

WORKSHOP

Honest Signaling and Other Strategies for Building Reliability and Trust on the Internet

Gruter Institute and Berkman Center Roundtable Series
Harvard Law School
Cambridge, MA
October 13, 2004

**Gruter Institute and Harvard Law School's Berkman Center Collaboration on
Trust, Law and the Internet**
Report by Oliver Goodenough

During the 2004-2005 academic year, the Gruter Institute and the Berkman Center for Society and the Internet at the Harvard Law School are collaborating on a series of roundtable presentations on trust, law and the internet entitled: "From Personal to Impersonal Trusted Exchange in Physical and Digital Domains: An Evolutionary Perspective." John Clippinger (Senior Fellow, Berkman Center) and Oliver Goodenough (Gruter Institute and Vermont Law School) have provided organizational oversight for their respective institutions.

The starting point for the series is the realization that trust is a cornerstone for all forms of human exchange. Recent research from several disciplines - evolutionary psychology, neuroscience, anthropology, evolutionary game theory and behavioral economics has given fresh insight into the role of trust in social and economic exchange. This series has already stimulated discussion about the implications of this research on the design of digital social exchange platforms such as eBay and building peer governance platforms. The monthly events, all set at Harvard Law School, are designed as conversations, rather than as traditional lectures. Once the primary speakers have made their statements about the topic, the remainder of the time is reserved for guided discussion. This format has

proved very successful in sparking creative interaction among the participants.

The introductory session, held September 22, 2004, was entitled "From Personal to Impersonal Trusted Exchange - An Evolutionary and Neuro-economic Perspective." The principal parties to the conversation were Prof. Kevin McCabe (Economics and Law, George Mason) and Allison Koch (Strategist, eBay/GlobalGiving). They were joined by John Clippinger (Senior Fellow, Berkman Center) and session chair Prof. Oliver Goodenough (Law, Gruter Institute/Vermont Law School). The initial presentation by Prof. McCabe delineated personal and impersonal mechanisms of exchange. He argued that the human brain is well adapted to undertaking the first, but comes at the second as a novel, institutionally constructed, undertaking. Keeping the personal mechanisms from corrupting the institutions that permit impersonal exchange to be reliable is a continuing challenge. Ms. Koch explained how companies such as eBay and charities such as GlobalGiving have incorporated many of the principles described by Prof. McCabe at a theoretical level into their daily operations. In this way, internet commerce is providing an in vivo experiment on impersonal exchange.

The second conversation took place on October 13, 2004 from 1:30 to 3:00. Entitled "Honest Signaling and Other Strategies for Building Reliability and Trust on the Internet," it featured Prof. Carl T. Bergstrom, (Theoretical Biology, University of Washington) and Prof. Judith Donath (MIT Media Lab) as its primary speakers. Christopher Lydon (Berkman Center) acted as chair. Trusted exchange and social relationships depend upon honest signaling, an assessment of social and biological risks, as well as the ability to detect and expel cheaters.

The speakers explored these topics from an Evolutionary Biology perspective and discussed their applicability to the web environment. The conversation also considered the role of signaling in allowing virtual, online communities spontaneously to form and to build trusted social and commercial relationships.

The third session, "Trust, Civil Society, and Economic Development," took place on November 17, 2004, at a new time over the lunch hour. The initial presentation was made by Prof. Paul Zak (Economics, Claremont Graduate University). He suggested that trust pervades every aspect of our daily lives, from business transactions to dealings with loved-ones, yet why we trust some in certain instances but not others is little understood.

At an aggregate level, surveys of trustworthiness show enormous differences across countries, from 3% in Brazil to 65% in Norway. The talk reported on new research that has characterized the legal, social, economic, and environmental factors that cause trust to be high or low. It also described laboratory experiments that demonstrate that trust has a neurophysiological basis. This research shows that low trust is a fundamental cause of poverty, but also that trust is directly influenced by government policies and particular human interactions. His talk concluded with implications of this research for a variety of business situations.

Future topics are aimed to include Self Organization in Physical and

Digital Communities (January, 2005), Contracts, Commitment and the Firm in Physical and Digital Worlds (February 2005), and Regulatory Frameworks (March 2005). A final, day long gathering aimed at pulling together the strands developed through the year, is anticipated for April or May, 2005.

One of the benefits of working with a partner that specializes in the Internet is the opportunity to explore new technologies for helping to get the results of scholarship into the larger world. In a first for the Gruter Institute, we are working on plans to record and web-cast the upcoming conversations. For information on this possibility, and details on the upcoming events, please consult either the GruterInstitute website at www.gruterinstitute.org or the Berkman Center website at <http://cyber.law.harvard.edu/home/gruterberkman>