Platform Ethics

Agenda

- Case VirtuAI
- Ethical issues in platform business
  - Power asymmetries
  - Ethos of infinite growth
- Responsibility of platform companies
  - Doughnut model
  - Platform cooperativism
  - Shareholder and Stakeholder theories

BREAK

- Ethical decision making
  - Ehtical perspecitves; duty ethics, utilitarianism, virtue ethics
  - Ethcial dilemmas
- Case: DineTogether: Discriminating Tastes?

CASE: VirtuAI
How to monetize companion

Synopsis

- This case focus on the ethical and business dilemmas faced buy the software company VirtuAI as it decides how to monetise its lifelike companions, “Eve” and “Adam” and the Compania software that it both run on. Many individuals who have talked to Eve and Adam have not only felt like they were talking to a livie human being but also value the emotional support these companions can provide.

- These experiences may be too much of a good thing: some users appear to be interacting less of with other individuals or becoming dependent on their conversations with Eve and Adam. Beyond this dependence being worrisome, it could become financially ruinous and lead to increasingly intrusive data collection for vulnerable individuals. Yet, given the epidemic of loneliness referenenced, the inadequate supply for mental helath professionals equipped to address it, the need that VirtuAI is meeting, and the possibility that other companies with no ethical scruples might capture the space if VirtuaAI does not proceed aggressively.

Discuss Questions in Groups

Does the concern about addiction that Casey raises seem realistic?

Assuming these interactions are so compelling, how could VirtuAI price them?

What should VirtuAI do now?

- Possible pricing strategies:
  - Nominal
  - Subscription-based
  - Charge by usage

Does the concern about addiction that Casey raises seem realistic?

- Probably fair that it is realistic, e.g., social media addictive, dopamine response, become dependent.
- Definitely realistic, first stage people in desperate need, but over time it could be effective for anyone.
- So many social media and forum, why might they use this when there are so many other options.
- People are probably hesitant in some way, quick to not use it anymore.

Comparing Pricing Strategies

Nominal Pricing (Sliding Scale)

Low-cost or means-tested access based on ability to pay.

Ensures affordability but limits potential revenue for the company.

Deters competition by setting low price expectations in a new market.

Risk: Sacrifices profit for accessibility.

Subscription-Based Model

Recurring revenue stream with predictable, on-demand access for users.

Reduces competition by creating "stickiness" and switching costs for users.

Ethical dilemma: Does it promote over-reliance on AI over real relationships?

Potential need to cap usage.

Usage-Based Pricing

Maximises revenue through pay-per-use charges.

Ethical concern: Should VirtuAI profit from possible addictive behavior?

May disproportionately impact vulnerable users, making the service less affordable.

Assuming these interactions are so compelling, how could they price them?

- Similar to ChatGPT, freemium, give it out for free and charge for more premium version. Mental health and isolation angle, similar to therapy, 30 min session based on conversation.
- Partner with school systems, school pay the fee and provide it to kids. Means-testing but for organisations. Charge corporate the most!
- Subscription model, something for free, pay for more advanced features. Cap the usage.
- Free trial for 20-30 minute.
- Make either Adam or Eve free.
- Expensive, flat-fee?

What should VirtuAI do now?

- Should address concerns for misuse, could see backlash, detrimental to business. (i.e., harm to mental health).
- Also alter AI to emhpasise human interaction. Same as GPT, “however important to talk to doctor, etc.”.
- Could pivot, set up real human interaction. Real human interaction could be better.
- If people cannot afford healthcare, this is a good service, audience they are targeting are isolated and need to talk to somebody.

Ethical issues arising from platforms

Power Asymmetries: Platforms exercise significant control over participants through design choices, algorithmic curation, and terms of service

Gig work: Precarious work conditions, lack of benefits, and algorithmic management in platform-mediated labour

Data and Privacy: Platforms collect vast amounts of personal data, raising concerns about surveillance capitalism

Algorithmic Accountability: The "black box" nature of algorithms creates challenges for transparency, fairness, and bias

Market Concentration and Competition: Platform economics tend toward winner-takes-all dynamics, raising antitrust concerns and questions about innovation, consumer choice, and market fairness

Power Asymmetries

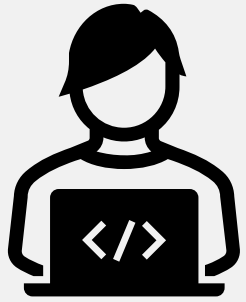
Means

- For users: Limited control over own data, privacy and feed. The platform decides what people see, shaping world views.
- For workers: Platform controls access to work for many gig workers. An algorithm decides who gets which orders, who gets priority, who gets deactivated.
- For third-party businesses: There’s high uncertainty. For example merchants on Amazon or app developers on Apple's App Store the platform can change its rules overnight. Amazon can see which products sell well, then create its own competing product and give it better placement. Apple can reject an app or take 30% of its revenue, and there's little the developer can do about it.

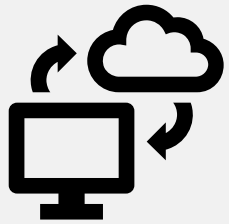
- Unequal partnerships for all.

Gigwork

- No minimum wage guarantees (+ issues with fair compensation regarding equipment needed)
- No sick leave or vacation time
- No health insurance or pension contributions
- No protection against unfair dismissal
- All the risks of entrepreneurship, but none of the actual control entrepreneurs have
- Algorithmic management (workers treated as data point instead of a person)



Data and Privacy



- Informed consent: The terms are deliberately complex, and they change regularly. Data ownership is unclear.
- Commodification of personal information: friendships, health concerns, political views, intimate relationships, all of this becomes data to be packaged and sold.
- Platforms collect data to predict and influence on people's behaviour: Threat to democracy and autonomy (eg. Cambridge analytica scandal)
- Surveillance capitalism: "A new economic order that claims human experience as free raw material for hidden commercial practices of extraction, prediction, and sales." (Zuboff, 2019)

Watch! The Age of Surveillance Capitalism | Shoshana Zuboff

- https://www.youtube.com/watch?v=8HzW5rzPUy8

Algorithmic Accountability

Algorithms make increasingly important decisions about our lives:

- Who sees your **job application**, What **interest rate** you get on a loan, Which **posts** appear in your feed, Who gets approved for **housing**, What **price** you pay for a ride or a product
- **Transparency:** Users deserve to know when algorithms make decisions about them and on what basis.
- **Fairness:** Algorithms must not discriminate based on protected characteristics like race, gender, or disability. But how do we ensure this when the logic is hidden?
- **Accountability:** When an algorithm harms someone, who is responsible? The programmer? The company? The algorithm itself? Current legal frameworks struggle with this.
- **Contestability:** You should be able to challenge algorithmic decisions, but often you can't even find out why a decision was made.
- This is a question of justice in the digital age

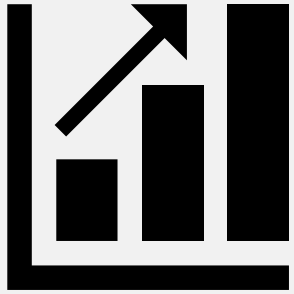
Watch this Tedtalk on algorithmic control:
https://www.ted.com/talks/cathy_o_neil_the_era_of_blind_faith_in_big_data_must_end

The Deeper Problem with Power Asymmetry And Monopoly

- Monopolistic market intensifies every ethical issue
- Combining power asymmetry with monopolistic market concentration leads to unaccountable private power over public life
- Environmental degradation as consumption increases
- Social costs externalised to workers and communities
- Short-term profits prioritised over long-term sustainability

The Problem of Infinite Growth

- Environmental degradation as consumption increases
- Social costs externalized to workers and communities
- Short-term profits prioritized over long-term sustainability



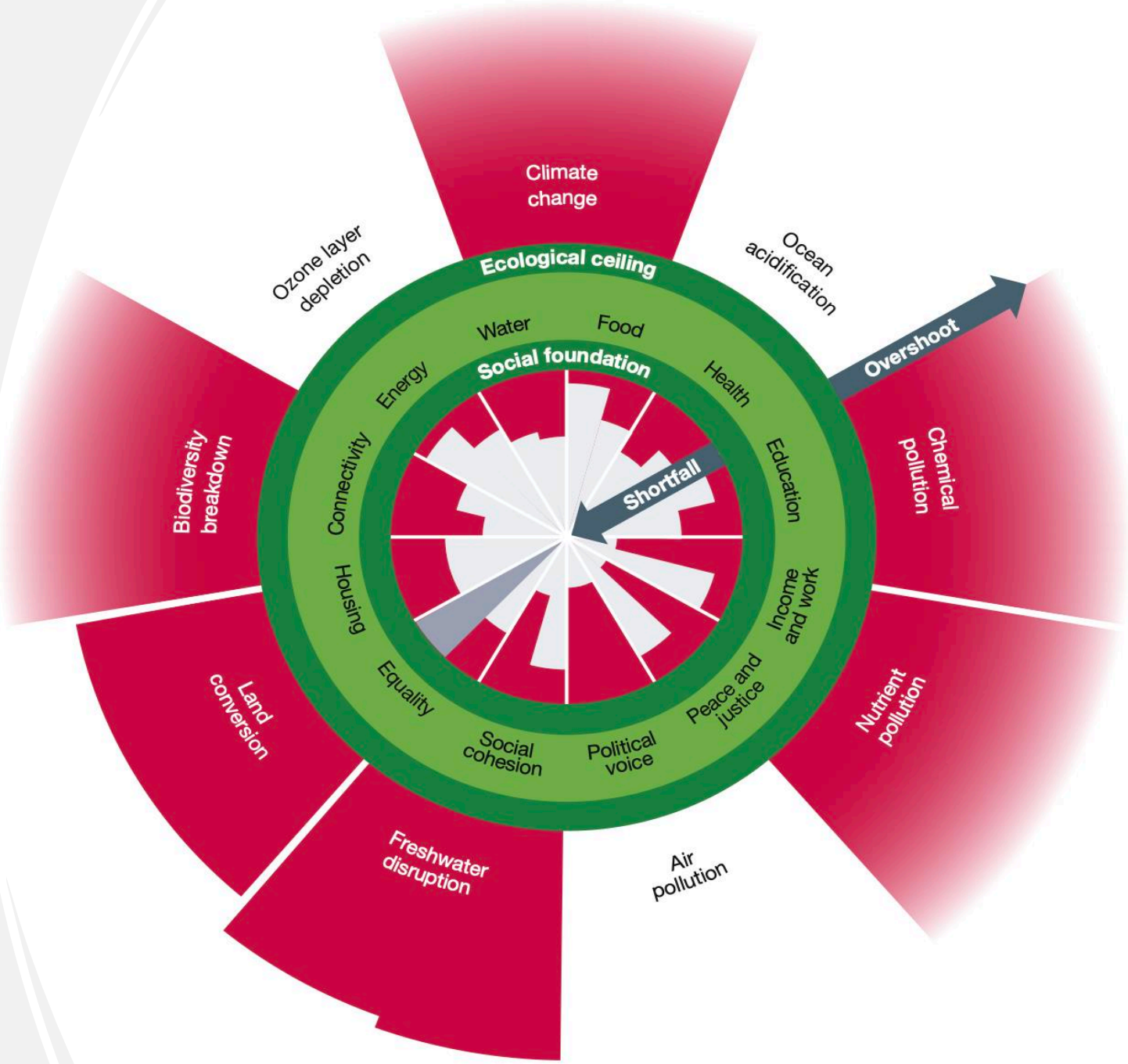
Rejecting the infinite growth means asking different questions:

- Not "How do we maximize profit?" but "**How do we meet real human needs**?"
- Not "How do we extract maximum value?" but "**How do we create shared value**?"
- Not "How do we grow forever?" but "**How do we thrive sustainably**?

Fanning, A.L., Raworth, K. Doughnut of social and planetary boundaries monitors a world out of balance. *Nature* 646, 47–56 (2025)

The Doughnut Economics

- Economic model for 21st century
- Sustainable alternative
- Developed by economist Kate Raworth
- The model combines planetary boundaries with social boundaries.



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From Shareholder to Stakeholder

The Shareholder theory

- Traditional business view: The only responsibility of business is to maximize profits for shareholders. (Friedman,1970)
    - ➢ Leads to pursuit of infinite growth

Stakeholder theory:

- Current business view: Businesses have responsibilities to all parties affected by their actions (Freeman, 1984)
    - ➢ Accordingly platforms have responsibilities to

    - **Workers/service providers** who create value on the platform
    - **Users/consumers** whose data and attention fuel the platform
    - **Third-party businesses** who depend on the platform
    - **Communities** where platforms operate
    - **Society** broadly, which provides infrastructure, education, legal systems
    - **The environment** which sustains everything

Platforms depend on:

- Organized institutions: Legal systems that enforce contracts, educational systems that produce skilled workers, transportation infrastructure, internet infrastructure, financial systems
- People: Not just as customers or workers, but as educated, healthy, empowered individuals who can participate meaningfully
- Social trust: Functional societies with rule of law, social cohesion, shared norms
- Natural resources: Energy, materials, a stable climate

When platforms extract value without contributing to these foundations, they're engaged in parasitic capitalism.

- ➢ value extraction instead of value creation

Platforms have responsibility to

- Fair treatment of workers as genuine stakeholders
- Transparent and ethical data practices
- Algorithmic accountability and fairness
- Contributing to communities, not just extracting from them
- Environmental sustainability in operations and impacts
- Democratic governance that gives stakeholders voice

Platform Cooperativism - An Alternative Model

- Applies cooperative principles
- Platforms are owned and democratically governed by their stakeholders: workers, users, or both

The core principles:

- Democratic ownership: The people who create value on the platform (workers, users) own it. Not external investors.
- Democratic governance: One member, one vote. Major decisions are made collectively, not by a CEO accountable only to shareholders.
- Fair distribution: Profits are shared among member-owners, not extracted by investors.
- Transparency: Open algorithms, clear policies, accountable decision-making.
- Different growth model: Growth serves the members' needs, not investor returns. Cooperatives can choose to prioritize sustainability, quality of work, community benefit—not just maximum scale.

Cooperative model - Answer to the problems?

- Power asymmetries? Reduced. If workers own the platform, they participate in setting the rules that govern them and become accountable.
- Labor exploitation? Less likely. Worker-owners won't vote to exploit themselves. They'll balance income needs with decent working conditions.
- Data extraction? Members can decide collectively what data practices are acceptable. No pressure from investors to maximize data monetization.
- Stakeholder vs. shareholder? The stakeholders ARE the shareholders. Alignment by design.
- Infinite growth pressure? Less likely. Cooperatives can choose sustainable scale rather than exponential expansion.

Ethical decision making

Ethical Frameworks

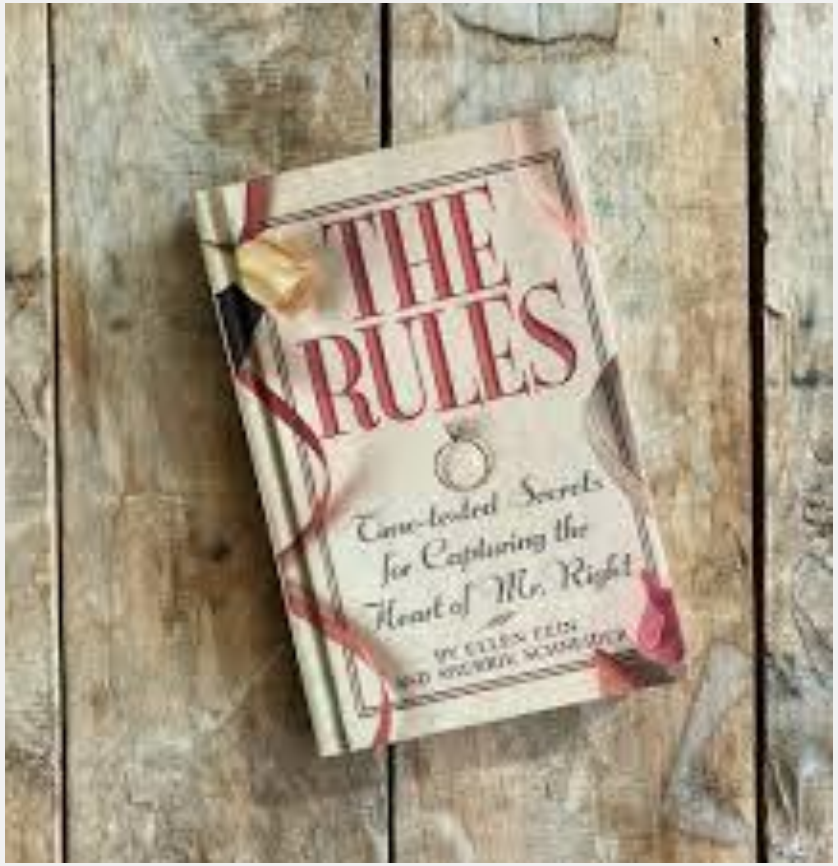
Duty ethics

- Immanuel Kant – Categorical imperative

- Utilitarianism
  - Jeremy Bentham – maximising utility/greatest good
- Virtue ethics
  - Aristotle – human flourishing, golden mean

Duty ethics

- Focus on moral duties and obligations
- Universal moral imperatives what is right and wrong
- Applies always regardless of the consequences



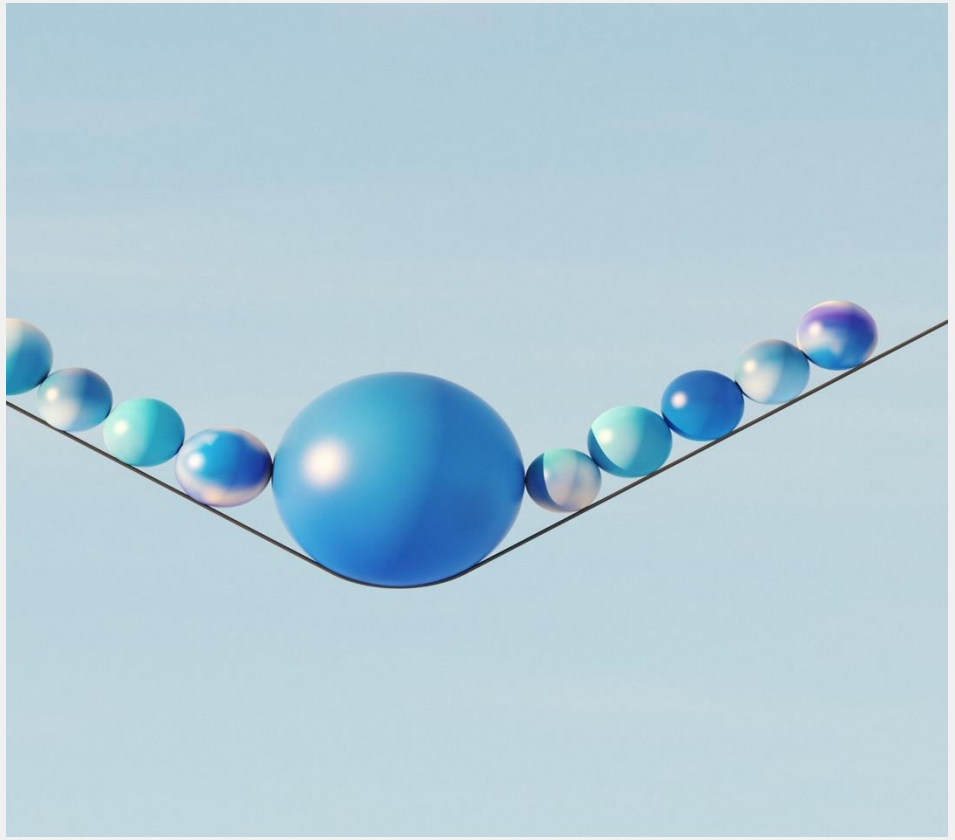
The Categorical Imperative:

Act only on that maxim by which you can at the same time will that it should become a universal law

Treat people always as an end and never as merely a means

Utilitarianism

- The right action is the one that produces the **greatest good for the greatest number**. **Maximize** overall **happiness** or wellbeing; **minimize suffering**
- Moral goodness is based on consequences. Judge actions by their outcomes, not by the intentions behind them or by abstract rules.
- Ends justify means
- Calculations what action will produce the most benefit and the least harm
    - Difficulty to consider everyone affected
- Power of majority, does not consider people at the margins



Virtue Ethics

- Focus on character, not just actions or consequences.
- Habitual
- Finding a balance (golden mean)
  - Courage lies between cowardice and rashness
- Focus on what kind of person or organization you want to be.

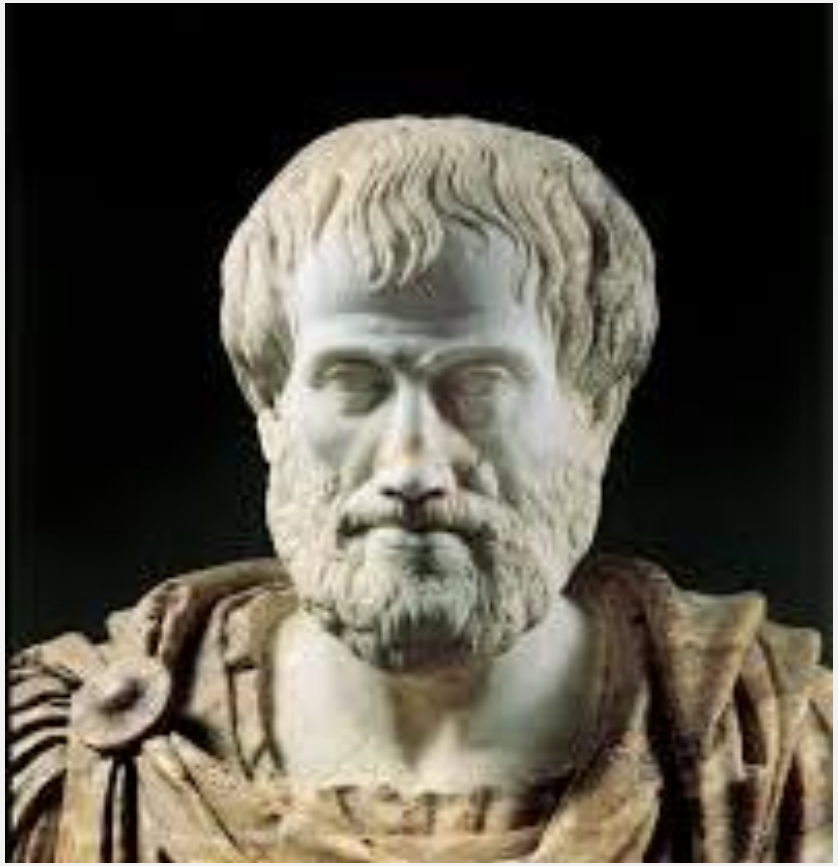
Some qualities of good character:

Honesty

Justice

Courage

Temperance, Compassion, Integrity, Wisdom



You're a manager at a ride-sharing platform.

- Your algorithm uses surge pricing, when demand is high, prices increase to encourage more drivers to work.
- There is a hurricane and suddenly, thousands of people desperately need rides to evacuate, get to hospitals, and reach safety.
- Your surge pricing algorithm activates automatically. Prices increase 5x, 8x, even 10x normal rates. This does bring more drivers online, helping more people get rides. But it also means people are paying $200 for a ride that normally costs $20—during their most vulnerable moment.
- You face public outrage: "You're profiteering from tragedy!"

What do you do?

- Option A: Keep surge pricing during emergencies. It maximizes supply, gets people rides faster, and follows market logic. Drivers deserve higher pay for working in dangerous conditions.
- Option B: Cap prices during declared emergencies. This protects vulnerable people from exploitation, but may mean fewer drivers available and longer wait times. Some people who desperately need rides might not get them.
- Option C: Cap prices but compensate drivers yourself—pay them the surge rate while charging users normal rates. This is generous but costs your company millions and sets a precedent for future events.

You're on the leadership team of a restaurant delivery platform

- . Your current business model charges restaurants a 30% commission on each order.
- The problem: You've learned that many small, independent restaurants operate on margins of 5-10%. Your 30% fee means they're losing money on delivery orders. Some restaurants report that being on your platform is bankrupting them, but they can’t afford NOT to be on your platform, because that's where customers are.
- Meanwhile, large restaurant chains with better margins can afford your fees and even use delivery as a profit centre.
- Your investors are pressuring you to increase fees to 35% to reach profitability faster.

What do you do?

- Your options:
- Option A: Keep the 30% fee (or increase it). Your business needs to be sustainable. Restaurants choose to use your platform—if it doesn't work for them economically, they can leave. Market dynamics will sort this out.
- Option B: Implement tiered pricing. Charge large chains 35% and small independents 15-20%. This is fairer but complex to administer, and large chains might leave your platform or negotiate harder.
- Option C: Lower fees to 20% for everyone. This might make your business unsustainable—you might have to lay off workers, reduce investment in technology, or even go out of business. But it would save restaurants.
- Option D: Keep current fees but offer other support to restaurants—free marketing, analytics tools, training programs, small business loans. Costs less than lowering fees but might not solve the core problem.

You're the CEO of a delivery platform.

- You're facing a decision about how to classify your 50,000 delivery riders.

- Currently, they're "independent contractors": flexible hours, no benefits, they use their own vehicles, you don't control how they work, they pay their own taxes and expenses.

Analyse in groups using the three perspectives

duty ethics

utilitarianism

virtue ethics

What do you do?

- Option A: Voluntarily reclassify as employees. Lead the industry in worker protections.
- Option B: Fight to maintain contractor status. Argue that this model enables flexibility and opportunity.
- Option C: Create a hybrid category—some protections (health insurance subsidy, minimum earning guarantees) but maintain flexibility. This might satisfy no one, but might be a compromise

Reclassify workers as employees

The workers would get:

- Minimum wage guarantees
- Health insurance and pension contributions
- Paid time off and sick leave
- Workers' compensation insurance
- Unemployment insurance
- Potentially unionization rights

If you classify

- Workers' costs increase by approximately 30-40%
- You'll need to raise prices significantly or lose money
- Higher prices mean fewer orders mean less work available
- Some workers prefer the current flexibility and would lose it
- You might need to hire fewer workers (perhaps 35,000 instead of 50,000)
- BUT workers get security and protections

If you don't reclassify:

- Workers remain precarious with no safety net
- You remain competitive and can offer low prices
- More total work available for more people
- Workers keep flexibility
- BUT workers bear all risks and have no protections

You're a policy manager at a large social media platform

- You're a policy manager at a large social media platform with 2 billion users. Your platform uses AI algorithms to automatically detect and remove harmful content such as hate speech, violent imagery, misinformation, etc.

- The problem: Your content moderation AI makes mistakes. Sometimes it removes legitimate content (false positives), like educational posts about history that include sensitive images, or activists documenting human rights abuses. Other times it misses genuinely harmful content (false negatives) and dangerous misinformation stays up.

What do you do?

- You have limited resources. You could:
- Option A: Make the algorithm more aggressive. This will catch more harmful content, but also remove more legitimate content. Fewer people will be exposed to dangerous material, but more innocent users will be censored.
- Option B: Make the algorithm less aggressive. This will reduce false positives—fewer innocent users censored—but more harmful content will slip through, potentially causing real harm.
- Option C: Invest heavily in human moderators to review edge cases. This will improve accuracy, but will cost hundreds of millions of dollars, hurting profitability and possibly requiring layoffs elsewhere or reduced innovation investment.

DineTogether: Discriminating Tastes?

- Alicia Ramos is the CEO of DineTogether.
- DineTogether is a startup with an app that connects strangers through shared meals.
- Hosts organise themed dinner parties, and guests can apply or request to join.
- The company has exceeded initial expectations.
- Complaints have arisen about host discrimination against certain applicants.
- Alicia needs to decide how to address the discrimination issue.
- The leadership team propose four potential responses, each with varying risks.

DineTogether: Discriminating Tastes?

Read	Spend five minutes reading the four-page case study In your Harvad course pack
Think	Take five minutes to consider potential solutions for what Alicia Ramos and the DineTogether leadership team should do.
Group	Discuss possible solutions in your table groups.
Share	Let's share ideas discussed in groups.

Form groups and discuss solutions...

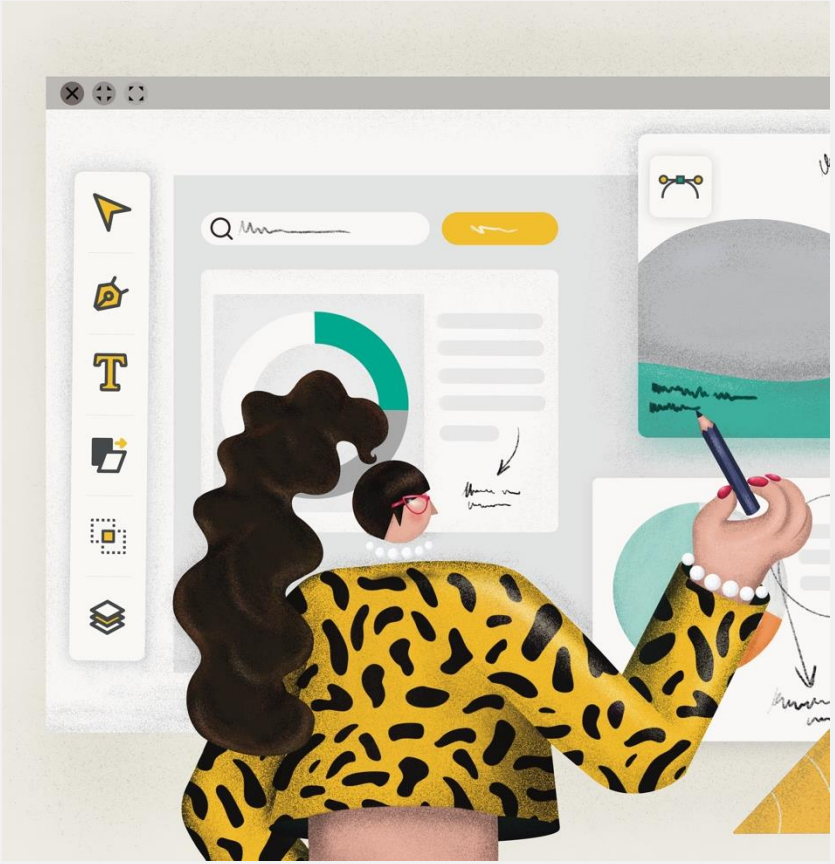
Weighing revenues, monthly active users, and time and effort required, which of the four options should Alicia and her team choose?

Is there anything that Alicia and her leadership team have not considered?

1	Anonymous Auditions: Hide applicants' profile pictures, focusing hosts on candidates' food preferences.
2	Total Host Transparency: Provide full details of hosts' past venues, menus, and guest lists, allowing candidates to decide if an event suits them.
3	AI Matchmaker: Automate guest-to-host matching using AI technology, eliminating the application process.
4	Limit Preferences: Allow potential guests to choose only three out of nine preferences related to food, venue, and host, narrowing the applicant pool and increasing acceptance odds.

Next time presentations!

- Each group makes a poster in class about their platform and presents it to others
- Everyone gives comments and feedback to others.
- Don’t worry if your platform design is not fully developed. This is a great chance to ask questions and get feedback on your idea and plan.



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