

We Trust Each Other More than We Think

By Becky Beaupre Gillespie

When Uber came on the scene, Professor Todd Henderson began to revise some of his thinking on cooperation and regulation.

For starters, the popularity of the ride-hailing app seemed to contradict a prevailing narrative about the decline of trust in American society: Sure, people might be losing confidence in government and the media, but millions of times every day they were accepting rides from

strangers who hadn't been vetted by the government taxi commission. In fact, technology-assisted cooperation had skyrocketed in several areas of public life—people were trading value with Bitcoin, renting houses on Airbnb, and buying stuff from strangers on eBay and Craigslist.

“We are cooperating at levels that would have been unfathomable 50 years ago,” said Henderson, the Michael

J. Marks Professor of Law. “We’re at the very genesis, I think, of a really big change.”

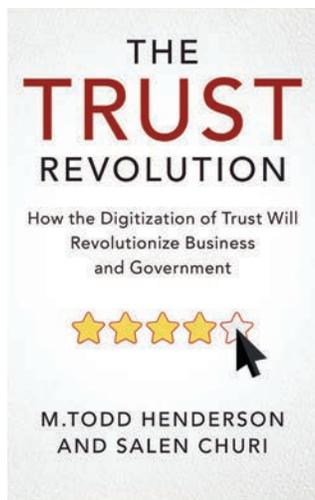
Trust, Henderson realized as he began talking to then-colleague Salen Churi, the Law School’s former Innovation Clinic director, wasn’t plummeting; it was at an all-time high. The market for creating it was merely shifting—in some arenas at least—from centralized institutions to the public at large, thanks to innovative platforms that used algorithms and digital networks to incentivize good behavior and offer consumers oversight, control, and even channels for resolving disputes.

It’s a development with enormous potential, Henderson and Churi argue in a new book, *The Trust Revolution: How the Digitization of Trust Will Revolutionize Business and Government*. It’s one that could unleash unprecedented human cooperation, reframe fundamental political debates about the role of government, and lead to a competitive global system of decentralized “microregulators” in which

trust is created by the entity best suited to the job.

One feature of that change is something Henderson had never expected to favor: increased regulation.

“Uber actually provides more regulation than the taxi commission,” Henderson said. And that’s what Uber and its competitors sell, he noted: It isn’t rides—drivers sell those—it’s the ability to trust the driver, thanks to systems for rating drivers, mapping rides, and resolving disputes.



Professor M. Todd Henderson

“And I’m OK with that because I’m confident that the amount of regulation is actually linked to the demand for regulation,” he said. “As our society gets richer and more complex, people want more heavily regulated experiences. And this was the big conceptual shift for us: it’s not about there being too much regulation—if anything, there’s too much *government* regulation—it’s about who provides the regulation. And if we start thinking about regulation in that way, that changes our political debates, too.”

Throughout the book, Henderson, ’98, and Churi, ’11, the founder of a venture capital fund that invests in start-ups operating in heavily regulated industries, link trust and regulation, and they note the correlation between high levels of interpersonal trust and the wealth of a society. They also trace the history of trust markets—from medieval guilds to corporate brands to New Deal-era administrative agencies—to illustrate how the channels enabling people to cooperate outside of their

family-and-friend networks have changed over time.

For instance, consumers for years have relied on government agencies to protect their interests: certifying the safety of their milk and ibuprofen, licensing their lawyers and beauticians, and regulating their banks and hotels. And those mechanisms have had their place and value, Henderson said.

“We can rethink what our government does to provide trust without attacking it for what it has done to get us to this point,” he and Churi write. But “what worked at one point in our history does not necessarily work at other points.”

Despite the ongoing and inevitable clash between companies like Uber and the government entities with which they compete, Henderson believes that traditional regulators may ultimately struggle to keep pace.

“The faster things can move and proliferate, the harder they are to regulate,” he and Churi write.

But that doesn’t mean there won’t be areas in which government regulation is the best option—or that governments shouldn’t be free to compete with microregulators. They simply shouldn’t have the monopoly on regulation, the authors argue, because Internet platforms often are more flexible, efficient, and democratic. Uber, after all, is just one option right now: if it isn’t meeting needs, riders can switch to Lyft or return to the government-regulated option and hail a yellow cab.

“People say the Bernie Sanders and Donald Trump campaigns [are about giving] power to the people,” Henderson said. “The real power to the people—it’s eBay, it’s Uber.”

New Project Offers Tools for Examining Global Competition Laws and Policy

Two leading scholars from the University of Chicago Law School and Columbia Law School have released the world’s most comprehensive collection of competition laws and enforcement practices to date, providing researchers, lawyers, journalists, and policymakers with new tools to assess the economic impact of these laws across borders.

Competition laws, the term used for antitrust laws in most of the world, have proliferated across the globe over the past three decades as international institutions and governments have looked to regulations as a means to enhance competitiveness and market performance—a strategy that has become a growing topic of debate among economists. But until now there has been limited data available to systematically compare regulatory regimes across countries, determine which factors lead to the adoption of competition laws, and what effects these laws have on market outcomes, say University of Chicago Law Professor Adam Chilton and Columbia’s Anu Bradford.

The ambitious, five-year project draws on new data on the evolution of competition laws and offers several publicly accessible sets of data including the Comparative Competition Law dataset, which compiles competition

laws from more than 120 countries from 1889 to 2010, and the Comparative Competition Enforcement dataset, which provides data on the resources and activities of the government agencies charged with enforcing competition law in 100 jurisdictions from 1990 to 2010. In addition, Bradford and Chilton have also used these data to develop the Competition Law Index, which provides a single measure of the stringency of countries’ competition laws from 1889 to 2010.

Chilton and Bradford’s work highlights the rapid growth in competition laws in recent decades. It also suggests that while the “Chicago School” of economics has heavily influenced antitrust regulation and enforcement in the United States, the Chicago School’s ideas have had a much more modest influence around the rest of the world.

The data can be downloaded at <http://comparativecompetitionlaw.org/data/>. Access is free, but Bradford and Chilton ask users to provide a name and email address so they can share changes and additions to the data. Codebooks and other relevant files are also available for download. Feedback and questions can be sent to info@comparativecompetitionlaw.org.