

Business Competition in the Age of AI

Maimonides Moot Court Competition

o Sourcebook

The full sourcebook may be accessed at: <https://maimonidesmootcourt.org/wp-content/uploads/2023/03/Sourcebook-2023-Competition.pdf>

The following is an excerpt from the sourcebook^o of the 2023 Maimonides Moot Court Competition.

THE CASE

A heated controversy in the city of Glendale began when iTaxi, a new taxi app that uses autonomous cars powered by AI, advertised its plans to begin operating in the area. In response, local rideshare and taxi drivers are urging city residents not to allow iTaxi to operate within the city limits.

Currently, the city government operates a rideshare app called GlenRide that many local drivers and passengers use. Its prices and compensation are similar to those of the national and international rideshare companies. Glendale also has a few private taxi companies. “I have been driving here for 30 years, and we’ve weathered all sorts of ups and downs,” said longtime Glendale resident Alex Spiegel, who now drives for GlenRide. “But iTaxi is the first threat that can truly put every driver here out of business. I don’t see how we can compete with the fares that they are advertising.”

Currently, a typical five-mile trip with GlenRide costs riders around \$20. Based on iTaxi’s projections, their service would charge around \$13 for the same ride. iTaxi can afford to charge lower rates since there are no drivers to pay. Although their cars are expensive, they are funded by investors who stand to make a profit over time.

For Michelle Silverstein, an iTaxi executive, the collateral damage to the city’s drivers is not a compelling reason to prevent iTaxi from operating. “We should prioritize the needs of the overwhelming majority who will benefit from lower fares. Plus, iTaxi users will have a much easier time ordering a ride late at night or early in the morning, when few drivers are working.”

But for city residents pushing back against the arrival of iTaxi, it’s not all about lower prices or added convenience. As one resident put it, “Many of us would prefer to pay a few extra dollars knowing that the money was staying in the community, rather than going to the shareholders of a company headquartered hundreds of miles away.”

THE ROLE OF THE BEIT DIN

The Glendale Beit Din has been invited to share its perspective at an upcoming town hall. In particular, the Beit Din has been asked:

1. Whether the city is halakhically permitted to ban or regulate iTaxi.
2. Whether this is the morally right course of action.

Additionally, the Beit Din may submit a proposal of its own for residents to vote on.

Take a look at the sources and decide for yourself!

PART I: WHO SETS PRICES?

Who gets to determine the price of a product? Should businesses have the ability to charge whatever prices they determine to be most profitable, or should there be boundaries in place to ensure the marketplace remains fair? The mishnah below addresses one aspect of these questions regarding whether or not a shopkeeper can sell their merchandise below the market price.

SOURCE #1

משנה בבא מציעא ד:יב	Mishnah Bava Metzia 4:12
רבי יהודה אומר... ולא יפחת את השער. וחכמים אומרים, זכור לטוב.	R. Yehudah says:... [a shopkeeper] may not sell below the market price. But the Sages say: One who does should be remembered favorably.

SOURCE #2

תלמוד בבלי בבא מציעא ס.	Talmud Bavli Bava Metzia 60a
מאי טעמא דרבנן? משום דקא מרווח לתרעא.	What is the reason of the Sages? Because this expands the market (by lowering the price).

1. One way of understanding the debate between R. Yehudah and the Sages is that they are each concerned about a different party in these transactions.
 - Who is R. Yehudah most concerned about? Who are the Sages most concerned about? How do you know?
2. Can this *mahloket* (debate) between R. Yehudah and the Sages be applied to the conflict in our case?
 - If so, who would side with the taxi drivers and who would side with iTaxi?
 - If not, in what way(s) is our case different from the case in the *mishnah* above?

o Arokh HaShulhan

Authored by Rabbi Yehiel Michel Epstein (1829-1908), a leading rabbinic authority in Lithuania. R. Epstein was known for his deep consideration of human needs when issuing halakhic rulings.

The major codes of *halakhah* all rule in accordance with the Sages, that one may sell merchandise below the market rate (see Shulhan Arukh, Hoshen Mishpat 228:18). However, at least one rabbinic authority limits the Sages' principle. According to the Arokh HaShulhan,^o even the Sages would prohibit charging a low price that is so low that it destroys other businesses.

SOURCE #3

ערוך השולחן, חושן משפט רכח:יד	Arokh HaShulhan, Hoshen Mishpat 228:14
נראה לי דזהו רק בתבואה מפני שעל ידי זה שימכור בזול גם האחרים ימכרו בזול ומתוך זה ימכרו בעלי האוצרות בזול. אבל לזלזל במכירת סחורה איסור גמור הוא ומתוך כך מקולקל דרך המסחר ומאבדין מעות אחרים... ואינו מותר לעשות רק דבר שגם האחר יכול לעשות כן.	It seems to me that this [principle of the Sages] applies only to grain, where if one sells cheaply all others will sell cheaply, causing the owners of large supplies to sell cheaply. But drastically lowering the price of merchandise is completely forbidden, for this destroys commerce and causes loss to others... It is permitted to do only what others are also capable of doing.

1. How would you apply the Arokh HaShulhan's guideline that a seller can only reduce the price of an item to a point that competing sellers "are also capable of doing"?
 - What if other sellers would still stay in business, but would earn significantly less profit? Would that be considered something that "others are also capable of doing"?
2. Can this principle of the Arokh HaShulhan be applied to our case? If so, how? Are there any shortcomings of this application?

o matzah

For more on the controversy of machine matzah, see Yitzhak Bronstein's essay, "Who Benefits from Machine Matzah?" in Hadar's 5783 Pesah Reader, *L'Or HaNer: The Light of Discovery*, available here: <https://www.hadar.org/torah-resource/lor-haner-light-discovery>

o R. Shlomo Kluger

R. Shlomo Kluger (1785-1869) was the rabbi of Brody in Galicia (Ukraine).

PART 2: MACHINE-MADE MATZAH: A CASE STUDY

The first halakhic debates about machines replacing jobs occurred in the decades following the Industrial Revolution. One such debate was about the status of machine-made *matzah*^o. Some of the arguments cited for and against machine-made *matzah* dealt with halakhic details related to *matzah*. In addition, key arguments were grounded in social and economic understandings of how machine-made *matzah* would impact the broader community.

SOURCE #4

מודעא לבית ישראל,
רבי שלמה קלוגר

והנה טעם האיסור
בזה נראה כי ראשון
שבראשון אין זה מגדר
היושר והמוסר להיות
גוזל עניים אשר עיניהם
נשואות על זה, כי מן
העזר הזה שהם עוזרים
במצות יש להם סעד
גדול להוצאות הפסח
המרובים לבני עמנו.

"A Warning to the Jewish People,"
R. Shlomo Kluger^o (1859)

The reason for the prohibition
[against machine-made *matzah*]
appears to be, first and foremost, that
it is not within the bounds of decency
and ethical behavior to steal from the
poor, who look to this (opportunity).
They help with *matzah* baking and
this (the money that they earn)
gives them great assistance with the
numerous expenses of Pesah.

1. How do you understand R. Kluger's use of the phrase "stealing from the poor" to describe the impact of machine-made *matzah*? Do you agree with his claim? Why or why not?
2. Do you think R. Kluger would apply this principle to all instances where machines replace human jobs? Why or why not?

R. Kluger's detractors raised a number of counterarguments. One response acknowledged that the harm caused to *matzah* workers was unfortunate, but machines would produce a net benefit for the Jewish community by causing the price of *matzah* to go down significantly. Others felt that R. Kluger's rejection of technology was entirely impractical.

o “Nullifying the Warning”

A collection of rulings that defended the use of machine *matzah* published in response to R. Kluger’s “A Warning to the Jewish People.”

SOURCE #5

ביטול מודעה, רבי אליעזר
הלוי הורוויץ

ומאוד אני תמה למי
טעמו שעיניהם של עניים
נשואות לזה למה לא
יאסור המאשין שנתחדש
להדפסת ספרי קודש?
שהרבה פועלים בטלים
ממלאכתם עבור זה!

“Nullifying the Warning,”^o
R. Eliezer Horowitz (1859)

I am greatly astonished by the one
(R. Kluger) whose reason is that
the eyes of the poor are raised to
this (i.e., to the making of *matzah*,
because of their dependence on it).
Why should we not forbid using
the newly invented machine to print
sacred books? Many workers have
been put out of work due to it!

We can’t **always** prohibit machines any time they displace a human being’s job—clearly we would not ban the printing press! Similarly, *matzah* machines should also be embraced for their overall benefits.

1. Is this a valid critique of R. Kluger’s argument? How might he respond to this criticism?
2. Can the same argument be made in support of iTaxi? Why or why not?
3. Reflecting on the texts as a whole, how should the Glendale Beit Din respond to the brewing conflict between local drivers and iTaxi?