

## Teaching Notes

# THE ETHICS OF REGULATING THE SHARING ECONOMY

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The term “Sharing Economy” refers to individuals directly interacting with each other online to exchange goods and services, which is also known as collaborative consumption. Individuals connect to each other through websites or phone applications, like Airbnb or Uber, which create the market space for peer-to-peer interactions. Through these sites and apps, people rent out their extra rooms on Airbnb, or rent the empty backseats of their car for travellers on Uber. However, Uber and Airbnb are beginning to face regulation concerns, which introduces the questions of what, why and how to regulate these companies. This case study will use the ethical frameworks of utilitarianism and Rawlsianism to address the regulatory issues of collaborative consumption, specifically the companies Airbnb and Uber.

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## Ethical Frameworks: Utilitarianism and Rawlsianism

In discussing these regulatory issues, it helps to ground our thoughts in the ethical frameworks of utilitarianism and Rawlsianism. These frameworks are useful because they deal with questions of efficiency and fairness – factors regulators must themselves evaluate.<sup>1</sup> If regulators use a utilitarian approach, they would tend to emphasize efficiency by aiming to maximize utility. If regulators use a Rawlsian approach, they would emphasize fairness.

Utilitarianism defines moral actions as those providing the greatest good for the greatest number. Utilitarianism states that feelings of pleasure and pain govern humans, so moral actions are those that maximize societal utility: that is, whatever maximizes pleasure and prevents pain. Utilitarianism treats each individual societal member's utility equally in maximizing utility, so no one person's utility is weighted more than another's.<sup>2</sup>

John Rawls' theory to govern the society is “justice as fairness”: citizens are free and equal and the society governing those citizens ought to be fair. Within Rawlsian theory, Rawls' difference principle is most applicable to our discussion of regulation. The difference principle mandates both economic and educational opportunities for those with the same level of natural talent and willingness to employ such talent so that the resulting socio-economic differences give the greatest advantage to the least advantaged. The difference principle ensures that inequalities benefit all citizens, specifically whoever would be most disadvantaged by the inequalities.<sup>3</sup>

In discussing regulatory approaches to Airbnb and Uber, you, like regulators, must balance potential regulations between efficiency and fairness.<sup>4</sup>

1. *What is your reaction to the question of how Airbnb and Uber should (or should not) be regulated? Do you use Uber or Airbnb, why or not? Should there be more or less regulation?*
2. *To whom are you more sympathetic: Airbnb and Uber, consumers, established industry, others? Why?*
3. *Who is considered part of the society when determining whether Airbnb and Uber are ethical for the society? Neighbors? Established industry? Online competitors? How should regulators consider who is included in the society and community when creating regulations? How much does it matter who benefits and who is harmed?*
4. *Who is held to what standards? Should Airbnb and Uber be held to the same standards as hotels and taxis? Why or why not? Should protectionist measures be implemented? If so, who should be protected and from whose competition? Why or why not? Would more regulations become protectionist of Uber and Airbnb, preventing new companies from entering and competing against them? How would each of the ethical frameworks respond?*

A Utilitarian approach would argue that creative destruction would result in greatest good for greatest number. A Rawlsian approach would question who is the least advantaged and how to give those individuals the greatest advantage, whether through standards or protections or neither.

1 Weiner, Joann. “Is Uber’s Surge Pricing Fair?” Washington Post. The Washington Post, 22 Dec. 2014. Web. 27 Mar. 2015.

2 Driver, Julia, “The History of Utilitarianism”, *The Stanford Encyclopedia of Philosophy* (Winter 2014 Edition), Edward N. Zalta (ed.). John Stuart Mill, a follower of Bentham, does qualitatively distinguish among types of pleasure – such as the difference between intellectual and sensual pleasures. However, Mill does not distinguish between utility based upon the individual.

3 Wenar, Leif, “John Rawls”, *The Stanford Encyclopedia of Philosophy* (Winter 2013 Edition), Edward N. Zalta (ed.).

4 You may also consider a libertarian challenge to utilitarianism and Rawlsianism. Libertarianism calls only for the individual rights and liberties of all citizens in the society. A Libertarian approach to regulations will question whether individual and property rights are established. You may consider whether taking a libertarian approach may result in more, less, or no regulation for Airbnb and Uber.

5. *Should individual Hosts and Drivers of Airbnb and Uber be regulated like the companies they mimic? Should an Uber Driver be regulated like a taxi driver? Or an Airbnb Host regulated like a Bed and Breakfast or Hotel owner?*
6. *How would utilitarianism and Rawlsianism respond to creative destruction and surge pricing?  
Would Rawlsian society be supportive of creative destruction? If so, when?  
Would Rawlsian society be supportive of creative destruction? If so, when?  
What is the utilitarian argument in favor of surge pricing? Under what circumstances would utilitarianism not favor surge pricing?*