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Trust and Reputation in the Sharing Economy: Toward a Peer-to-Peer Ethics

Abstract:

The sharing economy and peer-to-peer business relationships using information technology has become more important in today's world. For the sharing economy to work, however, trust and reputation are crucially important. I argue that the gathering of personal data needs to be accompanied by safeguards providing a guarantee of privacy rights. This argument will be based on a sketch of a theory called 'peer-to-peer ethics.' Basically, the idea is that what constitutes the ground for normativity is something that is agreed upon by everyone involved. In short, what is considered to be 'good' is whatever contributes to bringing about the desired goal of the community. This is a very familiar and ancient view on normative concepts, but, as I argue, one that deserves to be taken seriously especially as we enter into an intricately globalized world of ethics where worldviews clash with one another.

Keywords: sharing economy, Uber, Airbnb, peer-to-peer, ethics, trust, reputation, Asia

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Introduction

Trust and reputation are the key concepts which are crucially important in the well-functioning of the sharing economy and the society in which the economy is embedded. The sharing economy, exemplified by business models found in companies such as Uber and Airbnb, have found their way into Asia, creating powerful impacts and disruptions. In this paper I reflect upon some of the ethical considerations that emerge from these disruptions and propose a new way to think about these ethical concerns. Specifically, I propose what I call 'peer-to-peer' ethics. Basically, this means that normative values arise from the ground up rather than existing objectively independent of actual interactions. A deeper philosophical foundation for this kind of ethics can be found in Buddhist ethical theory. I propose that peer-to-peer ethics is more suitable to think about the ethical implications of the sharing economy and its related concerns than its counterparts.

Peer-to-Peer Ethics

By now most of us are familiar with Uber and Airbnb. Their business model, at least as they advertise it, depends on the trust that we place on our interactions with others (Celata et al; Ert et al). According to the model, the government is supposed to play a minimal role; regulations and other guarantees of quality and trustworthiness are supposed to take place among the participants themselves. This gives rise to trust and reputation being key components in maintaining the strength of the model. Nonetheless, the introduction of Uber and Airbnb in Asia has given rise to conflicts where the political authorities see that this business model is eroding their power and where those operating under the traditional model (e.g., taxi drivers and hotel proprietors) have seen their way of doing business being disrupted.¹ This shows that there are ethical issues involved. Here I present a brief sketch of an ethical system that should underpin the model. What I have in mind is a system of ethics where the source of the ethical judgments comes from the bottom up instead of from the top down. Mainstream ethical theories, such as Kantian deontology or utilitarianism, operate from the top down in the sense that the theory starts from argumentation and theorization at an abstract level, and the resulting theory comes to be applied to concrete situations. For example, Kant starts with a question of what constitutes the good will in general and then comes up with a theory of what it is for an action to be ethical, a theory that is then applied to any particular act (Kant). In the same vein, by applying the principle of utilitarianism to an action in order for that action to be ethically evaluable, the utilitarian theory also works top down (Mill). Both theories operate at a very abstract theoretical level, thinking about what constitutes an ethical action in general, then proceeding to apply it to concrete cases.

However, the rise of the sharing economy and peer-to-peer phenomena gives rise to a new kind of thinking in ethics where the source of normative judgments rises from the ground up, so to speak. That is, instead of searching for what constitutes what is a right or wrong action in abstract theorization, the search starts from an actual situation, through the actual interaction of members of a community. The judgment of why an action is right or wrong is based on whether the action advances the goals and the actual interests of the community or not. In the case of peer-to-peer economy, this is an intuitive understanding that whatever done for the purpose of advancing the interests of the whole group will be considered good, and it would be bad otherwise. Thus, intuitively speaking, calling an Uber and then cancelling it without proper reasons would be bad for the whole community, as it erodes the trust that the community gives one another. Or calling a food delivery service only to cancel it after the driver has paid for the food and is delivering it to the caller would be considered bad too for the same reason. This is a very intuitive way of thinking, and it has an ancient pedigree, as we shall see.

¹ Stories about Uber and Airbnb disrupting the traditional ways of doing business in Asia abound. For examples in Thailand, see Thai transport authorities crackdown on Uber, Grab drivers, seek ban, 2017; Airbnb people rejoice! the court allows short term lease in condominiums, 2017; Uber problems that everybody should know, 2017; Word by Word: Uberthailand, Legal Problems, Marketing and Investment, 2017; Uber vs. taxis showdown in Chiang Mai, 2017; Uber problems that everybody should know, 2017.

A defining feature of the peer-to-peer phenomenon, at least ideally, is the lack of central authority to manage things from the top. This way of ethical thinking operates on the basis of concrete interactions of actual people, who have to judge one another on whether the other side is trustworthy or not. This fits very well with the system of trust and reputation that is the lifeblood of the sharing economy, for, interactions inside the sharing economy cannot function if the parties do not trust one another, and a system where both buyers and sellers give each other ratings points presents itself as an ethical system where what is good is defined by an act that fits the expectation of the other side. An Uber driver would be rated highly if she fits with the expectations of passengers, and this usually includes the driver being courteous, punctual, and so on. The same goes with the expectations of drivers of passengers. We could call these properties of being courteous and punctual, etc. to be the *virtues* of the driver, adopting the term from ancient Greek philosophy. Likewise, the virtues of the passenger include cleanliness (not eating inside the taxi), not being too noisy inside the car, and so on. What these traits or virtues share with one another is that they are properties that are expected by either side in an interaction; these traits are those that would enable the interaction to go on smoothly. Any of these traits are not fixed, however; in some rare cases a driver might prefer their passenger to be noisy, and if large enough numbers of drivers prefer noisy passengers and if such behaviour becomes normal among passengers, then this trait would come to be accepted as a virtue.

I propose that an ethical system based on peer-to-peer evaluation in this way is a better way of thinking about the ethics of the sharing economy than the traditional mainstream ethical theories. This way of thinking, I emphasize, is in fact not new at all, and it is not exactly the same as the mainstream virtue ethics theory either. Though both peer-to-peer ethics and virtue ethics share roughly the same view about the virtues as desired traits of character, the latter tends to maintain that it is the possession of virtues in the agent that defines whether an action performed by the agent is right, and that there is only one list of such virtues. That is, there is, on the one hand, only one list of virtues in mainstream virtue ethics theory the possession of which defines a morally virtuous person.² The list does not have to be a closed one where there are a fixed number of virtues; in fact, new virtues can be added to the list whenever it is appropriate to do so. Nonetheless, the important ones need to be there, such as compassion, generosity, courage, and so on, which define a morally virtuous person. This more or less single list may be based on the metaphysical character of the person, so what it is to be an exemplar person is then defined through the virtues in the list. Or there might be a single overriding goal of being a person, attaining supreme happiness perhaps, and any virtues that enable the subject to achieve this goal would be included in the list and those that do not would be not included.

On the other hand, the system of ethical thinking I am briefly sketching in this paper is much more modest. Instead of referring to the metaphysical nature or the overriding goal such as *eudaimonia*, the system here focuses on actual business interactions among two or more parties as they are engaged in whatever they are doing, and the virtues needed here are those that help the interaction to run smoothly so that the expectations of all the parties are met. Certainly, the repercussions of the transactions do indeed count, such as impacts of the transactions on others, as well as the practice of data gathering by Uber, but here I am focusing more on transactions that take place immediately as the buyer and seller interact. And then the interactions that take place as a result of further actions can be considered later. The advantage of the new form of thinking here is that it dispenses with the metaphysics that accompanies the traditional virtue ethics theory and it does not presuppose that there is only one set of virtues that is applicable to all situations. In the context of the sharing economy, this means that rating one another is the key action that is crucial for trust and reputation. In other words, acts that get high rating scores are considered good and those getting the opposite are considered bad. There is no pre-set ethical value coming from the top down prescribing anything.

² For example, according to Aristotle, the main goal of human existence is to achieve *eudaimonia*, which is a state that is obtained when one realizes one's own metaphysical nature. Hence, any character trait that helps in realizing this will be a "positive" one, or a virtue. Since attaining *eudaimonia* is a fixed goal, the traits that lead one to such an attainment must be more or less fixed too. In order to become a better person, there is just a constraint on how one could become better. See also Russell, 2015 and Slingerland, 2015.

Peer-to-Peer Ethics in Asian Context

The peer-to-peer ethics that I am presenting here owes its origin to ethical systems in the East. For example, Confucian ethics teaches that what is good is what lies in accordance with nature, or the *Dao*, which is the way things are, creating harmony in all things (Wong). Since acting in such a way that does not create conflicts in the context of the sharing economy creates harmony and avoids conflicts (not only between the driver and the passenger, but also between the driver and the company), then this kind of action is ethical. Peer-to-peer ethics also fits with this description: disrupting the flow of the sharing model--acting in a dishonest way on Uber or Airbnb for example--would be bad because it creates conflicts and disharmony. Buddhist ethics also largely follows the same trajectory.³

What I would like to argue in this brief paper is only that this type of ethical system is more suitable for the emerging sharing economy society than the traditional theories of either Kantian ethics, utilitarianism, or virtue ethics. In fact, virtue ethics is the closest theory to the one being proposed here, but as I have said the two differ in that traditional virtue ethics does not emphasize the role that peer to peer interaction plays in bringing about ethical values from the ground up.

Why Peer-to-Peer Ethics is More Suitable

We are now in a position to see, in brief, how the first order ethical pronouncements concerning the sharing economy can be justified in peer-to-peer ethics. For example, privacy in an online rating system can be justified by referring to the fact that, in online interaction where parties rate one another, the privacy of each party needs to be protected otherwise their reputation in the eyes of the public at large could be harmed. It is true that the rating information needs to be shared and aggregated within the app, but for the customer his or her rating of a service provider needs to be kept private and anonymous to ensure that the customer feels free to rate the provider. An Uber driver who happens to have less than a stellar rating could have his reputation further harmed if the rating he has with the company is known to the public. Likewise, a negative review uploaded by a disgruntled passenger might reflect rather badly on her reputation if the privacy of her words is compromised. It is likely then that in a rating system where privacy is not strongly protected, neither party would be willing to share their information to the system, resulting eventually in a breakdown of the whole thing. Thus, according to peer-to-peer ethics, protection of privacy is positively valued because it helps get the whole system going, which is in the interests of both the driver, the passenger, and the platform itself. We can also see the same way of thinking at work for other issues.

Truthfulness in review, to take another example, is a very important issue. There is an interest on the part of the parties to 'game the system,' so to speak, in order to gain unfair advantage to themselves at the expense of the entire sharing platform and other individuals. For example, an Airbnb guest might be approached by the owner promising to pay her something extra in exchange for a number of positive reviews of the place. In this case it is obvious that the entire system of trust can break down easily as a result. Hence it is to everyone's interest that truthfulness is always maintained. And when more and more people enter the online system, paying everyone to write positive reviews would not be profitable for the proprietor when compared with managing the house better in order to gain truthful positive reviews. Here is peer-to-peer ethics working best, because in this case there is no central authority involved (in this case the authority must be an *ethical* one, such as Kant's categorical imperatives, not a legal or political one); everyone works with one another in order, collectively, to create a platform where everyone's interests are fully served.

Perhaps the main difference that peer-to-peer ethics has against the traditional Western theories is that the focus of the former is on the community rather than the individual. And it is the community that is essential in the sharing economy because trust and reputation do not have any meanings outside of a community. What is ethical is what is judged by the community to be ethical. This sounds almost sacrilegious in Kant's theory

³ I discuss Buddhist ethical theory extensively in Hongladarom, 2020. See also Keown, 1992 and 2005.

because it sounds relativistic: What if a community judges a certain action to be ethical which most others find to be deeply repulsive? But what is ethical is nothing if not founded upon real practices of members of a community that they agree among themselves to be acceptable. According to the familiar argument by Alasdair MacIntyre, even Kant's own theory is ultimately based on his own milieu as a Protestant in late 18th century Prussia (MacIntyre).

The need for universal ethical judgment arises when different belief systems come together, which makes a way to accommodate these different systems together necessary. It is tempting to think that Kant's insistence in the universality of his theory stems from the Christian belief in the universal God. In the polytheistic context of Hinduism or even Confucianism (which though does not believe in any particular gods nonetheless does not actively deny their existence), this insistence on universality sounds strange. Each people has their own way of practices, their *ethos*. We can certainly judge the ethos of other people from our own viewpoint; this is only natural, but there does not seem to be a true, universal standpoint from which we can judge the beliefs and practices of others to be truly or objectively right or wrong. This does not imply relativism. For relativism is a negative term connoting the idea that "anything goes" and there is no moral basis for any action whatsoever. If relativism is understood in this sense, then peer-to-peer ethics is definitely not relativistic. Honesty and truthfulness are the virtues that are appreciated everywhere because of their obvious practical values, especially their values in promoting harmony. It is as if harmony is the basic *empirical* condition that is crucial for any dealings within any community to work. But if it is empirical, it is not Kantian.

Furthermore, peer-to-peer ethics is not the same as utilitarianism either. In fact, the two mainstream Western theories are almost like two sides of the same coin. What they share together is their emphasis on the individual person. For Kant it is the individual who makes her autonomous and rational judgment, and for the utilitarian it is the individual who enjoys the pleasure or suffers the pain resulting from certain action. In utilitarianism, even when the group is considered, such as when one has to choose between two groups, it is the aggregate pain or pleasure of individuals within these groups that matter, and not the groups *per se*. Suppose there is a runaway trolley bearing down fast and one has to make a decision either to let it go and crash into a large group, say, of ten people, or to divert it and crash it into a smaller group of only three people, everything else being equal, utilitarianism would opt for the second option. This is because the aggregate suffering that would ensue would be lesser. One might say that here the community plays a role, but the fundamental point is that it is the pain or pleasure of individuals that matter.

One of most familiar arguments against giving emphasis to the community is that the community can oppress the individual. This can well be true, and this has been a source of tension in many Asian societies. However, in the context of the sharing economy, especially when it operates in Asian cultures, the community represents itself online site where they rate one another, giving one another reputation scores (Kobie). Certainly these scores can be abused, as seems to be the case in China, where the political authorities control and influence the score system.⁴ My point is that online reputation can be regarded as one way in which the community is influencing the individual and holding her accountable, since it is the community that gives the score, not any particular individual. If I have a bad reputation on a sharing economy platform, it is not because of any particular person, but the whole community's collective cultural outlook, a community of which I am a participating member. I benefit from being a member of the community, such as being able to acquire Airbnb business through community, which obligates me to abide by certain rules of behaviour. I would like to call the theory underlying this system peer-to-peer ethics.

⁴ The literature on the Chinese social credit system is growing very rapidly in the past few years. For an introduction to the topic. Apart from Kobie, 2019, there is Chen and Cheung, 2017, Horsley, 2018, as well as Botsman, 2017.

Conclusion

In conclusion, peer-to-peer ethics has an advantage over established ethics frameworks for developing countries since the cultures of these countries do not share the same heritage as the West where both Kant and Mill originated. This may at this moment prove true only in theory, since developing countries are still largely influenced by authoritarian governments who's control over the freedoms of their own citizens does not allow for full-fledged peer-to-peer economy systems to prosper. In conclusion, peer-to-peer ethics offers an advantage over ethical systems based on Kant or Mill in that it does not presuppose the baggage of intellectual tradition; on the contrary it focuses only on the actual interactions that are taking place in concrete, real world situations. Such an approach can be utilized across cultural systems, whether Chinese, Indian or European. In more global terms, peer-to-peer ethics works best at a localized level of interaction. In such a setting, one does not have to employ an ethical system presupposing the categorical imperative or the theory of autonomous individuals in order to get a system that is recognized and accepted by both parties. Instead one needs only a system where one sees what kind of behavior best further the interests of both parties. Peer-to-peer ethics thus grounds its theory based on an evidence-based approach that looks to whether one's own interests, values and goals are served. Without the cultural presuppositions that are present in the top down theories, I propose that peer-to-peer ethics work better in the emerging global sharing economy society.

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