costly criminal prosecution could never achieve?

In the government press release announcing the settlement this week, GM was commended for taking "exemplary actions to demonstrate acceptance and acknowledgment of responsibility for its conduct", including the dismissal of 15 people. The same press release stated that GM engineers first suspected the ignition switch was defective as far back as 2002. Yet for more than a decade, even as the body count mounted, the auto giant -- rescued during the financial crisis in 2009 with the help of a \$50 billion lifeline from taxpayers -- denied it had a problem and lied to regulators.

In 2014, GM recalled 2.6 million cars. A \$600 million victims compensation fund has been established. GM still faces numerous wrongful-death suits and, according to Automotive News, has a potential \$10 billion liability from consumers who could sue for the loss in value of their vehicles.

Mary Barra, GM's CEO, did not sugar coat the significance of the scandal on the automaker brand. "People were hurt and died in our cars," Barra told employees this week. "We've made substantial changes, and people know we are sincere.

At a press conference Thursday in New York City announcing the deal, U.S. Attorney Preet Bharara left the door open to the potential criminal prosecution of individuals involved with the case. As part of the settlement, an independent monitor will be assigned to ensure GM complies with its commitments to the government. As part of the internal reform, an anonymous tip line will be opened to encourage employees to come forward with concerns about safety and quality control.