Fair Share
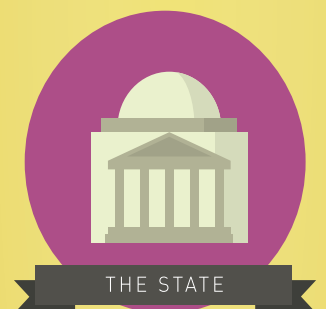
Reclaiming power in the sharing economy

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Brhmie Balaram is a Senior Researcher in the RSA's Economy, Enterprise and Manufacturing team.

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Summary

A new system of creating value is starting to have a major impact on our economy, the way we produce, the way we consume and the relationship between the two. This system is often referred to as the sharing economy, involving a spectrum of activity based on maximising the potential of our underused human and physical resources, from our skills to our things.

There are now 80 million people participating in the sharing economy in the US while there are 23 million in the UK, and these numbers are on the rise.[1] Global revenues have been projected to reach £230bn by 2025.[2]

A few companies in the sharing economy are performing particularly well, overtaking established competitors in traditional industries. Yet, there are commentators who counter that these commercially successful companies are not really part of the sharing economy. Others question whether the sharing economy is actually a new phenomenon or, for example, if it is simply renting by another name.

The sharing economy has become confusing in recent years as technology has enabled diverse business models to emerge under the system. Many find the growth of new online platforms to be disorienting. The movement began with locally-based, grassroots-funded initiatives such as tool libraries and timebanks, but now seems to be led by global, venture-backed corporations.

While the sharing economy is exceeding most expectations of its business potential, it is disappointing those who were more excited by its social promise. Early proponents of the sharing economy were advocating for peer-to-peer exchange based on its capacity to revolutionise the way people relate to one another and the environment. They saw it as rooted in the commons, which encourages shared ownership over, or access to, resources.

However, as platforms expand they seem to be moving further away from other principles of the commons, which include sustainability, openness, and solidarity.[3] As they've scaled, they have found it increasingly difficult to sustain their initial social value.

While governments are aware of mounting concerns that citizens have with the sharing economy, they do not seem to fully grasp what is happening nor have they developed a coherent response to these concerns. Some have intervened to suspend the operations of platforms whereas others have allowed these companies free rein. Alas, neither approach serves the common good.

An improved understanding of the sharing economy is needed to inspire a more thoughtful and appropriate response to regulation, and especially these sharing platforms.

1. Owyang, J., Samuel, A. and Grenville, A. (2015) 'Sharing is the New Buying', [online] Available at: http://www.slideshare.net/jeremiah_owyang/sharingnewbuying

2. Hawksworth, J. and Vaughan, R. 'The sharing economy – sizing the revenue opportunity'. London: PwC, [online] Available at: http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.html

3. 'Transformative proposals for the P2P Foundation': https://www.youtube.com/watch?v=sO-QJLDpHQo

The RSA's primer on the sharing economy guides readers through the recent evolution of the sector, focusing in particular on the meteoric rise of some online platforms and what this means for us all.

We clarify existing and emergent business models and present a new frame for making sense of the trend towards sharing platforms. As a starting point we introduce the concept of '**shared value creation**'; this refers to the shift from value being created by products and services to value being created by users of a platform's online network. We note that business models which depend on shared value creation to survive tend to scale their user base as quickly as possible.

A small number of sharing platforms have been able to scale their networks to an extent where they are beginning to show signs of monopoly power in influencing the price, output, and investment of an industry, as well as in limiting the entry of new competitors.[4] We call these platforms '**networked monopolies**' to distinguish them from what we traditionally know as monopolies.

This new term reflects a process of **crowdsourcing monopoly power** from users – both consumers and workers.[5] Sharing platforms strive for their networks to be ever-expanding, so that they can dominate the market; however, to maintain their position these platforms must empower the very users they depend on to fight in their corner against tighter regulations.

We explore how this affects labour in particular given the growing provision of gig work through on-demand platforms in the sharing economy. A question being widely deliberated in the US (and picking up steam in the UK) is whether the current criteria for classifying workers is sufficient for modern times. We consider whether a third category in between employee and independent contractor can offer workers a safety net while recognising that platform providers should also be differentiated from traditional employers.

We suggest that it is possible gig workers may have more power, rather than less, under a networked monopoly. This is because we are seeing the **development of sharing platforms that are co-operative and decentralised in nature, and able to forgo intermediaries** completely with the help of 'blockchain' technology.[6] While these platforms are in their infancy, they hold promise for workers who will be able to truly free themselves from under the thumb of a middleman and fully retain their earnings.

Most likely, co-operative sharing platforms will puzzle governments in terms of regulation, especially if they are decentralised and originate on the Darknet (as some have). Ironically, these co-operative platforms are in part a response to the failure of governments all around – in the US, UK and wider Europe – to properly regulate both capitalist sharing platforms and incumbents in traditional industries. Concentrations of political power reinforce concentrations of economic power, which is why we need an alternative means of regulation.

The RSA thus presents '**shared regulation**' as an option for shaping the sharing economy. Shared regulation is similar to self-regulation in the sense that it is the redistribution of regulatory responsibilities to parties other than government, but it

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4. We also include 'monopsony power' under this definition of monopoly power.

5. We use workers as a blanket term throughout which also encompasses suppliers, producers and makers.

6. Blockchain technology has been described in *The Economist* as a "shared, trusted, public ledger that everyone can inspect, but which no single user controls". The participants in a blockchain system collectively keep the ledger up to date: it can be amended only according to strict rules and by general agreement (essentially, a system of consensus). Blockchain technology underpins Bitcoin, the world's first digital cryptocurrency.

goes beyond the inclusion of businesses as key actors in the regulatory framework.[7] Rather than relying on governments and platform providers to resolve what they see as problems in the sharing economy, shared regulation encourages greater participation from platform users (consumers and workers), community organisers, legal and administrative professionals, investors and designers in tackling issues.

Some may wonder if shared regulation is still needed if platforms are becoming decentralised. In short, yes. For one, shared regulation can enable the integration of decentralised platforms in the mainstream market. More importantly, however, we cannot be falsely lulled into believing that co-operative decentralised platforms in and of themselves are a cure-all for all that ails us in the sharing economy. Workers' interests may be better protected under this emerging platform model, but we also need to **consider the welfare of consumers, workers at large (ie in traditional industries and part of other sharing platforms), communities, the state, the economy, and the environment**. Our last chapter is therefore dedicated to better understanding the trade-offs (opportunities and challenges) of the sharing economy from a range of perspectives.

We are at a critical moment where we could collectively realise the potential of the sharing economy on all fronts, but we **need a unified approach to reclaiming power in the movement**. This primer lays the groundwork for a fairer sharing economy, and in doing so, aims to revive our faith that it could be radically transformative for the common good.

7. Cohen, M. and Sundarajan, A. (2015) 'Self-Regulation and Innovation in the Peer-to-Peer Sharing Economy'. *The University of Chicago Law Review*, 82 (116).

1. Rethinking the sharing economy

The rise of mainstream sharing

In 2009, Airbnb, TaskRabbit, and Uber were fledgling start-ups, trying to convince investors that their online platforms would revolutionise the way that people travel, run errands, and move through cities. The concepts were simple. Through sharing their homes, skills, and cars people could make the most of their underused assets and human resource,[8] using these platforms to connect with others who needed or wanted access to what they had to offer.

At the time, raising funding seemed like an inconceivable feat. On the heels of the financial crash, investment had dried up and selling 'sharing' to venture capitalists (VCs) was a struggle. The founders of Airbnb, Brian Chesky and Joe Gebbia, an online marketplace for accommodation, spent their first year in the red, resorting to pedalling 'Obama-Os' and 'Cap'n McCains', politically-themed cereal boxes they had crafted to pull themselves out of debt.[9] After making $30k from the cereal boxes, they approached a legendary investor, Fred Wilson of Union Square Ventures, but were famously turned down; while he was impressed with their hustle in turning Cheerios to cash he recalls finding it impossible to wrap his head around "air mattresses on living room floors as the next hotel rooms".[10]

Crises tend to spur change, however, and this was an inflexion point for many Americans who were open to re-examining their lifestyles and questioning capitalism in its current form. The appeal of Airbnb was in the feeling of community it created. Through sharing, new experiences could be had and personal connections made. Through ratings and reviews, users could overcome issues of trust and go on to build reputations within the community. The company was actively cultivating a sense that you could 'belong anywhere' through linking you to others who were also looking to transcend traditional and transactional forms of travelling.

Initial supporters of this business model evangelised these soft social benefits, as well as emphasising that the shift seemed to reflect a deeper consciousness of ecological footprints. The savings made to consumers through bypassing the middleman were also heralded, but it was far from touted as the bottom line.

In 2010, writer and social entrepreneur Rachel Botsman began popularising the ideas underpinning these start-ups under the banner of 'collaborative

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8.   Assets can be capital, goods and space for example, while human resource refers to time, experiences and services. Adapted definition from Cooper, R. and Timmer, V. (2015) *Local Governments and the Sharing Economy*.

9.   Brown, M. 'Airbnb: The Growth Story You Didn't Know'. Growth Hackers, [online] Available at: https://growthhackers.com/growth-studies/airbnb

10.   Wilson, F. 'Airbnb' .AVC, 16 March, 2011, [online] Available at: http://avc.com/2011/03/airbnb/

consumption'.[11] Her central argument was that we were changing how we consume to prize access over ownership through engaging in traditional practices of bartering, gifting, lending, renting, sharing, and swapping on a scale not possible before the internet. By 2011, collaborative consumption gave way to the more intuitive, media-friendly term the 'sharing economy' and *Time* magazine was hailing it as one of the top 10 ideas that would change the world.[12] In 2013, *The Economist* was predicting the immense potential of the sharing economy and urging its readers to 'start caring about sharing'.[13] Publications from *Fast Company* to *Wired* were embracing the core principle of access over ownership.[14]

Now in 2016, Airbnb and Uber in particular have smashed records in raising venture capital and are estimated to be worth $25.5bn and $62.5bn respectively, valuations that traditional competitors in the hotel and taxi industries would have taken decades to reach, if ever. Airbnb can boast that it went from two listings in 2009 to over 2m in 2015, offering more rooms than each of the three largest hotel groups in the world, whereas in the same six years Uber facilitated over a billion rides and surpassed the valuation of 107-year-old car manufacturer General Motors.[15]

Moreover, usage of platforms overall in the sharing economy grew in America by 25 percent this past year over 2015.[16] At least one in five people now choose sharing as their preferred option. Today, there are **80 million sharers in the US and 23 million sharers in the UK**.[17] While these numbers suggest that sharing is still the domain of early adopters, they are forecasted to continue rising based on the high satisfaction rates of users; in a survey by Crowd Companies and Vision Critical 91 percent of respondents would recommend the last sharing service they used.[18] Sharing is becoming mainstream.

What do we really mean by the 'sharing economy'?

While investors and consumers have since warmed to ventures in the sharing economy, the media's love affair with the sector has gone cold. The term 'sharing economy' specifically is agitating commentators and journalists, who have been attacking its usage over the past year. It was alleged in *The New York Times* that words are being twisted to make 'sharing' apps seem selfless.[19] *The Guardian*

11. Botsman, R. 'The Case for Collaborative Consumption'. *TEDxSydney* video, 16:34, May 2010, [online] Available at: https://www.ted.com/talks/rachel_botsman_the_case_for_collaborative_consumption?language=en. See her talk at the RSA: https://www.thersa.org/discover/videos/event-videos/2011/02/the-rise-of-collaborative-consumption/

12. Walsh, B. (2011) op cit.

13. 'The rise of the sharing economy'. *The Economist*, 7 March 2013, [online] Available at: http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy

14. Sacks, D. (2011) 'The Sharing Economy'. *Fast Company*, 18 April, [online] Available at: http://www.fastcompany.com/1747551/sharing-economy; Rowan, D. (2011) 'Rentalship is the New Ownership in the Networked Age'. *Wired*, [online] Available at: http://www.wired.com/2011/02/rentalship-the-new-ownership/

15. 'About Us'. *Airbnb*. [online] Available at: https://www.airbnb.co.uk/about/about-us; 'One in a Billion'. Uber Newsroom, 30 December, 2015, [online] Available at: https://newsroom.uber.com/one-in-a-billion/; Liyan Chen, "At $68 Billion Valuation: 'Uber Will Be Bigger than GM, Ford and Honda'. *Forbes Magazine*, 4 December 2015, [online] Available at: http://www.forbes.com/sites/liyanchen/2015/12/04/at-68-billion-valuation-uber-will-be-bigger-than-gm-ford-and-honda/

16. Owyang, J. and Samuel, A. (2015) 'The New Rules of the Collaborative Economy', [online] Available at: http://www.web-strategist.com/blog/2015/11/19/growth-of-sharing-in-the-collaborative-economy-top-categories-and-forecasts-infographics/

17. Owyang, J., Samuel, A. and Grenville, A. (2015) op cit.

18. Ibid.

19. Singer, N. (2015) 'Twisting Words to Make 'Sharing' Apps Seem Selfless'. *The New York Times*, 8 August, [online] Available at: http://www.nytimes.com/2015/08/09/technology/twisting-words-to-make-sharing-apps-seem-selfless.html?_r=0

declared outright that the term "needs to die" because sharing has actually come to mean renting.[20] Christopher Mims of *The Wall Street Journal* pointed out that companies such as TaskRabbit do not involve sharing anything other than labour.[21] He concludes that "If TaskRabbit is part of the sharing economy, then so is every other worker in America."

The term 'sharing economy' can be perplexing, especially if the focus is on the nature of the exchange between individuals or organisations. This is where commentators seem to first stumble when trying to understand it – exchange is not always for free as the term might suggest, but can also be for a fee.[22] More importantly, however, **the sharing economy is used to describe more than exchange; it refers to a 'socio-economic system' that involves a spectrum of activity based on maximising the potential of our underused human and physical resources, from our skills to our things**.

As further explained by Benita Matofska, founder of The People Who Share, a global campaign promoting the sharing economy, this socio-system implies a different set of values to most activity in the traditional economy. When we share access to our human and physical resource directly with one another we are reflecting a cultural shift in how we want to live and work, reclaiming power from the institutions and corporations that typically mediate exchange.[23] These values are expressed to various degrees through diverse business models.

Many a term has been coined to discern between business models in the sharing economy, but they are often presented as alternative ways of describing the system or sector, further confusing commentary.

Thus, the sharing economy is conflated with the 'collaborative economy', which emphasises the role that internet technologies play in making connections between distributed groups of people, or with the 'access economy' because of the focus on reducing the need for ownership. To some, it is synonymous with the 'circular economy', which aims to make the most of products and materials, prolonging their lifecycle in part through reuse, including gifting or sharing access.[24]

The 'gig economy' and the 'on-demand economy' are the most recent additions to our vocabulary, increasingly being favoured as stand-ins when discussing the sharing economy, especially when referring to labour of TaskRabbit or Uber's nature.[25] The terms are trying to capture the trend of jobs fragmenting into smaller, short-term gigs, sometimes completed instantly after requested on an online platform, such as a grocery delivery via InstaCart.

Matofska challenges the need to define gig work or on-demand labour as an entirely separate sector or economy of sorts. While the current number of gig

20. Hern, A. (2015) 'Why the term 'sharing economy' needs to die'. *The Guardian*, 5 October, [online] Available at: http://www.theguardian.com/technology/2015/oct/05/why-the-term-sharing-economy-needs-to-die

21. Mims, C. (2015) 'How Everyone Gets the 'Sharing Economy' Wrong'. *The Wall Street Journal*, 24 May, [online] Available at: http://www.wsj.com/articles/how-everyone-gets-the-sharing-economy-wrong-1432495921

22. Botsman, R. (2015) 'The Sharing Economy: Dictionary of Commonly Used Terms'. *Medium*, 19 October, [online] Available at: https://medium.com/@rachelbotsman/the-sharing-economy-dictionary-of-commonly-used-terms-d1a696691d12#.uu0z11zgx

23. Sharing access is the defining feature of many transactions in the sharing economy, but not necessarily in all.

24. See the RSA's work on the circular economy by visiting the Great Recovery Project page: https://www.thersa.org/action-and-research/rsa-projects/economy-enterprise-manufacturing-folder/the-great-recovery/

25. Roberts, J.J. (2015) 'As 'sharing economy' fades, these 2 phrases are likely to replace it'. *Fortune Magazine*, 29 July, [online] Available at: http://fortune.com/2015/07/29/sharing-economy-chart/

workers in the US and UK suggests she is right, size is not why she takes issue.[26] Rather, she is keen for activities in the sharing economy to be recognised as varied, yet all enabling lifestyles that have potential to be positive for the environment and empowering for both consumers and workers.

Understanding on-demand and gig work as part of the sharing economy

On-demand delivery platforms, such as Deliveroo and DoorDash are examples of business models that, while distinct from their local, grassroots-funded counterparts, are nevertheless part of the sharing economy. Although their primary objective is profit, social and environmental benefits are also realised through drawing on underused assets and human resource, as Matofska observes.

These platforms support small business owners unable to afford a dedicated delivery team on their own to share a service that makes possible the option of offering takeaway to customers. The owners enjoy a new source of income without the need to invest in individualised fleets of vehicles solely for delivery. **This illustrates how sharing can create abundance in a world of scarce resources.**

Moreover, the other forms of transport (ie motorbikes and scooters) used by the delivery workers become multi-purpose and thus spend fewer hours idle. The gig workers themselves gain a sense of freedom and flexibility from sharing their human resource at their own will (whether through one platform or many), differentiating them from peers who must respond to the will of employers (ie in terms of scheduling demands or mandatory uniforms). In this sense, gig workers have more power over technology to determine how their job(s) fit into their lives.

Of course, there are trade-offs, such as the insecurity gig workers may experience in exchange for greater freedom (we explore the emerging challenges of on-demand and gig work in chapters two and four), but in highlighting the positive aspects we can understand how and why on-demand and gig work is a growing part of the sharing economy.

For instance, there is a whole movement underpinning businesses in the sharing economy that adhere to a model of local, environmentally sustainable exchange. Since 2009, Shareable, a non-profit in the US, has been documenting the surge of social enterprises around the world that are representative of this mode of doing business. Neal Gorenflo, a co-founder of Shareable, believes that initiatives such as tool libraries and timebanks truly embody the sharing economy, relying on people power and building social capital through peer-to-peer exchange of underused assets and labour. This is a marked departure from the traditional economy which depends on resource extraction and is indifferent to whether consumers and workers interact.

However, businesses in the sharing economy range from the small, grassroots-funded variety featured in Shareable to the big and venture-backed, many of which are online platforms. It is the latter that we seek to demystify, especially given their meteoric rise.

To be clear, there are two ways sharing economy businesses (for profit or not) can scale – outwards and upwards. Scaling outwards is what we see when certain activities, such as coworking and bikesharing, spread through replication across

26. Harris, S.D. and Krueger, A.B. (2015) *A proposal for modernising labour laws for 21st century work: the 'independent worker'*. Brookings Institute, [Paper] 8 December, [online] Available at: http://www.brookings.edu/research/papers/2015/12/09-modernizing-labor-laws-for-the-independent-worker-krueger-harris; Gardiner, L. (2015) 'The 'gig economy' – revolutionising the world of work, or the latest storm in a teacup?' *Resolution Foundation*, 23 October, [online] Available at: http://resolutionfoundation.org/media/blog/the-gig-economy-revolutionising-the-world-of-work-or-the-latest-storm-in-a-teacup/

cities and other localities rather than through the network of a single platform. Scaling upwards, conversely, is when a single network of activity is grown, normally under the control of a single business, and has the potential to thrive globally through the use of technology. It is this second type of scale we explore in this primer as we perceive its impacts to have proved more controversial in terms of the potential societal benefit.

While scale does not equate with impact, the fixation with growth (particularly economic) does have an undeniable impact, affecting everything from how investment decisions are made to how governments regulate. Through interrogating the sharing platform model, we better understand how these businesses are able to scale upwards in their quest for growth.

Throughout this primer, we principally refer to Airbnb and Uber, two of the biggest and most widely known examples of sharing platforms, to illustrate the trajectory that is possible for businesses in this sector and what their growth means for us all.

In narrowing our focus, we have identified another distinguishing feature of the platform model, which we outline in the next section as the starting point of a new frame for understanding the trend towards sharing platforms in the sector.

Contrary to topical assertions in the media that the 'sharing economy' is a misnomer, we argue that it is an apt term. As we will set out, recognising it as such will help illuminate why online platforms like Airbnb and Uber have sky-high valuations as well as why 'gig workers' have a powerful claim to fairer terms and conditions in the changing labour market.

Shared value creation

Sharing was a way of life well before Silicon Valley, but sharing on this scale has reached new heights through the proliferation of smart phones, apps for all our needs, and increasingly sophisticated algorithms for matching supply and demand.

Online platforms in particular have been instrumental in brokering the trade of spaces, skills, and commodities. What we should understand about online platforms is that they are not products. While we cannot buy, consume, or sell them in the traditional sense, **online platforms are inherently more valuable than products**. As Marshall Van Alstyne of Boston University explains, online platforms are essentially conduits for third parties to connect through, enabling them to create communities that add value to the platform via the 'network effect'.[27] The network effect is often observed in social media platforms wherein each new user of a network, such as Facebook or Twitter, increases the usefulness of the network for other users as well as its overall value.

Before the internet era, network effects were primarily observed in telecommunications. However, there are key distinctions between telecommunication companies and online platforms. For one, the extent to which telecommunication companies are able to capitalise on the network effect to grow is restricted by costly infrastructure investments that online platforms do not have to make to the same degree. More importantly, the business of telecommunications is premised on the sale of products (ie phones), not on capturing value from the network of users created through the purchasing of these products.

Facebook illustrates the new business model made possible by online platforms.

27. Regalado, A. (2014) 'The Economics of the Internet of Things'. *MIT Technology Review,* 20 May 20, [online] Available at: http://www.technologyreview.com/news/527361/the-economics-of-the-internet-of-things/

It is an online platform which connects over a billion users who communicate with one another through posts, photos, and event listings. While the platform is free to use, Facebook makes its revenues through advertising and the data it collects on users so that advertisers are better able to target their messages. The more users Facebook has, the more beneficial it is as a network to other users, but also the more value the platform has for advertisers and thus as a business.

The Apple App Store is an example that Van Alstyne specifically uses to help analogise the tremendous value of online platforms, as well as to make clear that they rely on the value created by users to turn a profit. For every app that an individual develops and promotes through the App Store to sell or attract users, Apple takes a 30 percent cut even though Apple itself was not the innovator, but rather an intermediary. **Online platforms do not create value themselves; they are dependent on their users doing so. When you can enable a community of users online, that community is also infinitely scalable, and thus infinitely valuable, because there needn't be a limit to numbers**. For every user hosted there is little additional cost to the platform; moreover, the membership of a community is not necessarily bound by borders depending on what is shared.

The key takeaway here should be that **it is the users, whether consumers or workers, of these online platforms that share the charge of creating value**. In the sharing economy, this means that users create value together through capitalising on their individual assets or resources, typically using online platforms to enable access to goods and services. We call this 'shared value creation'.

VALUE CREATION

SHARED VALUE CREATION

In the traditional economy, value is created by the product or service as opposed to a network. The business model is indifferent to whether consumers and workers are isolated, and value is derived independently of interaction.

In the sharing economy, value is created by users – consumers and workers – sharing underused assets or human resource as part of an online network. The business model thrives on consumers and workers connecting and value is derived from their interaction.

This is reminiscent of the concept of 'shared value', which Michael E. Porter and Mark R. Kramer use to communicate that there are connections between societal and economic progress.[28] However, Porter and Kramer are specifically advocating for a strategy of 'redefining capitalism' through businesses adopting corporate social responsibility (CSR) as an integral part of their missions. 'Shared value creation' flips this dynamic, emphasising that it is society or a community [of users] that has the power to orient the economy for the common good. The users, therefore, do not need to depend on the benevolence of businesses in order to realise social and economic benefit – they do it themselves.

When we think of the 'sharing economy' it would be more useful to keep in mind '**shared value creation**' than debate the semantics of the word 'sharing'. Shared value creation helps us grasp why some ventures in the sector are estimated to be worth billions, given that value is not dependent on a finite product but on an infinite network. It also suggests that **users, and in particular workers, deserve a fairer share in the distribution of the value they have created. However, at present, much of this value is still being captured by intermediaries – the platform providers.**

In the ensuing chapter, we expand on our frame for understanding the evolution of these platforms, starting with the supposed 'disruption' they have caused.

28. Power, M.E. and Kramer, M.R. (2011) 'Creating Shared Value'. *Harvard Business Review*, January/February, [online] Available at: https://hbr.org/2011/01/the-big-idea-creating-shared-value#

2. Making sense of 'disruption'

Disruptive innovation

Disruption is sometimes framed as democratising markets. This is a nod to the theory of 'disruptive innovation', developed in the mid-1990s by Clayton Christensen, a professor at Harvard Business School, to describe a process wherein smaller companies with fewer resources displace established competitors in a market. An early example would be personal computers disrupting mainframe and mini computers.

Christensen's premise was that companies tend to innovate faster than most consumers' needs evolve, ultimately producing products or services that are too sophisticated, expensive, and complicated for many consumers in their market. When companies pursue this type of innovation at higher tiers of their market to maximise profit, they open themselves up to 'disruptive innovations' at the lower end. In his words, these are innovations that **"allow whole new populations of consumers at the bottom of a market access to a product or service that was historically only accessible to consumers with a lot of money or a lot of skill"**.[29]

Companies moving in at the bottom are likely to have lower gross margins, smaller target markets, and simpler products or services that seemingly do not have the same allure as existing solutions. Established competitors and other firms moving upwards thus fail to recognise the threat before it makes irreversible inroads.

We have witnessed disruptive technology countless times in the information industry, beginning with Theodore Vail's takedown of the telegraph via the telephone.[30] Disruption certainly predates the internet, although what has been happening over the past decade suggests that internet platforms are changing the speed and scale at which disruption can happen.

Encyclopaedias became nostalgic relics on our shelves when the peer-to-peer, open-sourced platform Wikipedia allowed us to freely browse information about any topic on the web. CDs went the way of cassettes when Apple's iTunes and Spotify introduced alternative ways of buying and listening to music. Rentals and sales of DVDs plummeted after Netflix and others encouraged streaming films and television online.[31] As Christensen observed, often the demise of previous products, services or entire industries is because exploiting efficiencies allows costs to come

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29.   Christensen, C.M. 'Disruptive Innovation'. *Clayton Christensen*, [online] Available at: http://www.claytonchristensen.com/key-concepts/

30.   Theodore Vail was a US telephone industrialist who led American Telephone & Telegraph (AT&T) to monopoly status, overtaking the telegraph industry (including former giants like Western Union) by making telephones cheaper and more accessible than the telegraph.

31.   While CDs are still in circulation and we have widespread access to TV and film through a number of mediums, Spotify, iTunes and Netflix are all considered disruptive innovators because they now compete with incumbents for a mainstream audience and have fundamentally changed the way that music and entertainment industries operate.

down exponentially for the benefit of more consumers.

Many sharing platforms have been dubbed 'disruptors' or 'disruptive innovations', yet not all such platforms qualify for the title. Christensen and colleagues have recently emphasised that **the theory of disruptive innovation is about process rather than outcomes**. Commentators are playing too fast and loose with the term, he argues, when they use it to "describe *any* situation in which an industry is shaken up and previously successful incumbents stumble".[32]

Uber is a chief example of a sharing platform that has been described as a 'disruptor' by the media, but that does not fit the model of a disruptive innovator. As Christensen and co explain, this is because Uber neither targeted customers in the lower tiers of the market with a 'good enough' product nor did it initially seek to convert non-consumers into consumers. Uber launched in San Francisco to directly compete with taxis from inception, whereas in Christensen's theory disruptors start by appealing to low-end or unserved customers before they make headway in the mainstream market.

Uber would actually be considered a 'sustaining innovator' because its improvements to hailing a ride attracted the mainstream instantly.[33] It is precisely because Uber is a sustaining innovator, rather than a genuine disruptor, that some commentators take issue with the platform and others like it in the sharing economy; they are not seen as generating new forms of wealth, but rather as bleeding existing businesses dry though identifying bottlenecks in the market.[34]

However, if we observe the trajectory of platforms such as Uber, it would seem that they are only draining the market share of competitors at certain points; at a very initial stage when they first attempt to go head-to-head and, if they are able to survive counterattacks by incumbents, then later once they've scaled. In the interim, they are creating wealth through driving up total demand within the industry. As Christensen et al clarify, Uber built a position in the mainstream market first and subsequently began to appeal to 'historically overlooked segments'; for example, Uber eventually 'democratised' the market by expanding the bottom tier through UberPOOL, a carpooling service that allows consumers to share their rides and split the costs of the trip with others headed in the same direction. While compromising the quality of the ride in terms of comfort and privacy, the price point is significantly cheaper, drawing in consumers that otherwise would have opted for a different form of transport or, in some cases, to stay where they are (think Londoners at home on a cold, rainy night).

Some will contend that taking patrons off public buses, trams, and trains rather than simply from other taxi providers is still cannibalising existing markets rather than creating new ones, but we argue that this is a limited, and thus, incomplete understanding of what is occurring overall. **There are positive externalities that need to be properly taken into account here.** Specifically, there are new markets being created that revolve around the sharing platform model.

A number of third-party platforms and businesses have either launched or evolved to support sharing economy companies, such as Uber or Airbnb, to make it easier for users (both consumers and workers) to participate in peer-to-peer exchange. Examples include insurance providers (such as Peers and SafeShare);

32.   Christensen, C.E., Raynor, M.E. and McDonald, R. (2015) 'What is Disruptive Innovation?'. *Harvard Business Review*, December, [online] Available at: https://hbr.org/2015/12/what-is-disruptive-innovation

33.   Ibid.

34.   Mason, P. 'The Future of Capitalism'. *RSA video*, 1:05:36, 22 October 2015, [online] Available at: https://www.thersa.org/events/2015/09/the-future-of-capitalism/

trust verification services (ie background checking companies Jumio and Onfido); administrative support (Herdlr, SherpaShare, and Tabby); interface designers and in-app support (Fluid UI and Stripe), and services which offer enhanced or custom-ised user experiences (Guesty and Under the Doormat) to name a few. There are also businesses that are emerging to build on the value being created by users in the sharing economy, such as Karma and Traity, both of which facilitate the transfer of 'reputation capital' (personal data from ratings and reviews) between platforms.

These dependent markets may seem small now, but if we move to a variation of self-regulation or 'shared regulation' as we call it (expanded on in chapter three), there is more scope for these markets to grow. **The public may even realise greater value from third-party mediation** (ie in ensuring standards of safety or providing protections for workers) **in the economy if government resource is freed up for other priorities** (ie delivering essential services or building homes). The potential of sharing platforms and their users to make or prompt meaningful economic and social contributions is still nascent; it would be a mistake to dismiss the value of this by simply focusing on the impact of platforms on existing industries or sectors in isolation. **There are legitimate concerns to be raised about some sharing plat-forms in their current form, but their capacity to create wealth in general is not one of them** (it is also worth bearing in mind that emerging co-operative platforms in the sharing economy are a variation of the same business model).

Although Uber and other sharing platforms are not disruptive in the way that Christensen outlines, this does not mean that these platforms are not innovative nor that they cannot dramatically shape our economy and society. An undeniable benefit of these platforms so far is that while they may be a long way off from embodying the commons, they have allowed us to experiment with alternative ap-proaches to resource use, and in the process transition towards new ways of living, working and doing business. The technology of these platforms in particular has enabled a greater number of people to adapt to the idea of access over ownership. It is only through applying a different lens to the business model of these sharing platforms that we begin to understand how they reach a point where it is possible for them to do us more harm than good.

Thus, in the next section, we definitively move away from referring to major sharing platforms as 'disruptors' and propose another process by which we can explain their success. This is the process of crowdsourcing monopoly power to become what we call a 'networked monopoly'.

Networked monopolies

Crowdsourcing monopoly power

While most start-ups may dream of one day making it big, the incentives are greater for sharing platforms. In fact, the predisposition of such platform providers is to scale up and preside over the markets they themselves create.

The legal scholar Tim Wu argues that the internet trends towards monopolies because it is more efficient to go where everyone else is already.[35] Similarly, we can say the same thing about sharing. Sharing is easier and more effective when you can access a specific marketplace – for example, accommodation or rides – through a single platform. This does not preclude other providers from existing; it simply

35. Ferenstein, G. (2014) 'The next Internet monopoly: Uber, the transportation network'. *VentureBeat*, 20 August, [online] Available at: http://venturebeat.com/2014/08/20/the-next-internet-monopoly-uber-the-transportation-network/

means that one platform is likely to dominate market share by exploiting the network effect.

Harnessing the power of the network effect has become big business in our modern economy. According to Van Alstyne, traditional businesses are missing a trick by merely focusing on adding new features to products rather than imagining ways of enabling communities or network effects.[36] This is because stand-alone products have a ceiling in terms of scale. Conversely, **online platforms that draw on the crowd for their success have much more potential in terms of growth.**

These platforms inherently depend on shared value creation for their success,[37] thus they may scale even at the expense of profit (as of writing, Uber is still in the red, as are other high-profile on-demand platforms including InstaCart, Postmates, and Handy); the logic being that money will follow once a mass movement is underway.

As discerned by Reid Hoffman, the co-founder of the largest online professional network, LinkedIn: "First-scaler advantage beats first-mover advantage."[38] Based on his own observations as an entrepreneur, he explains: "Once a scale-up occupies the high ground in its ecosystem, the networks around it recognise its leadership, and talent and capital flood in." This strategy is self-reinforcing. Scale reassures and encourages venture capitalists to keep investing; Hoffman notes that rapidly expanding scale-ups are able to raise even more capital as a result of initial investments. In Uber's unique case, a steady flow of venture capital and its own ubiquity has enabled the platform to experiment with multiple offerings and potentially expand into other markets as well (ie food delivery with UberEATS, on-demand delivery for businesses with UberRUSH), despite minimal returns for investors at this stage. A final point from Hoffman drives the message home: "Most of the impact and value creation in Silicon Valley actually occurs after the start-up phase ends and the scale-up phase begins."

LinkedIn illustrates that there is a certain point when the network effect is more likely to keep on giving than to fade away. It has managed to achieve such scale that continued expansion of its user base is more probable than contraction; once users are part of a critical mass other competing platforms become less effective, and thus less attractive, as tools for connecting with your peers. This is in part because with platforms like LinkedIn, and even more so with online auction sites such as eBay, there is little point in doubling efforts for diminishing returns. QXL, eBay's UK-based rival, only survived for two years up until eBay expanded to the UK, giving users the option of joining a much bigger network for buyers and sellers.

What is unfolding is unprecedented. **These are no ordinary monopolies that platforms are trending towards.[39] These are networked monopolies that entirely**

36.   Regalado, A. (2014) 'The Economics of the Internet of Things'. *MIT Technology Review*, 20 May, [online] Available at: www.technologyreview.com/news/527361/the-economics-of-the-internet-of-things/

37.   Shared value creation refers to value derived from the collective of users; the more users, the more value the platform has. Since expanding their user base is how their value is created as well as how they ensure that their marketplace is the most efficient for matching supply and demand, platforms survive through scaling and doing so quickly.

38.   Hoffman, R. (2015) 'Expertise in scaling up is the visible secret of Silicon Valley'. *Financial Times*, 12 September, [online]. Available at: http://www.ft.com/cms/s/0/39001312-4836-11e5-af2f-4d6e0e5eda22.html#axzz3trdDpGtQ

39.   When we refer to 'ordinary monopolies' we mean natural monopolies (ie public utilities such as gas, water or electricity which are costly, both economically and environmentally, to transmit through more than one network. However, this is not analogous to networked monopolies given that the network of these platforms is not a vehicle for distributing the company's products or services – it is the service). We are also considering other types of monopolies which arise from market failures (ie customer inertia, legal or technical barriers to entry), all of which can be addressed by competition law (again, not analogous to networked monopolies, which do not arise from market failures, but from the very nature of the marketplace).

derive their value from their network of users rather than from producing a more easily replicable product or service. As with Facebook or LinkedIn, other platforms could technically compete, but it becomes difficult to offer users the same level of utility without being able to match the size of the network effect.

Unlike Facebook or LinkedIn, however, **the networked monopolies of the sharing economy comprise two different kinds of users – consumers, but also largely workers of the platform as in the case of many gig and on-demand platforms.** Many sharing platforms thus have a different relationship (and arguably, obligation) to their users than most other internet platforms given this interdependency based on labour.

Some may reason that these sharing platforms are *not* networked monopolies because they have viable competitors within niche stands of the overall homesharing and ridesharing markets for example. In the case of Airbnb, they are fielding competition from OneFineStay (upmarket homesharing), LoveHomeSwap (homeswapping) and HomeAway (vacation rentals), as well as facing off with the traditional hospitality industry. Uber similarly competes with Lyft ('community drivers'), BlaBlaCar (long distance ridesharing) and Sidecar (ridesharing for deliveries) [40] in addition to the taxi industry and other private cars for hire (ie minicabs in the UK).

The obvious counter to this is that given how many cities Airbnb and Uber now operate in globally, their overall market share is still higher than that of competing ridesharing companies and of some traditional industry players. Airbnb's bookings are predicted to triple in the next year, which means its current value of $25.5bn could soon surpass that of leading hotel chain, Hilton Worldwide (it is already worth more than Hyatt Hotels and Marriott International). [41] Uber's impact on the taxi industry differs from city to city, but in San Francisco alone the use of taxis has dropped by 65 percent following Uber's arrival. [42]

However, market share is a narrow way of understanding and identifying monopolies. **When we refer to networked monopolies we are actually stressing monopoly power.** [43] As academics John Foster, Robert McChesney and R. Jamil Jonna have noted, it does not make contemporary sense to use the term 'monopoly' to only imply a market with a single seller or sole proprietorship; it is incredibly rare for monopolies to exist in the form dictated by the term's original meaning. Instead, they use monopoly to connote **power in influencing the price, output and investment of an industry, as well as in limiting the entry of new competitors.** [44] We see this with sharing platforms which wield the power of the crowd to exercise control over the market's terms and conditions (for example, barriers to entry).

We delve into this in more detail in the next section, which explores how platforms use the crowd, or their community of users, to hold their positions of power.

40.   As of publication, Sidecar announced it was ceasing operations.

41.   Mudallal, Z. (2015) 'Airbnb will soon be booking more rooms than the world's largest hotel chains'. *Quartz*, 20 January, [online] available at: http://qz.com/329735/airbnb-will-soon-be-booking-more-rooms-than-the-worlds-largest-hotel-chains/

42.   Garber, M. (2014) 'After Uber, San Francisco Has Seen a 65% Decline in Cab Use'. *The Atlantic*, 17, [online] Available at: http://www.theatlantic.com/technology/archive/2014/09/what-uber-is-doing-to-cabs-in-san-francisco-in-1-crazy-chart/380378/

43.   Monopoly power is also known as market power. In some cases, we are also referring to monopsony power, which is power exercised by a dominant seller (ie over suppliers).

44.   Foster, J.B., McChesney, R.W. and Jonna, R.J. (2011) 'Monopoly and Competition in Twenty-First Century Capitalism'. *Monthly Review* 62, no. 11.

Prevailing through community

The single most important piece of advice from Van Alstyne to traditional businesses trying to grow, stay afloat, or maintain their dominance over new platforms is that they too should **imagine ways of enabling communities**.[45]

Airbnb is a leading example of a company that is mastering how to work with their community of users to serve their business interests; in doing so, they are benefiting more than any company that has a purely transactional relationship with its consumers. Airbnb has recognised that the **continued survival of their business**, particularly while facing regulatory backlash, **depends on empowering users** as their network scales.

Airbnb's global head of community, Douglas Atkin, is dedicated to scaling the company's 'community' to take action as a movement. His own interest is in understanding why people feel like they 'belong and believe'; or, in other words, why people are committed to organisations and what you have to do to get them to commit.[46] In 2004, he wrote a book about how brands come to have cult followings and he has since been applying his knowledge to developing the community and/or movement-building platforms Meetup, Purpose and Airbnb.

Within the context of Airbnb, Atkin has focused on "how communities can change the world" through promoting Airbnb's mission (transforming how we travel by homesharing). He has done this through facilitating grassroots organising of Airbnb's user base, which he clarified as "building relationships and self-sustaining communities that are primed to take action". The action they are taking is against policymakers and legislators looking to restrict Airbnb's expansion and impact through regulation.

Atkin hired many of the same people who worked as grassroots campaigners for Barack Obama's presidential campaigns in 2008 and 2012, expressing the view that they wrote the "playbook on grassroots organising". These organisers initially embarked on converting San Francisco hosts into three different types of supporters: low-medium (ie those willing to take on tasks requiring a low-medium commitment, such as signing a petition, tweeting a politician, or writing a letter); strong (ie those willing to take their commitment to the next level through a physical presence, such as attendance at a public City Hall meeting), and core (those who are willing to show dedicated and informed commitment, and thus can take on high-level responsibilities such as participating in press conferences and organising meetings with key officials).

These organisers, while employed by Airbnb, are ultimately trying to create a "self-sustaining community infrastructure of hosts" that do not depend on directions from Airbnb to mobilise. They'll do it themselves, which is increasingly of importance as Airbnb's user base (or 'communities') expand across the world. The company will simply need a greater swell of support in firefighting regulatory challenges in more and more cities. As Atkin himself says, Airbnb recognises that they are up against powerful lobbies in the hotel industry and thus the company has instead pinned its hopes on 'people power' to sway politicians.

To build this infrastructure, Airbnb 'field organisers' recruit and train volunteer hosts to take on leadership roles to support and advocate for the platform in their city. Speaking about the role of one of the field organisers, Atkin explained: "She'll train them and help them create an organisation… and that's how we scale. We

45. Regalado, A. (2014) op cit.

46. Atkin, D. 'Global Head of Community @ Airbnb – CMX Summit 2014'. YouTube [video], 34:26, posted by CMX, 27 December, Available at: https://www.youtube.com/watch?v=X-PN5WWytgo

don't try to do the community management, we get our users to do the community management by training them to effectively be community leaders."

Case study in user empowerment: Airbnb's strategy against 'Proposition F'

The company's response to Proposition F, a ballot measure to restrict Airbnb-style, short-term rentals in San Francisco, before and after the vote, helps us better understand why Airbnb have invested so much in building up and strengthening their community of users.

In early November 2015, Airbnb's headquarters in San Francisco were stormed in the lead up to the vote on 'Proposition F', a ballot measure to restrict Airbnb-style, short-term rentals. With a brass band and kite balloons in tow, activists called attention to anxieties about access to affordable housing, as well as the impact that a continuous cycle of guests may have on the safety and sanctum of neighbourhoods. While the housing crunch in San Francisco, similarly to London, has been a long-term problem, opponents argue that short-term rentals take housing off the market that would otherwise be occupied by long-term tenants, further restricting the housing supply and driving rents even higher.[1] Proposition F was defeated, however; considered a triumph by other residents who countered that Airbnb gives them the boost in income they need in order to stay in the area. We can see here a dynamic of winners and losers from sharing platforms that we will return to in chapter four.

The truly notable outcome of Airbnb's 'No to Proposition F' campaign was the platform provider's realisation of the sheer extent to which their community of users in the US could be organised and mobilised around an idea – in this case, the promotion of homesharing (and incidentally, pushing back against regulation). At a debriefing for the media at its San Francisco headquarters following the defeat of Proposition F, Chris Lehane, Airbnb's head of global public policy, compared the potential influence of the platform to other member-ship associations, or communities of sorts.

In his slides, Lehane noted that the number of Airbnb users in the US surpasses 4 million (a jump of 312 percent from 2013 when the number was 978,000, just shy of a million). He contrasted this with the number of members in the National Rifle Association (5.1 million); the Sierra Club (2.1 million); Teachers in the National Education Association (2.9 million); and Human Rights Campaign (1.5 million) to make the point that Airbnb's members could have similar traction with policymakers.[2] However, unlike most member-ship associations, the members in this case would generate a huge amount of value for a specific company's small number of shareholders.

Lehane ended with the announcement that Airbnb would be forming '100 Clubs', a network of homesharing 'guilds' in cities across the US (before possibly being rolled out more widely). These clubs will be supported to organise and advocate for homesharing within their local city councils and elsewhere in the community in a 'grassroots' manner.

The '100 Clubs' initiative builds on Douglas Atkin's groundwork in integrating grass-roots organising as part of Airbnb's business model. The speed at which the self-sustain-ing community of users has been able to scale to this level is remarkable, and suggests that Airbnb will continue to prevail in the market.

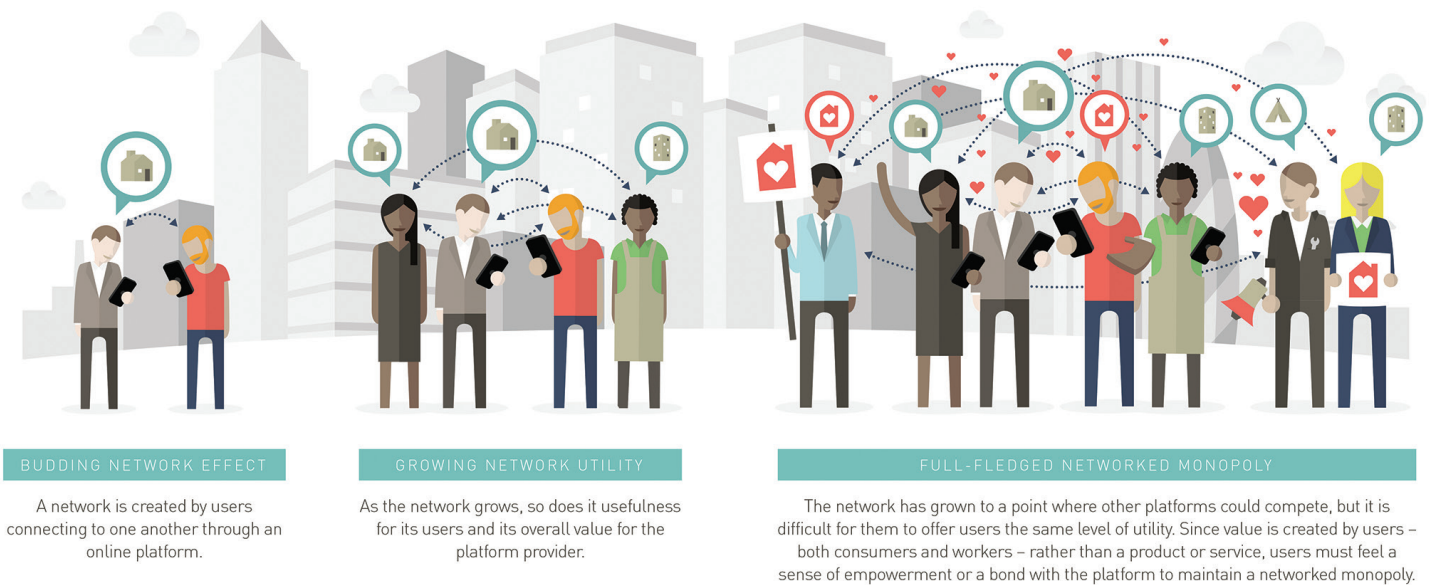1. Alba, D. (2015) 'San Francisco is Ground Zero for an Airbnb Freakout'. *Wired*, 2 November, [online] Available at: http://www.wired.com/2015/11/prop-f-san-francisco-is-ground-zero-for-airbnb-freakout
2. Alba, D. (2015) 'After Victory, Airbnb Compares Its Influence to the NRA's'. *Wired*, 4 November, [online] Available at: http://www.wired.com/2015/11/after-victory-airbnb-compares-its-influence-to-the-nras/

As aforementioned, once these platforms have monopoly power, it is likely to endure (for a variety of reasons, but mainly because it is difficult to replicate the network effect's same level of utility when spread across multiple platforms). What Airbnb has recognised very early on is that **the network effect alone is not the key to sustaining power, but rather their community is**. In the short-term, legal recourse is more likely to fell these giants than traditional incumbents and in the long-term it may be competing platforms; however, if Airbnb has their hosts on side in a meaningful way (ie by empowering them as movement leaders) they are more likely to weather both of those challenges.

NETWORKED MONOPOLIES
THE PROCESS OF CROWDSOURCING MONOPOLY POWER

BUDDING NETWORK EFFECT	GROWING NETWORK UTILITY	FULL-FLEDGED NETWORKED MONOPOLY
A network is created by users connecting to one another through an online platform.	As the network grows, so does it usefulness for its users and its overall value for the platform provider.	The network has grown to a point where other platforms could compete, but it is difficult for them to offer users the same level of utility. Since value is created by users – both consumers and workers – rather than a product or service, users must feel a sense of empowerment or a bond with the platform to maintain a networked monopoly.

Conversely, on-demand platforms in the sharing economy will likely struggle to build the sort of community that Airbnb has managed to because of labour-related complications. While there are ongoing disputes in Europe and the US about whether workers of these platforms are entitled to more from providers, it would be surprising if workers felt enough kinship to these platforms to champion them en masse. We are actually starting to see the knife emerge from the inside-out as workers have begun protesting against providers (some filing lawsuits) for hiking commissioning fees or failing to offer coverage for expenses.

However, because networks are made up of consumers *and* workers, on-demand platforms can choose to create a community from their consumers rather than from those who share assets and/or labour (although some are bound to be both).

Uber has had some initial luck with this model of movement building in London when Transport for London (TfL) revealed its suite of proposals to regulate vehicles for private hire in September 2015. These recommendations baffled the public, enabling Uber to launch a successful counter-proposition. More than 100,000 people signed Uber's petition in the span of 24 hours (at the time of writing, there

were over 200,000 signatories), which ridicules TfL's proposed cuts for making 'no sense' and warns that if these rules are adopted "they will mean an end to the Uber you know and love today".
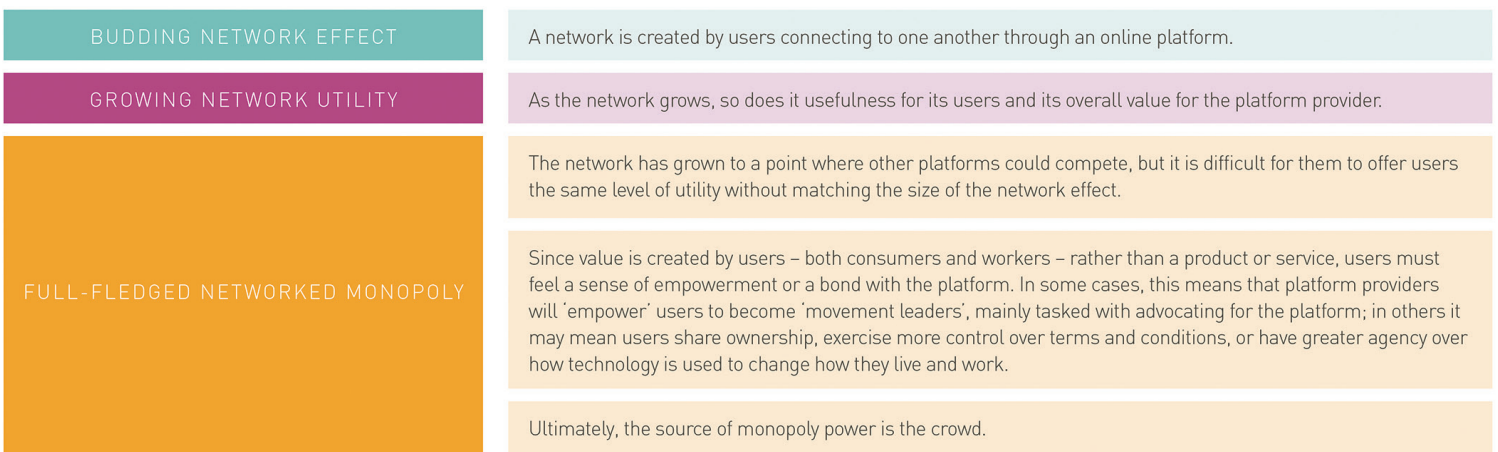
To put the numbers into perspective, TfL's initial consultation elicited just shy of 4,000 responses while a petition to ban Uber started by a taxi driver in London a year ago only recently garnered north of 15,000 signatures. This does not definitively mean that Uber has won steadfast support from the public; it does, however, suggest that both TfL and the taxi industry have been underestimating the extent to which the public not only accepts this sort of business model, but greatly appreciates the lower prices and increased convenience of them. The general lack of traction of ethical consumption campaigns suggest that even if customers believe claims that using Uber is undermining pay and conditions in the taxi industry, their own convenience and financial benefit will be the more powerful factor in consumption decisions.

Government is going to find it difficult to dilute the monopoly power of these sharing platforms. **Unlike traditional monopolies, networked monopolies draw on the same source of power that governments do: the crowd.**

It is entirely possible for networked monopolies to better serve the interests of their users, and their workers in particular. For example, we may see this in time with co-operative sharing platforms, which strive to ensure that their users capture most of the value they themselves generate. However, we should be cautious of concentrations of power even if they are in the form of useful, co-operative networks (more on this in Chapter three), especially since not all networked monopolies wield the power of the collective in the best interests of their users or wider society.

Given that some on-demand platforms are trending towards becoming networked monopolies, we explore how this affects gig workers in the following section.

NETWORKED MONOPOLIES: THE PROCESS OF CROWDSOURCING MONOPOLY POWER

BUDDING NETWORK EFFECT	A network is created by users connecting to one another through an online platform.
GROWING NETWORK UTILITY	As the network grows, so does it usefulness for its users and its overall value for the platform provider.
FULL-FLEDGED NETWORKED MONOPOLY	The network has grown to a point where other platforms could compete, but it is difficult for them to offer users the same level of utility without matching the size of the network effect.
	Since value is created by users – both consumers and workers – rather than a product or service, users must feel a sense of empowerment or a bond with the platform. In some cases, this means that platform providers will 'empower' users to become 'movement leaders', mainly tasked with advocating for the platform; in others it may mean users share ownership, exercise more control over terms and conditions, or have greater agency over how technology is used to change how they live and work.
	Ultimately, the source of monopoly power is the crowd.

Fair Share

Gig work in a networked monopoly

The grey area of gig work

To understand the drift to gig work or 'micro-entrepreneurialism', it is helpful to note overall trends in self-employment in the US and the UK. Generally, we have seen an increase in self-employment. In the US, there are nearly 54 million Americans (34 percent of workers) who are freelancing, up by 700,000 from 2014. In the UK, 4.5 million (14 percent of workers) are self-employed. Since 2000, there has been a rise of 39 percent in the number of people working for themselves[47] and since 2010, 40 percent of the rise in jobs in the UK has been in self-employment.[48]

So far, estimates of those who work specifically with an online intermediary in the gig economy are variable, but are likely to be much lower than the overall self-employment figures. For instance, in the US, labour law expert Seth Harris and economist Alan Krueger recently noted that the evidence in the US indicates only 600,000 (or 0.4 percent of the total employed) are gig workers.[49] This is distinctly lower than the most cautious estimate quoted by US Senator Mark Warner, which puts the number at 3 million (ranging all the way to 53 million, although this is likely a conflation with the number of self-employed in America).[50]

Laura Gardiner of Resolution Foundation, a thinktank researching the living standards of those in Britain on low to middle incomes, concludes that the trend towards gig work is overhyped in the UK. Her analysis of official data from the Office for National Statistics reveals that freelancing is a fraction of the overall self-employed category; deriving a second income from self-employment is done by a very small minority of workers; and that signs of the gig economy in the jobs self-employed people are doing are mixed at best.[51]

However, Gardiner is also quick to point out that we may be asking the wrong questions and that longstanding government surveys are blunt instruments for measuring emerging developments in the labour market. By way of example, she notes that earning money renting out a property one lives in would technically be classified as 'property income' rather than self-employment; thus, by limiting questions to 'work' rather than asking about ways of earning income means that surveys may miss (and misrepresent) what is transpiring.

Regardless, even if the number of gig workers is low at present it is certainly on the rise, and it is important to understand why.

The Freelancer's Union and Upwork in America produced an independent report this year which found that 60 percent of the self-employed started freelancing by choice.[52] Greater freedom and increased flexibility were primary motivations. They were incredibly optimistic about their futures as freelancers; 83 percent reported believing that brighter days are ahead and 82 percent were confident that increased

47. This figure includes freelancers, but reflects the category of "Self-employed people who 'work for themselves' (main job)". Dellot, B. (2015) *Boosting the living standards of the self-employed*. London: RSA, [online] Available at: https://www.thersa.org/discover/publications-and-articles/reports/boosting-the-living-standards-of-the-self-employed/

48. Hatfield, I. (2015) Self-employment in Europe. Institute for Public Policy Research, [online] Available at: http://www.ippr.org/files/publications/pdf/self-employment-Europe_Jan2015.pdf?noredirect=1

49. Harris, S.D. and Krueger, A.B. (2015) op cit.

50. O'Donovan, C. (2015) 'Sen. Mark Warner Wants to Know How Many Gig Workers There Are'. *BuzzFeed* News, 16 November, [online] Available at: http://www.buzzfeed.com/carolineodonovan/sen-mark-warner-wants-to-know-how-many-gig-workers-there-are#.dd6KRm5y3

51. Gardiner, L. (2015) op cit.

52. Freelancers Union and Upwork (2015) *Freelancing in America: 2015*. An independent study commissioned by Freelancers Union and Upwork, [online] available at: https://www.freelancersunion.org/blog/dispatches/2015/10/01/freelancing-america-2015/

opportunities for freelancers are a positive step for the economy.

The RSA's own research on self-employment in the UK finds that only 27 percent of those who started up in the recessionary period of the past five years did so to escape unemployment.[53] We also found that the overwhelming majority (84 percent) of self-employed people are more content at work and happier overall in their lives. As many as 87 percent attribute this to having more freedom to do the things that they want.

The need for freedom is key here and is related to wider trends in the labour market. As Nick Grossman and Elizabeth Wokye surmise, the conditions of capitalism incentivise corporations to "lessen their reliance on full-time workers, and increase the utilisation of part-time and contract workers, for cost-saving reasons".[54] What this means is that many workers, often in low-skilled, low-wage jobs, have little choice but to go part-time or take up hyper-flexible forms of working (such as in the case of 'zero-hour contracts' in the UK). In the US, this can have serious repercussions for the welfare of workers given the bundling together of healthcare benefits with full-time work in particular. However, the more general concern is about being bound to employers who cannot guarantee you a level of security or benefits that would make up for the control (ie scheduling, behaviour specification and rate setting) that they exercise in your life.

This last point made by Grossman and Woyke is well analogised by the entrepreneur Tim O'Reilly, who presents us with two scenarios and asks us to determine which is more ideal. In the first, data and control is firmly in the grasp of managers who are only interested in minimising costs to improve profit, which might mean they preside over a large pool of part-time workers that they keep on call for short shifts and use scheduling software to make sure that no worker gets more than 29 hours (which would trigger full-time benefits in the US).[55] In the second, workers are independent contractors who are offered the tools to understand and predict demands for their services, are compensated in accordance with demand (although the assumption is that the intermediary would try to drive up the level of demand), and can choose how little or much they work to meet their individual income goals. As O'Reilly makes clear, it is the latter, more desirable scenario that most Uber drivers would identify themselves as being a part of rather than the first (which is representative of Amazon).

O'Reilly's theory is that the distinction between employees and independent contractors does not matter as much as whether or not (low-paid, on-demand) workers have agency over the technology that is used to manage their labour. The reported contentment of Uber drivers, especially relative to Amazon's workers, supports this premise.[56] Bearing in mind that this is from a study commissioned by Uber, co-conducted with Princeton economist Alan Krueger, 78 percent of drivers were found to be satisfied with Uber.[57] As many as 69 percent of drivers reflected

53.   Dellot, B. (2015) op cit.

54.   Grossman, N. and Woyke, E. (2015) *Serving Workers in the Gig Economy: Emerging Resources for the On-Demand Workforce*, California: O'Reilly Media.

55.   O'Reilly, T. (2015) 'Workers in a World of Continuous Partial Employment'. *Medium*, 31 August, [online] Available at: https://medium.com/the-wtf-economy/workers-in-a-world-of-continuous-partial-employment-4d7b53f18f96#.lm6uszi9g

56.   Young, A. (2013) 'Amazon.com's Workers Are Low-Paid, Overworked and Unhappy; Is This the New Employee Model for the Internet Age?'. *International Business Times*, 19 December, [online] Available at: http://www.ibtimes.com/amazoncoms-workers-are-low-paid-overworked-unhappy-new-employee-model-internet-age-1514780

57.   Hall, J. and Krueger, A. (2015) 'An Analysis of the Labor Market for Uber's Driver-Partners in the United States'. Princeton University, Industrial Relations Section, Working Paper 587, [online] Available at: http://arks.princeton.edu/ark:/88435/dsp010z708z67d

that they have a more favourable opinion of Uber currently than when they first started, suggesting that satisfaction grows with the experience.[58]

Before we all sign on as Uber drivers, however, we should note that the data above does not break down into responses from casual versus full-time drivers.[59] This is significant because while many Uber drivers work for the company on a casual basis, the average in the US being less than 15 hours per week and in the UK roughly 25, there is still a considerable number of drivers who work for Uber full-time. It is these drivers in particular that are appealing to the law for more recognition from Uber for their work. There are ongoing legal disputes in the US about whether Uber drivers are independent contractors or actually employees; a recent ruling in June determined that an Uber driver in California was in fact the latter and there is currently a class action in motion against Uber and Lyft, another ridesharing platform, for similar acknowledgment.

While sharing platforms concede more power over technology to workers than traditional employers, for some workers this is not enough, nor does it make up for the other ways in which sharing platforms still exercise control over them.

A new logic of labour

Vince Chhabria, a judge in Northern California presiding over a case against Lyft, perfectly summed up the dilemma this debate is causing for juries.

"The jury in this case will be handed a square peg and asked to choose between two round holes. The test the California courts have developed over the 20th Century for classifying workers isn't very helpful in addressing this 21st Century problem. Some factors point in one direction, some point in the other, and some are ambiguous. Perhaps Lyft drivers who work more than a certain number of hours should be employees while the others should be independent contractors. Or perhaps Lyft drivers should be considered a new category of worker alto-gether, requiring a different set of protections. But absent legislative intervention, California's outmoded test for classifying workers will apply in cases like this. And because the test provides nothing remotely close to a clear answer, it will often be for juries to decide."[60]

Fortune magazine took a crack at calculating what the bill would be if Uber in particular had to reclassify its drivers as employees, estimating Uber's costs would go up by $4.1 billion.[61] Given Uber's size and valuation, it may be able to sustain those costs, but it is worth considering that not very many platforms could, espe-cially in early stages. This includes budding co-operative platforms.

The recent spate of lawsuits against gig and on-demand platforms in the sharing economy has already brought some start-ups to their knees even before juries have decided which direction to go in. Homejoy, a platform for cleaning homes, closed in July 2015, citing four pending lawsuits relating to misclassification of workers as a deciding factor in ceasing operations.[62] Zirtual, a platform providing virtual

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58. Ibid.

59. Nor do we have any information about the alternative opportunities to earn a living that are available to Uber drivers. If these are dire, we might expect them to be satisfied with driving for Uber. However, this would be an improvement for individuals, possibly at the expense of creating downward pressure on pay and working conditions overall.

60. Patrick Cotter et al., vs. Lyft, Inc., (11 March, 2015) United States District Court Northern District of California.

61. Gandel, S. (2015) 'Uber-nomics: Here's what it would cost Uber to pay its drivers as employees'. *Fortune Magazine*, 15 September, [online] Available at: http://fortune.com/2015/09/17/ubernomics/

62. DeAmicis, C. (2015) 'Homejoy Shuts Down After Battling Worker Classification Lawsuits'. Re/code, 17 July, [online] Available at: http://recode.net/2015/07/17/cleaning-services-startup-homejoy-shuts-down-after-battling-worker-classification-lawsuits/

assistants, had to pause all operations in August after switching to a W2 model (in the US, this is the tax code signifying employees; for independent workers it is 1099) presumably to avoid a similar fate to Homejoy; the switch proved too costly, however, and Zirtual had to be bailed out by Startups.co to resume business.[63] Other on-demand platforms trying to transition to a more traditional or hybrid model include Instacart, a platform for grocery deliveries, and Shyp, a platform for shipping.

While these legal battles are so far being fought on US soil, mainly involving US ventures, it is worth affirming that this is of relevance to workers in the UK's sharing economy sector and more broadly in Europe. The question these debates are getting at is **how much control can be exercised over workers before platform providers must introduce benefits akin to those provided by employers.** This is not just about healthcare, which in the UK is provided universally through the National Health Service, but it is also about ensuring a minimum wage, meeting standards for workplace health and safety, granting workers' compensation, offering training and skills development, as well as topping up pension plans among others.

Lest we also mistake this for simply an issue that low-skilled, low-wage workers face as they navigate an increasingly flexible labour market, note that gigs are becoming more specialised and highly-skilled. For example, Doctor on Demand is a platform offering online access to healthcare professionals at flexible times and from the comfort of home. Lawyers on Demand is a platform aiming to offer similar convenience, but in the realm of legal practice and advice rather than health.

Moreover, although independent contractors on sharing platforms may have more agency than their counterparts working for traditional employers, power is still concentrated in the hands of an intermediary. As we set out earlier, these intermediaries – platforms – are scaling as fast as possible. The amount of control they can exercise is not clear because this is uncharted territory. Juries have ruled that in certain cases they have crossed a line, but as Chhabria muses we may have to rethink binary logic about labour and introduce a third category between employee and independent contractor.

Some thought has been given to this question of a third category by Harris and Krueger. They've made proposals for an 'independent worker' that would entitle workers to civil protections and collective bargaining rights, but would not cover them under minimum wage and overtime legislation or permit them to be part of the unemployment insurance programme.[64]
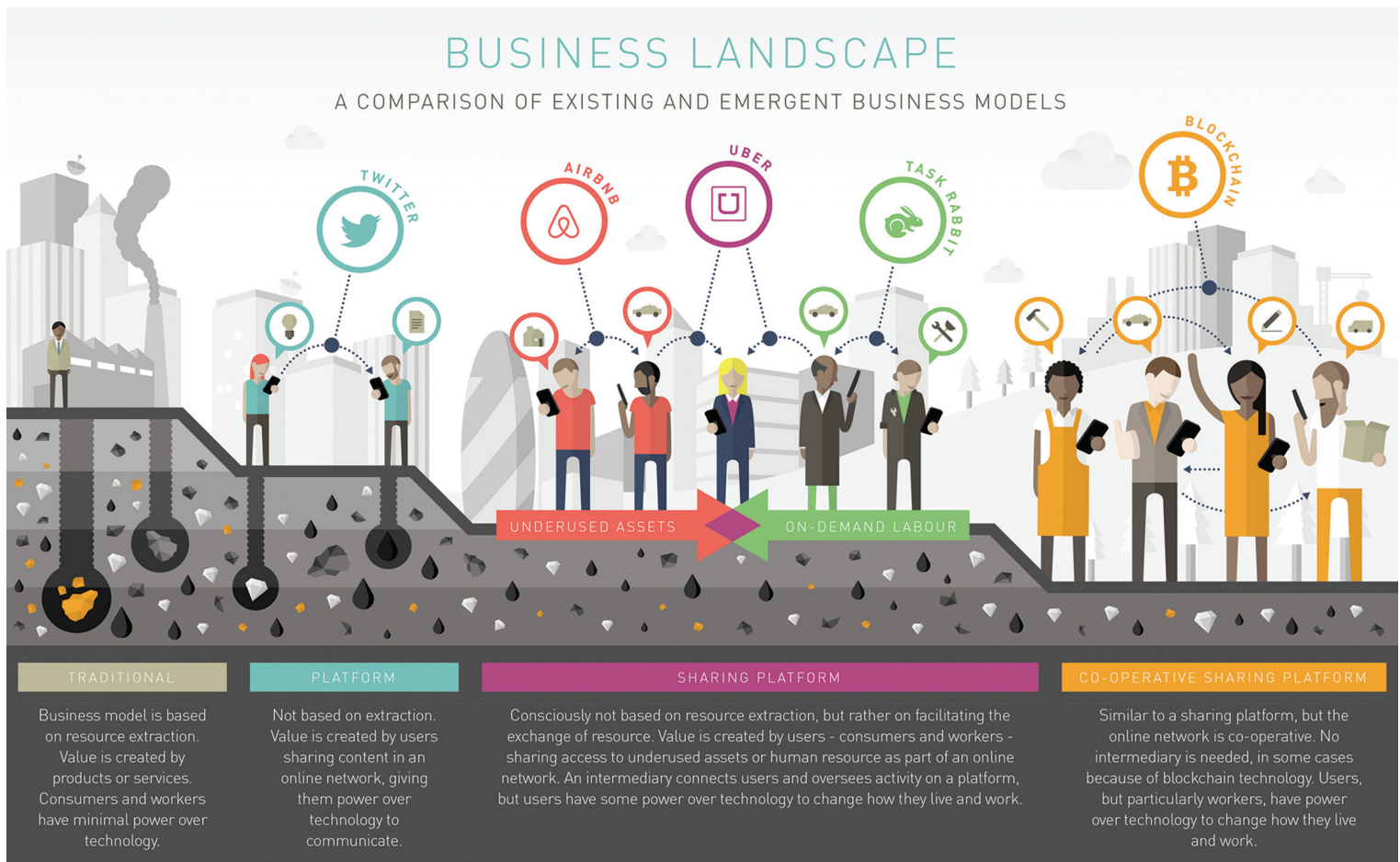
What we also need to consider is how we can maintain agency while being a part of the trend towards networked monopolies where the power to set terms and conditions of the market may not be decided democratically or resolved simply through competition. A difficulty with monopoly power, historically, is the **potential for exploitation**, which is particularly worrying for gig workers in the sharing economy who depend on platforms for their livelihoods.

However, networked monopolies in the sharing economy do not necessarily have to be capitalist or mimic the characteristics of traditional business models (ie hierarchical, concerned with shareholder value above other stakeholders); they can also be co-operative, decentralised and prioritise workers' interests. There is scope here to both advocate for workers' rights under capitalist networked monopolies at present and move towards co-operative alternatives (that self-regulate with regards

63. Kokalitcheva, K. (2015) 'On-demand startup Zirtual will be back in business thanks to Startups.co'. *Fortune Magazine*, 12 August, [online] Available at: http://fortune.com/2015/08/12/zirtual-returns-startups-co/

64. Harris, S.D. and Krueger, A.B. (2015) op cit.

to size) in the long term. Indeed, the challenges (ie classification of worker) faced by the former will also affect the progress of the latter, and therefore must be addressed alongside any new movement to empower the on-demand.

BUSINESS LANDSCAPE
A COMPARISON OF EXISTING AND EMERGENT BUSINESS MODELS

TWITTER · AIRBNB · UBER · TASK RABBIT · BLOCKCHAIN

UNDERUSED ASSETS → ON-DEMAND LABOUR

TRADITIONAL	PLATFORM	SHARING PLATFORM	CO-OPERATIVE SHARING PLATFORM
Business model is based on resource extraction. Value is created by products or services. Consumers and workers have minimal power over technology.	Not based on extraction. Value is created by users sharing content in an online network, giving them power over technology to communicate.	Consciously not based on resource extraction, but rather on facilitating the exchange of resource. Value is created by users - consumers and workers - sharing access to underused assets or human resource as part of an online network. An intermediary connects users and oversees activity on a platform, but users have some power over technology to change how they live and work.	Similar to a sharing platform, but the online network is co-operative. No intermediary is needed, in some cases because of blockchain technology. Users, but particularly workers, have power over technology to change how they live and work.

Empowering the on-demand

There is some evidence that workers could have more leverage when bargaining in situations where power is consolidated. For instance, in the global south it has been observed by sociologist Richard P. Applebaum that: "Giant [garment] factories may favour labour militancy, both because of the opportunities they afford for coordinated actions among workers, and because work actions can be more disruptive of global supply chains." It is conceivable that in the sharing economy workers (or sellers) could halt the activity of platforms, majorly impacting usage or consumption, but the main challenge here is connecting workers to one another in order to do so. As it stands, platforms only match workers to consumers and keep workers isolated, making organising through the platforms themselves impossible.

There are some progressive unions in the US that have tried to mobilise gig workers. California App-based Drivers Association (CADA), a spin-off of the highly effective Teamsters union in North America, represents owners and drivers from Uber, Lyft, Sidecar, Toro Ride, Opali and others in the ridesharing market. Their mission is to "ensure that app-based drivers have the resources they need so that they can speak with a unified voice and build a better life for themselves and their

families". In addition to on-the-ground work by CADA to take action, workers are self-organising through setting up interactive groups online.

Traditional trade unions, such as the GMB in the UK, have begun supporting app-based drivers as well. In November 2015, GMB backed a protest by 300 Uber drivers in London over an increase in its commissioning fee from 20 percent to 25 percent. An Uber driver interviewed by *The Guardian* voiced: "The protest is about falling incomes all the time. Increasing commission is one way [it is done]; there have been three fare drops in the last two years is another way; and to continue to flood the circuit [with drivers] so there's instant response is yet another way."[65]

Other than organising workers under current models of business in the sharing economy, there is an option that Trebor Scholz and Nathan Schneider refer to as "platform cooperativism". Platform cooperativism is a model of shared ownership, allowing users and workers to co-govern platforms so that they can set the terms and conditions together.

In the US, a company called Loconomics is building a worker-owned alternative to TaskRabbit with the help of Janelle Orsi of the Sustainable Economies Law Centre. As Orsi explains, such a shift entails sharing control with users (specifically workers, but this can also extend to consumers) through giving them the power to democratically elect the board of directors to serve their best interests. Under this co-operative model, workers share earnings through dividends based on their contributions (ie time spent working) and collaborate with government to 'self-regulate'. It likely also needs a different approach to fundraising – ie using crowdfunding rather than relying on venture capital – so that workers are entitled to the same or more than shareholders.

Addressing a class of Stern Business School students, Professor Arun Sundarajan of New York University (NYU) recently discussed examples of other co-operative platforms that are in the process of launching, but rather than being 'owned' by the users or workers specifically they are not controlled by anyone. These are platforms that use blockchain technology in order to bypass the need for a centralised intermediary, creating a genuinely peer-to-peer market. For gig workers who drive for sharing platforms, La'Zooz is one to keep an eye on. It is currently being primed to compete with Uber, the key difference being that workers will not be subjected to a 20 to 30 percent commission given there is no 'middleman' of any sort.

Under the model of co-operative sharing platforms that operate using blockchains, workers will be able to exert more power over technology to change the way they live and work than they would under most other sharing platforms.

Sundarjan prefaced his introduction of these sorts of co-operative platforms by noting:

> "What's [also] really promising is the emergence of truly decentralised peer-to-peer markets that go beyond information and the financial. All of these are really early-stage and they're sort of part of what some people refer to as the 'Darknet'. These are only sort of signs of what's to come… you know, it's like the Internet and TCP/IP back in 1995…"

This hints that the regulatory challenges governments have been grappling with are just the tip of the iceberg. It is not going to be at all easy for governments and

65. Hellier, D. (2015) 'Uber drivers protest over fee rise in first London demo'. *The Guardian*, 12 November, [online] Available at: http://www.theguardian.com/business/2015/nov/12/uber-drivers-protest-at-fee-hike-in-first-london-demo

related bodies to intervene in exchanges that transpire through these decentralised platforms or to hold participants to account according to the standards they've set externally as institutions.

In addition to the rise of 'networked monopolies', decentralised, co-operative platforms warrant an entirely different approach to regulation. In the following section, we provide an overview of the divergent approaches to governance so far globally at both municipal and national levels. We set out an alternative that allows for diverse approaches instead, unpicking what it means to 'self-regulate' in the context of the sharing economy and how we can extend this concept further to be more democratic.

BUSINESS LANDSCAPE: A COMPARISON OF EXISTING AND EMERGENT BUSINESS MODELS

TRADITIONAL	PLATFORM	SHARING PLATFORM	CO-OPERATIVE SHARING PLATFORM
The business model is very dependent and/or based on resource extraction.	The business model is dependent on resource extraction, but is not based on it.	The business model is dependent on some resource extraction, but facilitates the exchange of existing resource.	The business model is dependent on some resource extraction, but facilitates the exchange of existing resource.
Value is created by a product or service as opposed to networks.	Value is created by users sharing ideas and information with one another as part of an online network.	Value is created by users – consumers and workers – sharing access to underused assets or human resource as part of an online network.	Value is created by users – consumers and workers – sharing access to underused assets or human resource as part of an online, co-operative network.
Consumers and workers exist in silos and have minimal power over how technology is used to shape their lives and work.	An intermediary power connects users and oversees activity on a platform.	An intermediary power connects users and oversees activity on a platform.	No intermediary power is needed to connect users and oversee activity on a platform; exchange is genuinely peer-to-peer.
	Users (consumers) have some agency over technology to communicate with one another and the wider public.	Users power platforms and in turn have the potential to be more empowered in the economy than previous business models have allowed.	Power is decentralised, which is possibly facilitated by blockchain technology.
		Users have some agency over technology to change the way they live and work.	Users (especially workers) have agency over technology to change how they live and work in the absence of an intermediary power, particularly one which presides over and partakes in their earnings.

Fair Share

3. The politics of sharing

Controversies over regulation

It wasn't too long ago that politicians began waking up to the sharing economy's expansion. Just over a year ago in the UK, the former minister of state for business, enterprise and energy, the Rt Hon Matthew Hancock MP, launched an independent review announcing, "There's huge economic potential for the sharing economy and I want to make sure that the UK is front and centre of that, competing with San Francisco to be the home of these young tech start-ups."[66]

The economic potential he was referring to was based on PwC estimates that **the sharing economy's current global revenues of £9bn [in 2014] could reach £230bn by 2025**.[67] Moreover, PwC predicted that by 2025 the sharing economy would reach 50 percent market share in key sectors such as holiday accommodation and ridesharing/car rental.

The UK government review, led by Debbie Wosskow, the CEO of Love Home Swap, focused specifically on "online platforms that help people share access to assets, resources, time and skills".[68] When it was published in November 2014, Hancock reiterated how "exciting" the sharing economy was, but more importantly he drew a distinction between the UK and European counterparts that have been more cautious about welcoming start-ups in the sector: "The UK is embracing new, disruptive business models and challenger businesses that increase competition and offer new products and experiences for consumers. Where other countries and cities are closing down consumer choice, and limiting people's freedom to make better use of their possessions, we are embracing it."

Given that the potential for revenue growth globally is enormous, it may seem confounding that some politicians in Europe are expressing reservations. Yet, Hancock was alluding to recent partial and full suspensions of sharing platforms, such as Uber, in European cities including Amsterdam, Berlin, Brussels and Paris on the grounds of unfair competition and a lack of licensing for drivers. Documents from the Human Environment and Transport Inspectorate in Amsterdam even described Uber as a possible "criminal organisation".[69] London's laissez-faire approach in contrast has meant that the city is now home to one of Uber's fastest growing markets.

Other cities have trod more carefully, however, because there is seemingly a conflict of interest between supporting traditional industry and allowing newcomers to flourish at the expense of incumbents.

66.   Matthew Hancock MP, 'Press release: Move to make UK global centre for sharing economy', Department for Business, Innovation and Skills, 29 September 2014, [online] Available at: https://www.gov.uk/government/news/move-to-make-uk-global-centre-for-sharing-economy

67.   Hawksworth, J. and Vaughan, R. 'The sharing economy – sizing the revenue opportunity'. London: PwC, [online] Available at: http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.html

68.   Wosskow, D. (2014) *Unlocking the sharing economy: An independent review*. London: Department for Business, Innovation and Skills.

69.   Lukassen, R. (2015) 'OM: Uber mogelijk criminele organisatie'. RTL Z, 29 September, [online] Available at: http://www.rtlz.nl/algemeen/binnenland/om-uber-mogelijk-criminele-organisatie

Even London in recent months has made an effort to acknowledge and mediate this tension. As aforementioned, TfL introduced proposals in September 2015 for increasing the safety of taxi and private hire services which would affect how Uber conducts itself in the city. In doing so they attracted criticism not just from the platform provider, but from its users, for making recommendations that would render Uber less effective. The proposed changes included introducing a mandatory five minute wait time (regardless of the proximity of the driver); abolishing the ability for users to track nearby cars on the app; restricting carpooling; and prohibiting drivers from working for more than one operator.[70] While TfL did launch an initial consultation, it is unclear how they arrived at and agreed on these specific proposals, which are now drawing fire from a wider section of the public.

It is not just Europe, however, that is divided on the best approach to regulating sharing platforms. US presidential hopeful Hillary Clinton has also weighed in while on the campaign trail. Describing activities akin to that of sharing platforms Airbnb, Etsy and Uber, she cautioned: "This 'on-demand' or so-called 'gig economy' is creating exciting opportunities and unleashing innovation, but it's also raising hard questions about workplace protections and what a good job will look like in future."[71] The Democrat's ensuing promise was: "If you work hard, you ought to be paid fairly… I'll crack down on bosses who exploit employees by misclassifying them as contractors or even steal their wages."

Republicans, conversely, are voicing their support for these platforms unequivocally, mirroring the earlier enthusiasm of Conservatives in the UK. Following Clinton's remarks, Republican presidential candidate Jeb Bush countered that fewer rules would actually lead to "more prosperity, more innovation, more benefits than the command-and-control old approach of hierarchical regulations and large government trying to solve our problems for us".[72]

Across the geographical and political spectrum there is a wide array of views and general confusion about how to approach the sharing economy from the perspective of governance and regulation. Given that regulation of the sector is proving to be incredibly complex it is understandable why some countries in the EU have opted for suspensions rather than trying to reform operations. But this must be recognised as a temporary measure. It is not possible for governments to shut down these sorts of sharing platforms indefinitely given public support and the suppression of wider social and environmental benefits.

The growth of the sharing economy globally is outpacing our legal and political institutions. **As more people begin experimenting with co-operative, decentralised sharing platforms governments will find it even more challenging to intervene and mitigate risks.**

In the following section, we set out why discussions of regulation in the sector must urgently go beyond whether or not to allow sharing platforms to operate. We are interested in how we can create the conditions for a fairer sharing economy, which will likely entail a wider dispersal of political, as well as economic, power.

70. Transport for London (2015) *Private Hire Regulations Review: Response to consultation and Proposals*.

71. Federal News Service Transcript (2015) Hillary Clinton Transcript: Building the 'Growth and Fairness Economy''. *The Wall Street Journal*, 13 July, [online] Available at: http://blogs.wsj.com/washwire/2015/07/13/hillary-clinton-transcript-building-the-growth-and-fairness-economy/

72. Jeb Bush (2015) 'Disrupting Washington to Unleash Innovators' on LinkedIn, 16 July, Available at: https://www.linkedin.com/pulse/disrupting-washington-unleash-innovators-jeb-bush

Confronting concentrations of power

Although very few sharing platforms are able to scale to become networked monopolies, they are not anomalies in the economy – monopolies are surprisingly more common in the 'free market' than most of us realise.

Foster and colleagues unravel the mythology of our era, countering the narrative of globalisation that we are living in a period of peak competition. Using data for firms and industries in the US, they argue that over the past two decades in particular we have seen a resurgence of concentrated economic power and that "monopoly power is ascendant as never before".[73]

To demonstrate the overall trend towards economic concentration, they analysed the top 200 corporations in the US compared to all corporations in the economy, finding substantial rises in these companies' shares of both total business revenue and gross profits from 1950 and 2008. As Foster et al explain, the (high) degree of monopoly power exercised by these "megacorporations" is indicated by their (great) capacity to obtain higher profits than their small competitors.[74]

Similarly, Jason Furman and Peter Orszag recently showed statistically that a rising number of firms are earning "super-normal" returns,[75] which the economist Paul Krugman explains as "persistently high profit rates that don't seem to be diminished by competition".[76]

Others, including Robert Reich and David Dayen, can present us with repeated examples of monopoly power drawn from the disparate industries of agriculture, digital services and healthcare among many more. What is particularly interesting about Reich and Dayen's mounting evidence base is that they have both arrived at the same conclusion: monopolies are driving inequality, and moreover, governments are colluding with big business to allow and maintain these concentrations of economic power.[77]

The central thesis of both Reich and Dayen's argument is that antitrust laws (which are supposed to ensure fair competition) often go unenforced because of political decisions. Dayen provides a historical overview, tracing the weakening of antitrust legislation in the US to Robert Bork, whose text, *The Antitrust Paradox*, influenced the policies of Ronald Reagan's administration in the 1980s. Bork made a case for approving mergers on the basis of improved business efficiency, which he alleged would result in lower prices for consumers.

There were many flaws later laid bare in Bork's reasoning, yet his ongoing legacy is that monopoly power is frequently overlooked if consumers continue to have access to cheap goods or services, and thus mergers and acquisitions now seem to be everyday occurrences. In the past year alone, there were a record number of takeover announcements in the US, expected to be worth $4.58 trillion.

73.   Foster et al (2011) op cit.

74.   Foster et al find that the revenue of the top two hundred corporations rose substantially from around 21 percent of total business revenue in 1950 to about 30 percent in 2008, and that their share of gross profits rose from 13 percent in 1950 to over 30 percent in 2007. They also analyse the concentration ratios (measure of the total output produced in an industry by a given number of firms in the industry) for individual industries to evidence monopoly power in manufacturing, retail trade, transportation, information, and finance.

75.   Furman, J. and Orszag, P. 'A Firm-Level Perspective on the Role of Rents in the Rise of Inequality'. October 2015, [online] Available at: https://www.whitehouse.gov/sites/default/files/page/files/20151016_firm_level_perspective_on_role_of_rents_in_inequality.pdf

76.   Krugman, P. (2015) 'Challenging the Oligarchy'. *The New York Review of Books*, 17 December, [online] Available at: http://www.nybooks.com/articles/2015/12/17/robert-reich-challenging-oligarchy/

77.   Reich, R.B. (2015) *Saving Capitalism: For the Many, Not the Few*. New York: Knopf Publishing; Dayen, D. (2015) 'Bring Back Antitrust', *The American Prospect*, [online] Available at: http://prospect.org/article/bring-back-antitrust-0

While it may have been the orthodoxy of America's political right which dulled antitrust legislation, the Democrats under the administration of President Obama have been soft on investigating or challenging mergers when five or more competitors are left, in spite of increasing economic concentration.[78] This should, therefore, not be oversimplified as a matter of right versus left – both have enabled the power of big business.

This is important because when we speak about networked monopolies in the sharing economy, we need to understand this within the wider context of the global economy. Many of the incumbents that sharing platforms are up against are themselves wielding monopoly power.

Taxi industries in the US and the UK for example are usually acknowledged as being monopolies that are threatened by Uber. Less discussed is the consolidation of power among the top hotel chains. A few months after Airbnb was estimated to be worth more than Marriott International, the hotel chain announced in November 2015 it would be acquiring its rival, Starwood, for $12.2bn. When the deal is finalised in mid-2016, Marriott International will become the world's largest hotelier.

All of us who care about the future of the sharing economy (regardless of how we may feel about the leading sharing platforms) should be wary about the wave of mergers in traditional industries. As Dayen notes, this trend is related to investors "demanding consolidation as a means to increase pricing power and to show growth". The frenzy to merge thus reflects **perverse incentives for businesses to become ever bigger**. It betrays the rationale behind investments, alluding to why online platforms are favoured by venture capitalists over other types of local, sustainable businesses in the sharing economy that have physical limitations to expansion or other ceilings on their profits.

While crowdfunding is an increasingly popular alternative to venture capital, even equity crowdfunding has yet to match venture capitalists in offering a level of finance needed to scale. If we hope to see a swell in the sort of social enterprises found on Shareable, we need to target the incentives (ie leeway on economic concentration) that reinforce a toxic investment culture. As Dayen notes, entrepreneurship is actually flailing in America because of the barriers to competition that big businesses impose. He cites a finding from the New America Foundation that start-ups fell 53 percent between 1977 and 2010, giving a whole new meaning to 'unicorns', tech companies that are worth a billion or more.

Yet, governments continue to disappoint at curtailing monopoly power, even in Europe where antitrust laws are seemingly better upheld (ie in recent years the European Union has investigated Amazon and Google for antitrust violations whereas the US has not). In attempting to regulate the sharing economy by suspending the operations of major platforms (ironically on the basis of unfair competition), governments are actually embedding the existing monopolies of incumbents.

Conversely, in allowing sharing platforms free rein, governments turn a blind eye to both the monopoly power of incumbents and of emerging competitors in mainstream markets. For example, in the UK the Competition and Markets Authority's (CMA) only reference to sharing platforms is an endorsement of the user feedback systems used by Airbnb. As governments remain silent, not only does the diversity of business suffer in both traditional industries and the sharing economy, but myriad other problems (as we detail in chapter four) start to creep up

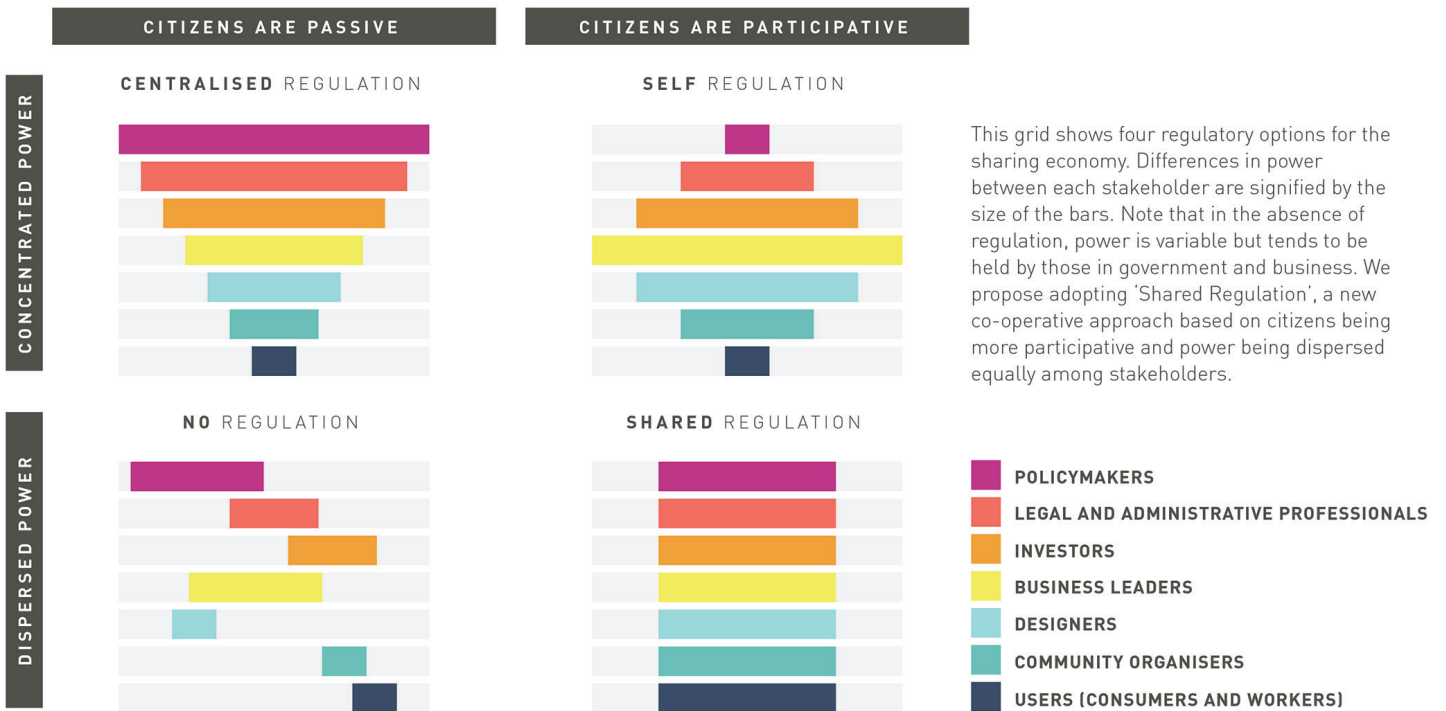78. Dayen, D. (2015) op cit.

and go ignored.

Tackling cumulative failure to regulate monopoly power in traditional industries is beyond the scope of this paper, but provides important context. Instead we address the question of how new sharing economy markets driven by platforms can best be designed to deliver value to all of their participants and stakeholders without either allowing excessive capture of value by a privileged economic elite, or allowing one group to exploit another though imbalances of power.

It is worth noting, however, that the solution is not as straightforward as amending antitrust legislation for a number of reasons.

1. There is little to suggest that changes in the law will inspire governments to pursue antitrust abuses with any more rigour than they currently are.
2. We need more unity on antitrust from governments internationally, especially the US, than we are likely to get. As companies are increasingly born global, chances are we will be grappling with many more American firms wielding monopoly power in the UK and elsewhere that has gone unchecked domestically.
3. Antitrust legislation as we know it does not account for the rise of networked monopolies, and neither have governments. Breaking up a network of users requires more thought and, in all probability, different justifications than breaking up a traditional company that has become too big to serve the common good; this is especially true given the natural tendency of sharing platforms to grow the size of their networks.
4. Given that networked monopolies in the sharing economy can be co-operative and in the best interests of workers and communities, there may be additional considerations that we wish to take into account when deciding the extent of intervention in their growth. This is not unheard of – in *Standard Oil vs. the United States*, America's Supreme Court determined that it would not break up the dominant company for the sake of simply ending a monopoly, but would base its decision on whether the company abused its dominance to the detriment of consumers.[79] In noting this, we are not suggesting that networked monopolies of any sort are acceptable, but that they vary in their degree of harm.
5. Sharing platforms that are decentralised through blockchain technology will be nearly impossible to hold to account for antitrust if they become networked monopolies.

All of this underlines that the starting point, therefore, is not the legislation itself that matters most right now, but the process by which we decide what to later enshrine as law. To create the conditions for a fairer sharing economy, we need a process of regulation that is more open and transparent, dispersing power and encouraging participation from a wider range of stakeholders. In the following section, we explore models of regulation that are more participatory, proposing a new option which we refer to as 'shared regulation'.

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79. *The Economist* (2014) op cit.

Fair Share

| CITIZENS ARE PASSIVE | CITIZENS ARE PARTICIPATIVE |

CENTRALISED REGULATION   **SELF** REGULATION

This grid shows four regulatory options for the sharing economy. Differences in power between each stakeholder are signified by the size of the bars. Note that in the absence of regulation, power is variable but tends to be held by those in government and business. We propose adopting 'Shared Regulation', a new co-operative approach based on citizens being more participative and power being dispersed equally among stakeholders.

NO REGULATION   **SHARED** REGULATION

CONCENTRATED POWER / DISPERSED POWER

- **POLICYMAKERS**
- **LEGAL AND ADMINISTRATIVE PROFESSIONALS**
- **INVESTORS**
- **BUSINESS LEADERS**
- **DESIGNERS**
- **COMMUNITY ORGANISERS**
- **USERS (CONSUMERS AND WORKERS)**

From self-regulation to 'shared regulation'

The success of self-regulation

The initial challenge for most governments has been to regulate the sharing economy in such a way that it can still prosper.

Academics Molly Cohen and Arun Sundarajan wrote a paper in appreciation of the conundrum that governments face in trying to regulate without impeding innovation in peer-to-peer exchange. They summarised the regulatory challenges accordingly as including peer-to-peer provision of familiar real-world services that are the traditional subjects of regulation; provision of commercial services that blur the line between personal and professional, and transactions that are semi-anonymous.[80]

Provocatively, they begin with the premise that governments do not have to reign supreme over the regulation of the sharing economy; rather, through relinquishing some control over regulatory responsibility, they could in effect have their cake and eat it, too. By welcoming self-regulation, and thus encouraging platform providers to play a greater role in meeting necessary standards, the risks that the sharing economy poses to the public could be addressed and innovation allowed to progress uninhibited.

Cohen and Sundarajan argue that **platforms should not be viewed as entities to be regulated but rather as actors that are a key part of the regulatory framework (in the sharing economy)**; in other words, sharing platforms should not be seen as the problem, but as part of the solution.

They stress that we should not confuse this for deregulation or no regulation. Rather, they are advocating that a new form of governance is possible now that we

80.   Cohen, M. and Sundarajan, A. (2015) op cit.

have 'third-party platforms'[81] which can mediate exchange, therefore altering what the market is able to provide on its own without the need for state intervention. We see this, for example, with the background verification checks or ratings and review systems that sharing platforms have implemented as ways of ensuring safety and security.

Another recent example of self-regulation, or self-policing, pertaining to the mitigation of risk comes from Uber, which has been piloting SPOT in Seattle, a technology enabling safer pick-ups through the use of colour.[82] Riders are asked to choose a colour that is conveyed to their drivers, who in turn have devices fitted on their windshields which can change colours to match the selections of their waiting passengers. The phones of riders can similarly flash the chosen colour, so that both riders and drivers can be assured of an easy, secure connection in a crowd.

There are also entirely new businesses being borne in response to other market failures, such as the absence of a safety net for workers in the system. For example, Peers in the US provides benefits and insurance to gig workers in the sharing economy, recently introducing a 'portable benefits' platform in late 2015, designed to supply people with health, disability, and retirement coverage that is not tied to their jobs. So that gig workers are not saddled entirely with costs, platform providers may contribute as well.

However, the real prospect for revolutionary self-regulation in the interests of all users may come with greater adoption of blockchain technology. This technology underpins bitcoin,[83] the first digital cryptocurrency, but is increasingly being applied for other uses. It allows for the decentralisation of platforms because it is "a shared, trusted, public ledger that everyone can inspect, but which no single user controls. The participants in a blockchain system collectively keep the ledger up to date: it can be amended only according to strict rules and by general agreement".[84] Essentially, it a system that naturally lends itself to democratic, cooperative practices which extinguish the possibility of users being exploited (ie for a cut of earnings, personal data) by an intermediary or platform provider.

In Sundarajan's presentation at NYU, he mentioned examples of co-operatives made possible by blockchain technology that extended beyond gig work, branching out to compete with online marketplaces such as eBay and Etsy as well as with crowdfunding platforms.

Among these were Open Bazaar, which was described as "like eBay, except that there is no central intermediary". Sundajaran explained: "Transactions are cleared by a decentralised consensus system, payment is through bitcoin and reputation is provided by some anonymous third-party saying this person is good enough."

Swarm is another example that frees users from a potentially exploitative middleman, but also addresses wider market failure on the part of investors to diversify their portfolios. Swarm will soon become the first crowdfunding platform based on cryptocurrency. Its aim is to move towards 'democratising' finance by levelling the

81. Third-party platforms are intermediaries such Airbnb and Uber, referred to as such because they are the third party in peer-to-peer transactions. Throughout this paper, we have generally referred to these intermediaries as simply platforms or platform providers.

82. 'Enabling Seamless Pickups through Color Coding.' Uber NewsRoom, 2 December 2015, [online] Available at: https://newsroom.uber.com/seattle/enabling-seamless-pickups-through-color-coding/

83. Bitcoin is a digital cryptocurrency, created and held electronically. What distinguishes Bitcoin from conventional money is that it is decentralised, meaning it is not controlled by any person or institution (ie like a large bank).

84. 'The trust machine'. *The Economist*, 31 October, 2015, [online] Available at: http://www.economist.com/news/leaders/21677198-technology-behind-bitcoin-could-transform-how-economy-works-trust-machine

playing field for those who may have not access to funding otherwise; it does this through allowing entrepreneurs to create digital, cryptocurrency tokens (distinct from bitcoin) to distribute to investors. Swarm's founder, Joel Dietz, explains that because the token is digitally programmable, an entrepreneur can give value to their investors in any way he or she wants to whether in the form of dividends, voting rights for executive decisions in the company when it grows, a product or service relating to the company, or any other creative reward for investing.[85] What distinguishes Swarm from other crowdfunding platforms is the flexibility for entrepreneurs to determine how they define equity.

The Economist recommends that at this early stage blockchain technology should be allowed to evolve without regulation. It argued that history shows that the potential of this sort of peer-to-peer technology will take several years to become clear and in the interim 'overly prescriptive rules' would undermine its promise.

The assumption being made is that when governments regulate new kinds of businesses or innovations from the outset they tend to damage their prospects. This is true in some of the markets where governments are exercising their right to regulate sharing platforms by simply suspending them, or as with TfL, making recommendations that would hamper their efficiency. However, we argue that regulation does not necessarily have to be so devastating and can instead **serve a generative purpose**, similarly to how self-regulation has led to platforms making more improvements. Self-regulation in the sharing economy has been successful in demonstrating proof of concept; experimenting with participative approaches to regulation not only protects innovation, but can also stimulate further reform of market conditions for the benefit of users.

Shared regulation as a successor

While self-regulation is remedying some issues in the sharing economy, we theorise we would see better results from widening participation. The concept of self-regulation should be pushed further than government and businesses (ie sharing platforms) to include a more comprehensive range of stakeholders in shaping the sector. Users – both consumers and workers – should be central to this, but we could also involve community organisers, legal and administrative professionals (ie lawyers, insurers), investors, and designers. All of these stakeholders have played a part in the evolution of the sector, but there has yet to be any **articulation of a shared goal** between them.

Similarly to how Cohen and Sundarajan clarify self-regulation, **'shared regulation' entails the redistribution of regulatory responsibility to parties other than government**; however, it differs from self-regulation because **businesses are only one of many parties involved**.

Moving beyond self-regulation to a wider process of collaborative regulation would be in acknowledgment that, comparable to growing concentrations of economic power, we also have concentrations of political power within our democratic system. We are essentially interested in how to encourage more than the usual suspects with power (see above visual for detail) to participate in providing solutions to emerging issues in the sharing economy. In this scenario, businesses continue to self-regulate as in aforementioned examples and government's role should be seen as devolved rather than obsolete; however, other stakeholders are enabled (possibly

85.   Clifford, C. (2014) 'Is 'Crypto-Equity the Next Big Thing in Raising Money for Your Business?' *Entrepreneur,* 25 June, [online] Available at: http://www.entrepreneur.com/article/235143

by government initially) to consider (as well as act on) how they might contribute to making the sharing economy fairer for all.[86]

Regulation is more likely to come down to rule-making and restraint when power is concentrated and citizens are passive because governments have limited capacity to effect change in other ways. If power is dispersed and citizens are actively involved in using their knowledge and capabilities, **regulation can be a more creative process of problem-solving in the pursuit of realising social and economic policy objectives.**

For example, **regulation could enable the integration of decentralised platforms in mainstream markets**. While it is exciting that decentralised platforms are surfacing, it will likely be years before they have significant impact in the sharing economy given how few people are aware of what blockchain technology is, let alone what harnessing its potential would mean for them. Shifting users from sharing platforms (especially those that are networked monopolies) onto decentralised platforms will be no easy task if bitcoin is any indication of the rates of take-up. In 2015, a survey measuring the American public's attitudes toward bitcoin found that 65 percent of Americans were not even remotely familiar with what bitcoin is.[87] Of those who were familiar, 84 percent had never used it – bitcoin is traded by less than 5 percent of Americans.

Some investors are not worried about low adoption of the currency or related technology so far among the masses. Roger Ver, a bitcoin investor, reasoned, "It will take time for the general public to catch up, because the general public doesn't have any reason to catch up until some general-use case applications are built. But most people don't understand how email or banking works, they just use it."[88]

Asked about the need for a (bitcoin and/or blockchain) app with wider appeal, investor Barry Silbert mused: "There are a few companies that are mass-consumer-focused, that if the stars align, could potentially be that killer app. But I tend to think that in these early years, this will be a slow awareness and adoption curve. And then we'll hit a point and it will accelerate just like the internet did."[89]

However, rather than getting to that point suddenly and being overwhelmed by the infinite possibilities of blockchain – for good and otherwise – it is worth thinking of regulation as a tool to get ahead of the curve. By supporting the acceleration of decentralised sharing platforms, which have such great potential to be empowering for users, we can play a role early on in influencing their development and encouraging continued cooperation with the people and institutions that helped incubate them.

While we are interested in strengthening the infrastructure for blockchain technology, especially within the context of the sharing economy, we also want to be clear that decentralised platforms alone are not the solution to all that troubles us about the sector. This comes down to three main reasons, the first of which is well expressed by Christoph Spehr, a theorist and politican in Germany:

86. For example, the RSA has begun to promote problem-solving from different corners through the RSA's Student Design Awards, a 90-year old competition inspiring design for social change. The 'Fair Share' brief in this year's competition prompts student designers to contribute their ideas for moving towards a fairer sharing economy. It is merely one way we hope to inspire a wider shift in thinking about who has the power to shape the sharing economy.

87. Van Valkenburgh, P. (2015) 'Coin Center's new Bitcoin Public Sentiment Survey', *Coin Center*, 27 January, [online] Available at: https://coincenter.org/2015/01/coin-centers-new-bitcoin-public-sentiment-survey/

88. Roberts, D. (2015) 'Bitcoin: will 2015 be a make-or-break year?' *The Guardian*, 3 February, [online] Available at: http://www.theguardian.com/technology/2015/feb/03/bitcoin-2015-make-or-break-year

89. Ibid

"It is not enough to set up new forms of common productivity, [forms] of new cooperative platforms just to be better than what we have. We will not pervade just by being better – that's not how it works in the economy. We will have to change the framework around us, make up new rules, and new institutionalised rules, to make this more than a niche – to make this the dominant form of production."[90]

We would also add that while it may be okay for co-operative platforms to become the dominant form of production, this is distinct from becoming networked monopolies and the latter is not necessarily desirable. As we noted in Chapter three, **concentrations of economic power, whether in the traditional economy or in the sharing economy, inhibit innovation within their respective markets**. It will be challenging to hold decentralised platforms to account for their growth externally, so these platforms may need to self-regulate or somehow be managed through shared regulation to limit monopoly power.

Finally, while decentralised platforms signal better days ahead for users (and especially workers), there are wider considerations that also need to be addressed, such as the welfare of workers at large, (ie in traditional industries and part of other sharing platforms), communities, the state, the economy, and the environment. In engaging with trade-offs of the sharing economy as is from a range of perspectives we recognise that the sharing economy could be fairer; moreover, we see why a process of 'shared regulation' can help us negotiate what is best for the collective rather than for discrete interests.

90. Sephr, C. (2015) 'Platform Cooperativism: The Internet, Ownership, Democracy', Vimeo, [video] posted by The Politics of Digital Culture, 2:37, 18 December. Available at: https://vimeo.com/149470862?

4. Value added, value lost: Exploring trade-offs

In this chapter, we interrogate the value that we create through our use of sharing platforms. This is done through highlighting trade-offs in value for consumers; workers at large; online and offline communities; and the state. We also consider what the growth in sharing platforms means for the economy and the environment.

As implied earlier, some of these challenges will also need to be addressed by co-operative platforms, such as technological biases and any environmental fallout. Through exploring trade-offs, it becomes apparent that involving multiple stakeholders, as opposed to simply governments and platforms themselves, could make a difference in ensuring fairness in the sharing economy.

TRADE-OFFS OF THE SHARING ECONOMY
OPPORTUNITIES AND CHALLENGES FROM A RANGE OF PERSPECTIVES

CONSUMERS

PROS	CONS
Consumers have greater access to goods and services, more choice, and some power over technology to change the way they live.	Consumers assume the burden of risk when it comes to the safety and security of platforms, and have limited agency over their personal data.

For consumers

Sustaining innovation has ultimately led to greater accessibility of goods and services that previously were prohibitively expensive and/or entailed the costs of private ownership. More choice is possible than ever before and control can be exercised in new ways over supply through simply posting requests for 'gig' or 'on-demand' workers to fulfil.

Yet, there are drawbacks to this innovation for consumers, especially in relation to the quality of products or services; in order to be hyper-affordable these are not necessarily on a par with established and leading competitors. In the sharing

economy, this goes beyond quality at a superficial level to encompass safety and security. While ratings and reviews are tools that platforms have introduced to reassure consumers, these are not foolproof; accidental fatalities have occurred in the absence of more rigorous mechanisms. There is no easy fix in sight given that platform providers do not want to be viewed as employers, and thus continually reinforce this by distancing themselves from the responsibilities that traditional businesses would take on in order to protect their workers or consumers.

In discussing his father's death (due to a faulty tree swing in the backyard of a home being shared), Zak Stone quoted the lawyer Jim Rosenfeld to explain how vouching for the safety of a property is not something that Airbnb and other platforms like it are necessarily prepared to do. Rosenfeld explains: "What [sharing economy start-ups] need to be in order to minimise liability is as passive a platform as possible… The more they themselves are providing content and providing services the greater their risk of exposure. The more they're like a bulletin board or an old-fashioned matchmaking service the better off they are."[91] This in turn places the burden of risk on consumers (especially as those who share, gig workers included, increasingly have options to protect their homes or cars, for example).

Agency over personal data is also an issue for users of these platforms. As more people participate in networks of sharing, and thus in scaling platforms, more data (possibly of a privacy-sensitive nature) is being generated for a small number of providers. Ownership over data is often the invisible price we pay when using these platforms.

However, some of those concerned about our data being concentrated among a few giants are experimenting with ways of supporting users to gain agency over their data. Third-party platform Traity, for example, allows more control over reputational data or capital based on ratings and reviews by enabling users to create 'reputation passports'. These passports can be used to move between multiple sharing platforms rather than locking users into the ones where they already have established a good name. This is more complicated for those who have poor ratings for various reasons, which we get into in the section on communities below, and particularly for those whose ratings determine the extent to which they can participate with ease in the sharing economy as workers. In any case, the key to personal agency should not be contingent on whether we are comfortable with exploiting our own data for greater gains.

91.   Stone, S. (2015) 'Living and Dying on Airbnb'. *Medium*, 9 November, [online] Available at: https://medium.com/matter/living-and-dying-on-airbnb-6bff8d600c04#.gegky6jjg
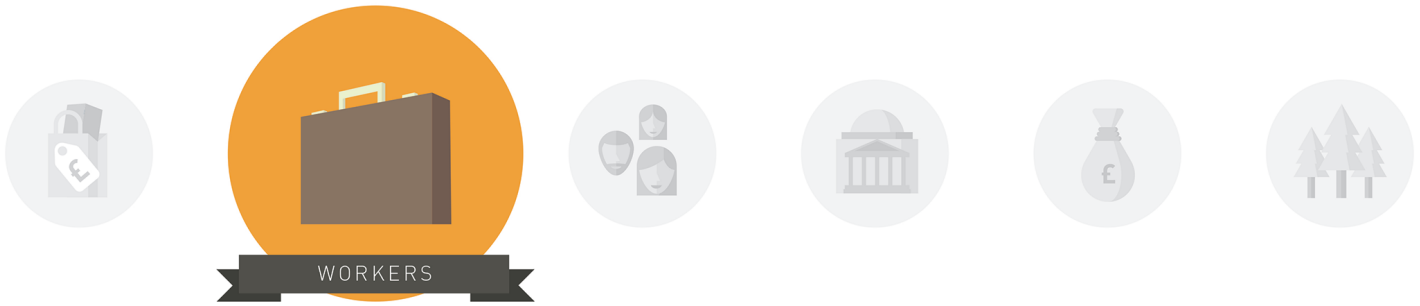
WORKERS

PROS	CONS
Gig workers face low barriers to entry, enjoy more freedom and flexibility, and have some power over technology to change the way they live and work.	Barriers to entry are lower in the absence of regulation, which may be perceived as 'unfair competition' by workers in traditional industries. Some workers may feel they are being exploited and misclassified as independent workers. There are concerns about wages being driven down overall and a lack of development opportunities.

For workers

The barriers for entering the sharing economy are either high or low depending on what you intend to share. The sharing economy allows us to monetise everything we own – our luxury handbags, our power tools, our cars, our homes, and so forth. The obvious point here is that we must first own assets to monetise if we are looking to share for a fee. For example, the barriers to entry to be an Airbnb host are not just high, but insurmountable for many.

The barriers to sharing skills are much lower than sharing assets. Makers selling craft products on Etsy face no additional barriers to those who are traditional skilled craft workers, and face lower barriers to entrepreneurship than they would in the offline economy. In other circumstances, the skills required are also lower than they would to be to gain employment with a traditional competitor. For instance, in London cab drivers must complete a four-year qualification to take 'The Knowledge' test, demonstrating that they intimately know their way around the city's streets; however, with the advent of GPS this test becomes less important, so there is little competitive edge in navigation over Uber drivers who have not taken the test.

Barriers to entry are in part lower because of an absence of regulation. Traditional industries argue that these newer platform businesses are not following the same rules they are subjected to, and thus that the playing field is not equal. These rules, for example, may relate to ensuring the health and safety of their workers and customers. This has knock-on consequences for workers in these industries who feel that their counterparts in newer platform businesses are cheating standards and in doing so hurting their ability to make a living.

While risk may be better mitigated by the platforms themselves, some mediation may still be needed between consumers and workers. Price points may be satisfying consumers, but that alone is not reason enough to take an entirely hands-off approach to regulating. There are concerns from cab drivers that wages are being driven down overall by their competitors working for Uber. In Toronto, some cab drivers have taken extreme measures, attempting to stage a hunger strike to convey the desperation of the situation they now find themselves in, as they are struggling

to feed their families at a time of income volatility.

For gig workers picking up low-skilled jobs, there are questions about whether they feel exploited; while some may place a premium on new freedoms and flexibility, we know from the filing of lawsuits that certainly some gig workers believe they are deserving of more compensation from platforms for their efforts. In an interview for *New York* magazine, Josh Felser, a venture investor at Freestyle Capital, hypothesises that the contentment of gig workers can be understood based on which category they fall into. He breaks this down as follows: "There's the control-your-hours contractor. That group seems to be very happy with where things are. There's the fulltime employee. And then there's the middle group – where they're acting like fulltime employees and being paid like contractors. That group is disenfranchised."[92] If Felser is correct, more thought needs to be given to ways we can support fulltime gig workers for platforms without penalising businesses to a point where they must close down as avenues for those looking to supplement their core incomes.

While the solution may not be to classify these platforms as employers, another reason to explore a third way is because in the absence of assigning any legal responsibility to platforms (and in their active desire to shy away from it) there are no training and development opportunities for gig workers.[93] If we want a highly productive, high-growth economy, gig workers cannot stagnate in low-wage, insecure employment; while they may already be able to move laterally and try out different forms of work or learn new sets of skills they must be able to move up as well.

TRADE-OFFS OF THE SHARING ECONOMY
OPPORTUNITIES AND CHALLENGES FROM A RANGE OF PERSPECTIVES

COMMUNITIES

PROS	CONS
Peer-to-peer transactions signify greater trust between neighbours and strangers, as well as allow for the development of a new kind of social capital (reputation capital).	Ratings and reviews are subjective, so there is a risk social injustices (ie discrimination) perpetuated offline may be reproduced online. Poor ratings may adversely impact our wellbeing or livelihood. As platforms scale, transactions can feel more commercial and sharing activities may aggravate tensions in communities (ie over housing, space).

92.   Roose, K. (2014) 'Does Silicon Valley Have a Contract-Worker Problem?'. *New York magazine*, 18 September, [online] Available at: http://nymag.com/daily/intelligencer/2014/09/silicon-valleys-contract-worker-problem.html

93.   To offer this sort of benefit platform providers would risk being seen as akin to employers; to avoid the legal and financial ramifications of this label they thus abstain from intervening in the career progression of their users.

For communities

The forging of greater trust between strangers has long been trumpeted as an achievement in the sharing economy. Trust is hailed as a cornerstone of transactions, technology being the other; the evolution of trust is thus as important to making peer-to-peer exchange at this magnitude possible.

In a recent talk, Botsman expressed interest in the question of "how value is trusted", or in other words, "how is the way that we make decisions about which products and services to use fundamentally changing [through new mechanisms for facilitating trust]?"[94] In the traditional model customers go online to review companies (for example, hotels on Trip Advisor), but in the sharing economy the rating system goes two ways, allowing the provider to in turn review the consumer. This system can change our behaviour, nudging us to be better to one another in the process as the companies are now our peers. The trust that we build up comprises what Botsman has termed 'reputation capital'; almost a currency of sorts, but more akin to a credit rating, either enabling or inhibiting transactions based on the scores of individuals. Increasingly, 'reputation capital' is becoming portable, used to facilitate transactions outside of the specific online platforms where they were first built.

However, there are a number of potential issues here, both online and offline. The first relates to the possibility of reputation capital being prohibitive to getting what you want or need.

There is a difference between trust and honesty. When we have two-way systems, a high rating is not necessarily indicative of whether you can trust someone; rather, it might reflect our fear of being restricted in our usage of sharing platforms. Those feeling apprehensive about this may tend to give out scores higher than deserved in the hopes of a favourable rating in return; or, they may abstain from the review process altogether to avoid the risk of retaliation.

Ratings and reviews can be also be problematic when livelihoods suddenly depend on it. If scored unfairly by even a handful of consumers, that can be enough to diminish a worker's appeal on platforms or warrant dismissal from the provider. In traditional workplaces, there can be an investigation or mediation before a dismissal is ruled on, but there is not always this level of care on platforms. Moreover, when we are scored poorly under subjective criteria, how does this affect our wellbeing?

In another example of how the subjectivity of the system can have material (and possibly emotional) consequences for some, Benjamin Edelman and Michael Luca, two Harvard Business School professors, found evidence of racial discrimination against black hosts on Airbnb. Their first study, based on 3,500 listings in New York City, showed that non-black hosts earned 12 percent more than black hosts for the equivalent rental.[95] Additionally, black hosts are subjected to greater price penalties than non-black hosts for having a poor location score. In a second study by the pair and Dan Svirsky in 2015, it was revealed that requests from guests with distinctively African-American names are roughly 16 percent less likely to be accepted than identical guests with distinctively white names.[96]

94. Botsman, R. 'The Collaborative Economy'. Adobe Digital Marketing Symposium [video], 27:36, 20 September. Available at: https://www.youtube.com/watch?v=zTd-P8MoSjA

95. Edelman, B. and Luca, M. (2014) 'Digital Discrimination: The Case of Airbnb.com'. *Harvard Business School* working paper 14-054, 10 January , [online] Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2377353

96. Edelman, B., Luca,M. and Svirsky, D. (2015) 'Racial Discrimination in the Sharing Economy: Evidence from a Field Experiment'. *Harvard Business School*, 9 December, [online] Available at: http://www.benedelman.org/publications/airbnb-guest-discrimination-2015-12-09.pdf

Another recent study, this time from Harvard students, reveals that Asian hosts on average earn $90 less (or 20 percent less) per week than white hosts for similar one-bedroom rentals in Oakland and Berkeley, California.[97] In this study, the differential actually increases with the number of bedrooms and costs associated with upgrades.
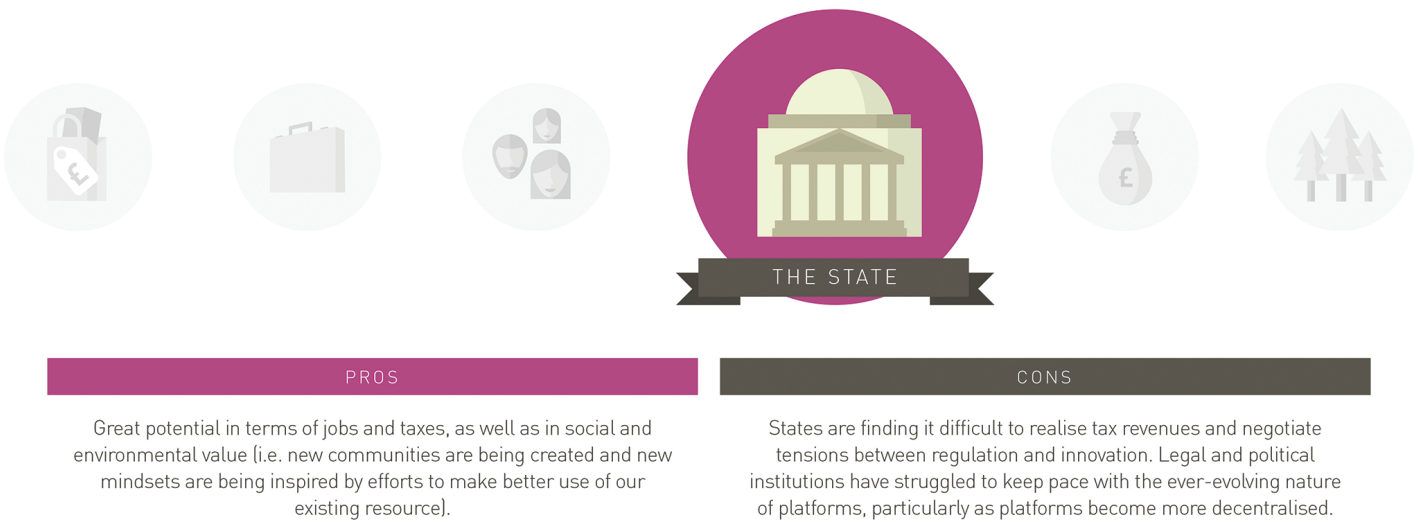
Airbnb has previously contested Edelman and Luca's findings (although they are now in talks with the two about addressing discrimination),[98] but the overall point that the authors are making is that there can be "important unintended consequence[s] of a seemingly-routine mechanism for building trust".[99] There is a risk that social injustices perpetuated offline will be reproduced in online communities. After all, technology is not neutral; it is built and operated by people and therefore can be compromised by human biases.

As platforms scale, transactions can also begin to feel more commercial again as the community expands to include some who do not share in the original ethos. It can be difficult to nurture the social at scale, especially if that is not recognised by platform providers as an objective, but rather as an effect.

Moreover, there are concerns that online communities have real consequences for offline communities. As the lead up to the Proposition F ballot shows, some offline communities feel adversely impacted by sharing activities in their neighbourhoods. While these platforms may not be the cause of crises in communities, they may feel like an aggravator, especially if not enough is being done by traditional institutions to address the real roots of anxiety.

TRADE-OFFS OF THE SHARING ECONOMY
OPPORTUNITIES AND CHALLENGES FROM A RANGE OF PERSPECTIVES

THE STATE

PROS	CONS
Great potential in terms of jobs and taxes, as well as in social and environmental value (i.e. new communities are being created and new mindsets are being inspired by efforts to make better use of our existing resource).	States are finding it difficult to realise tax revenues and negotiate tensions between regulation and innovation. Legal and political institutions have struggled to keep pace with the ever-evolving nature of platforms, particularly as platforms become more decentralised.

97. Wang, D., Xi, S. and Gilheany, J. (2015) 'The Model Minority? Not on Airbnb.com: A Hedonic Pricing Model to Quantify Racial Bias against Asian Americans'. *Technology Science*, 1 September, [online] Available at: http://techscience.org/downloadpdf.php?paper=2015090104

98. Sifferlin, A. (2014) 'Harvard Study Suggests Racial Bias Among Some Airbnb Renters'. *Time*, 27 January, [online] Available at: http://time.com/2345/harvard-study-suggests-racial-bias-among-some-airbnb-renters/

99. Edelman, B. and Luca, M. (2014) op cit.

For the state

The sharing economy could be a boon for states in terms of jobs and taxes, but also in social and environmental value. There are new opportunities for workers and new revenues to draw from for the state's coffers; new communities are being created and new mindsets are being inspired by efforts to make better use of our existing resource.

Realising some of these benefits, such as more tax revenue, has been difficult, however, given that the economic activity is challenging to monitor and regulate. Taking the example of homesharing, governments have tried to strike a balance between encouraging this sort of activity and imposing limits. In the UK, legislation from the 1970s was reformed in March 2015 to allow residents to share their home for up to 90 days a year without permission or registration.[100] From April 2016, the Rent-a-Room allowance will be increased so that homeowners can earn £7,500 tax-free by renting out a room in their property; currently, this is set at a limit of £4,250.[101] However, without the cooperation of platforms it will be nearly impossible to discern whether someone is renting their room or property out for 89 days or 91 days. If he or she has multiple homes listed, it will be complicated to track his or her levels of income. In some cases, there is another paid intermediary involved who manages the renting of properties on behalf of homeowners, so even with the cooperation of platforms it may not be feasible to get an accurate reading of a host's income.

Tax agents such as HMRC in the UK and the Internal Revenue Service (IRS) in the US have little at their disposal to hold traders or workers on sharing platforms to account for repayment. Arguably, this is no different from their relationship with the self-employed (specifically freelancers rather than small business owners), but in part the issue with the sharing economy is that many users may not self-identify as an independent contractor or understand their tax obligations in this system, particularly if they are using these services to supplement their main income. In the early years of sharing economy growth, there may be more work required to educate users about the responsibilities that come with participating on these platforms. This is an especially dire need if transactions on sharing platforms are replacing those of a traditional nature (such as hotel bookings or taxi rides) since this implies there is actually a net loss of tax revenue.

In addition to taxes, governments oversee the protection of consumers and workers in markets. In the sharing economy, however, platforms have argued against being subjected to the same rules and regulations as traditional industries on the grounds that demanding the same level of scrutiny or obligation would drive many of them out of business. The sort of asset-light, people-light business models that platforms assume keep their costs very low; this in turn translates into savings for customers, or from the perspective of traditional businesses allows platforms to undercut them.

While it may seem unjust that sharing platforms can circumvent regulations that traditional business must adhere to, these platforms defend limited government intervention on the basis of self-regulating mechanisms that they have introduced to address concerns about safety and security. Although there are still some issues with these systems as discussed above, they represent a new frontier for businesses in terms of finding a new way to meet standards (of safety) that governments would

100. Robinson, P. (2015) 'Queen Signs Home Sharing into UK Law'. *Airbnb*, 25 March 25, [online] Available at: http://publicpolicy.airbnb.com/queen-signs-home-sharing-uk-law/

101. Robinson, P. (2015) 'K Hosts to Benefit from Government Tax Relief'. *Airbnb*, 8 July, [online] Available at: http://publicpolicy.airbnb.com/category/policy-news/

typically try to account for (ie through monitoring or inspection bodies). The market itself is innovating so that the role of government becomes redundant in certain processes.

This level of innovation extends to support systems for workers that governments or traditional employers have thus far been expected to provide. In the US, where there is a less robust welfare state, third-party platforms and insurers have emerged to offer benefits and coverage for gig workers. The workers themselves do not bear the full brunt of this shift; a model is being trialled where sharing economy businesses contribute to a pot that can be accessed by workers in times of need.

Others have called on the state to rethink the ways in which welfare is distributed. For example, Berkeley University professor Robert Reich has proposed a move towards offering income insurance rather than unemployment insurance.[102] He explains that if a gig worker's monthly income dips below 50 percent of the average income he or she has received from all the jobs taken over the preceding five years, income insurance would entitle the person to be in automatic receipt of half the difference in income for up to a year.

In the UK, the RSA is making practical recommendations for introducing Basic Income, a system of support that would be universal, independent of labour-market status, and financed out of general taxation.[103] Vinay Gupta, a global resilience guru, recently remarked during an RSA event on makers that Basic Income will redistribute money, but not power. He warned that it would therefore not re-enfranchise us inside a democracy. Gupta's words are a reminder that we will need to go further than introducing basic income to redress power imbalances arising from wealth and income inequality, but, that said, basic income would be a buffer against the volatility of the labour market as technology advances. More importantly, it would provide a foundation for people to go beyond gig work (ie take on creative pursuits, care for loved ones).

The state will continue to have an important role, but it is clear it must adapt to the changes occurring in the social and economic landscape. Third-party support frees up more government resources to spend on other essentials, such as a new system of welfare, house building, and/or assistance for traditional businesses interested in transitioning to sharing models. The speed at which sharing platforms are innovating, particularly as we move into the era of 'co-operative sharing platforms' that operate in a decentralised manner (a few of which are originating on the Darknet), means that it will be increasingly difficult for the state to go about business as usual. They will not have the option of simply shutting down platform providers – others will simply pop up to take their place – or regulating in the same way that they have for decades.

102.   Reich, R.B. (2015) 'Why the Sharing Economy is Harming Workers – And What Must Be Done'. YouTube [video], 2:37, posted by Inequality Media, 27 November, Available at: https://www.youtube.com/watch?v=v_Snob8-6xM

103.   Painter, A. and Thoung, C. (2015) *Creative citizen, creative state: The principled and pragmatic case for a Universal Basic Income*. London: RSA.

THE ECONOMY
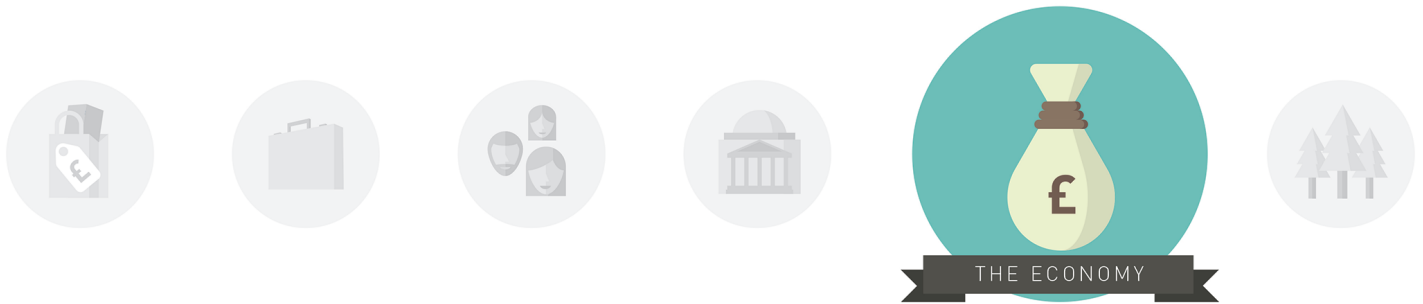
PROS	CONS
Global revenues of the sharing economy are expected to soar over the next decade. There is enormous potential for new business models to emerge, in both traditional industries and in the sharing economy.	Resistance from traditional industries is impeding the growth of the new. Revenues are not being distributed fairly; thus, the sharing economy may be feeding economic inequalities and concentrating power.

For the economy

Based on their own estimates, PwC predicts that global revenues of the sharing economy could go from £9bn [in 2014] to £230bn by 2025.[104] By 2025 the sharing economy will also have achieved parity with traditional industry in sectors such as holiday accommodation and ridesharing or car rental.[105] The least developed sectors, such as P2P finance or crowdfunding and online staffing, could grow quickest of all, by 63 percent and 37 percent respectively according to PwC's 2025 projections.

There is enormous potential here for more new business models to emerge. While there will undoubtedly be more online platforms for sharing resources in new, more efficient ways, some corporates will adapt features of these platforms. Consumers and workers will also conceive of ways in which they might reap more value through building co-operative platforms that redistribute profit differently.

While there is clearly an impetus for change, traditional industries, finance and banking included, are not yet on the brink of collapse. There is thus resistance to reform the old and there are impediments to developing the new. During this transitionary period, there may be shocks to the economy as businesses attempt to adjust and workers as well as shareholders are left vulnerable in the process.

The backdrop to all of this is growing inequality, which means that in the sharing economy some only consume while others only share. Ideally, those who share also consume and vice versa, particularly as the sector grows through max-imising both supply and demand in tandem. In situations where exchange is not of a reciprocal nature there is concern that wider wealth and power imbalances are being reinforced between consumers and workers.

In 2014, *New York* magazine published an article from Kevin Roose who felt unsettled by the revelation that the cleaner he hired through Homejoy (the now

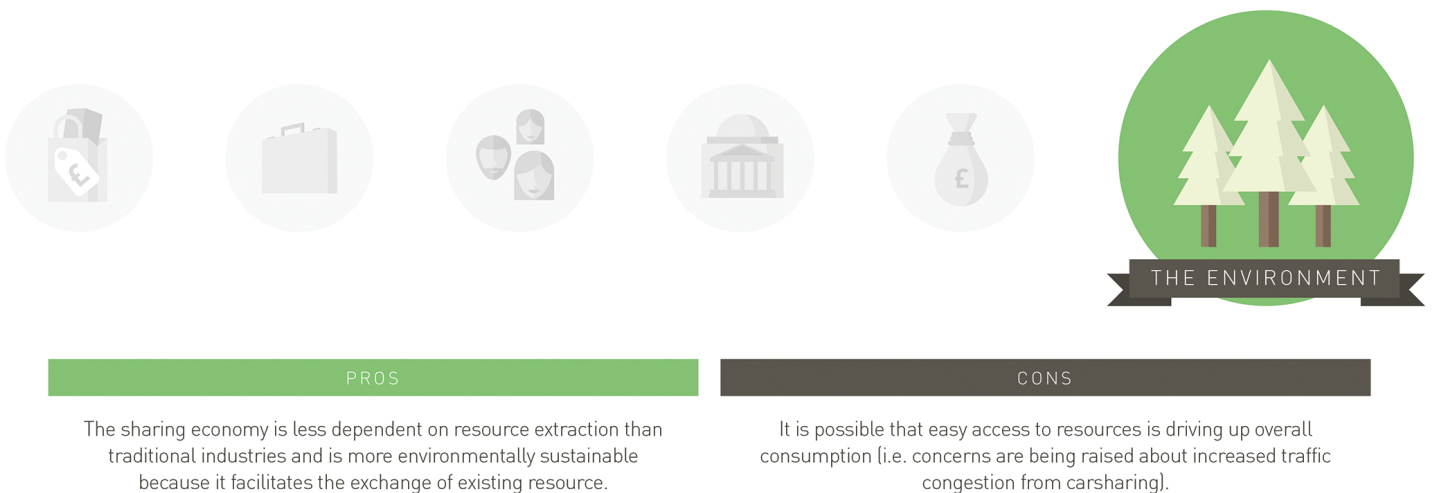104. Hawksworth, J. and Vaughan, R. (2015) op cit.
105. Ibid.

defunct home-cleaning platform) was living in a shelter for the homeless.[106] Roose's article sparked a wider debate about whether gig or on-demand work through sharing platforms is deepening inequality between the 'haves' and the 'have-nots'. *The Economist* observes that "bright, young people promising venture capitalists that they can be the 'Uber of X' have since brought to life a plethora of on-demand companies that put time-starved urban professionals in timely contact with job-starved workers, creating a sometimes distasteful caricature of technology-driven social disparity in the process".[107] On Medium, academic Zeynep Tufekci asserted that these sorts of platforms represented the "calcification of the two-tiered system between the overworked who need and can afford the 'Uber for [X]' and the under-paid who are stuck in its 1099 economy for unstable, low wages".[108]

The deeper problem this relates to concerns the distribution of the revenues predicted by PwC. Transparency is needed about how much lines the pockets of those who oversee 'tech unicorns' in relation to the proportion shared with states globally in cities or countries of operation (ie through taxes), or moreover, with the users – particularly gig workers.

TRADE-OFFS OF THE SHARING ECONOMY
OPPORTUNITIES AND CHALLENGES FROM A RANGE OF PERSPECTIVES

THE ENVIRONMENT

PROS	CONS
The sharing economy is less dependent on resource extraction than traditional industries and is more environmentally sustainable because it facilitates the exchange of existing resource.	It is possible that easy access to resources is driving up overall consumption (i.e. concerns are being raised about increased traffic congestion from carsharing).

For the environment

To cope with a population of over 8 billion by 2025, it is of increasing importance that we make better use of our planet's finite resource.

The sharing economy tends to promote access to underused assets, which is a way of prolonging the lifecycle of products and materials while also undermining the need for private ownership. As we consume in a more communal fashion, the hope is that our individual carbon footprints can be reduced. Research from the University of California Berkeley, for example, has found that for each car shared

106. Roose, K. (2014) op cit.
107. *The Economist* (2014) op cit.
108. Tufekci, Z. (2014) 'The Trouble with the 'uber for…' Economy'. *Medium*, 20 October, [online] Available at: https://medium.com/message/the-trouble-with-the-uber-for-economy-d2a6fa1bd28f#.3bqwkhjrd

between nine and 13 cars are taken off the road.[109]

Sundarajan recently likened the idle capacity of cars being tapped into through platforms as akin to creating an equivalent of what a national train network would have been needed for in the past.[110] He noted that the BlaBlaCar (a long-distance ridesharing platform) network carries more people every day than Amtrak, a national railroad service operating across the US. The ridesharing platform may be both more economically and environmentally-friendly because it undermines the need for greater investment in concrete and steel – the infrastructure already exists to support the transport of more people. We might view this as another positive externality for governments given that they often spend billions of public resources developing and maintaining rail networks within countries.

There are uncertainties, though, about easy access (ie to cars) driving up overall consumption. More evidence from Berkeley suggests that consumption only increases in the first year and subsequently tails off as consumers become more open to exploring other carbon-light options (such as cycling and walking as opposed to carsharing).[111] This study dates back to 2009, however, so more recent research is needed as these platforms expand in cities globally. In London, for example, concerns have been raised about increased traffic congestion from carsharing and related consequences for air pollution and the health of passersby, such as cyclists.[112]

While we do need an economic system that is less dependent on extracting value from the earth, we should be realistic about the impact that the sharing economy will have in this regard. Changes in individual consumption are helpful, but are not a substitute for collective action, such as institutional divestment from fossil fuels.[113]

109.   Martin, E., Shaheen, S.A. and Lidicker, J. (2010) 'The Impact of Carsharing on Household Vehicle Holdings: Results from a North American Shared-use Vehicle Survey'. University of California Berkeley Transportation Sustainability Research Center, 1 March, [online] Available at: http://tsrc.berkeley.edu/vehicleholdings

110.   Sundarajan, S. (2015) 'Sharing Economy? From Crowd-based Capitalism to Blockchain Markets'. NYU Stern School of Business [video], 24:38, 11 November, Available at: https://www.youtube.com/watch?v=h8DuaG11juo

111.   Shaheen, S.A, Cohen, A.P., and Chung, M.S. (2009) 'North American Carsharing: 10-Year Retrospective', [online] Available at: http://tsrc.berkeley.edu/sites/default/files/North%20American%20 Carsharing%20-%20Shaheen.pdf

112.   Transport for London (2015) op cit.

113.   See the RSA's work on climate change, Rowson, J. (2015) *Money Talks: Divest Invest and the battle for climate realism* [online] Available at: https://www.thersa.org/discover/publications-and-articles/reports/money-talks---divest-invest-and-the-battle-for-climate-realism/

5. Concluding remarks

Evolution is rarely, if ever, a linear process.[114] The sharing economy may seem regressive at times (for example, right now, as it drives the trend towards on-demand and gig work in spite of the weak safety net for independent contractors), but it also signals progress in myriad ways.

If we were to analyse the direction of travel, co-operative models in the sharing economy are especially promising in terms of realising a more equitable future. However, we should also recognise that as these business models evolve we will adapt to them at different speeds, especially as we continue to experiment with what technology has made possible.

It is important to be realistic about the fact that these business models will likely co-exist for some time. While we cannot depend on traditional models for economic growth as environmental concerns loom, the smart phones we use to tap into our sharing networks are still products of mining the earth, mass-made in a factory. There is still a need for someone to construct or produce the assets we share or what we use to share our services with one another.

Similarly, sharing platforms, particularly as they are on the cusp of becoming mainstream, and the challenges they present, will need to be confronted rather than simply circumvented through the introduction of co-operative platforms. The former has paved the way for the latter, but is still dominant; moreover, there are issues with both (for example, tendencies to trend towards monopoly power, possible environmental repercussions). Above all, we should keep in mind that while users, both consumers and workers, of these platforms are more empowered than ever before and reap more of the value that they produce together, the ambition here should be wider than protecting their interests; participation should ultimately be encouraged based on whether these platforms are best for society.

This means that we should be taking a holistic approach to addressing issues in the sharing economy. While workers' rights are paramount as gig work in the sector becomes more prevalent, we should also be thinking about the effects on all workers, such as those in competing traditional businesses, and how we can support them in this transition. We should carefully work through the impact of sharing platforms on consumers, communities, the state, the economy, and the environment as a precursor to figuring out how we as policymakers, designers, investors, entrepreneurs, or legal professionals for example, might make a difference.

We are at a crucial juncture in terms of influencing the future of sharing platforms, whether co-operative and decentralised or otherwise. This primer introduces a new frame for understanding the growth of the sharing economy thus far, so that we can see more clearly that there are more than two options for regulating the sharing economy, and that the current approaches are outmoded and no longer fit for purpose. Particularly as climate and demographic changes fundamentally alter the world we live in, there will be a stronger social and environmental imperative to

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114. Lucy the Australopithecus, the oldest hominoid ever discovered, upset the order in the 'March of Progress' and thus our theory that evolution is linear.

regulate differently than might be warranted if the only stake we had in the ground was economic.

The RSA's planned research into the sharing economy will be an exploration of how we can build a mass movement that supports the shift towards a fairer sharing economy for us, one that shares both value and power with its users and society.

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