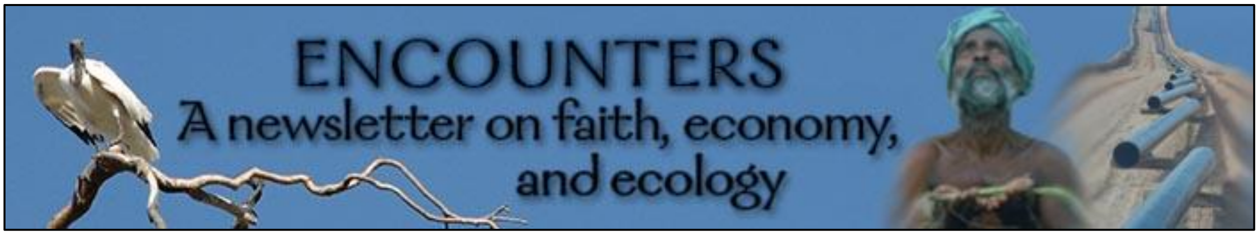

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Major changes are happening in the global economy, especially within the more industrialized countries, that have the potential to undermine the power of mammoth corporations and create a more egalitarian and sustainable society. New technologies allow people to share their belongings with others (the sharing economy), build new things without needing massive infrastructures (distributed production), finance initiatives without the use of banks (peer-to-peer financing) and to develop new technologies and share them without restrictive patent systems (open source and knowledge movements).

Collectively, these different advances have been termed the collaborative economy. While these initiatives hold the potential for a more sustainable and equitable economy, it will depend on how they are constructed, as some parts of the collaborative economy already look frustratingly similar to the current exploitative economy.

This edition of Encounters focuses on the larger, more visible, part of the collaborative economy referred to by most as the "sharing" economy, also called the "Mesh" economy and "gig" economy. As described by Meshing.it, a website that catalogs more than 9,300 sharing companies in 131 countries, "a Mesh company uses modern technology and social networks to provide people with goods and services without the burden or expense of owning them outright."

The phenomenon has the potential to dramatically reduce people's ecological footprints while maintaining their lifestyles. The sharing economy takes advantage of the fact that most cars, appliances and tools sit unused for most of their lives. A Stanford University report estimated that the average car sits unused 92 percent of the time. By sharing, or, more precisely, renting these items, owners can earn money off of their idle assets while others gain access to the asset without needing to buy or care for it. The report estimates that "the average shared car replaces 9-13 other cars, and that drivers who switch from driving their own car to driving a shared car reduce both vehicle miles traveled and greenhouse gas emissions by more than 40 percent."

Janelle Orsi, director of the national nonprofit Sustainable Economies Law Center and author of *Practicing Law in the Sharing Economy*, describes the sharing economy this way, "In my mind, it encompasses a broad range of activities, including worker cooperatives, neighborhood car-sharing programs, housing cooperatives, community gardens, food cooperatives, and renewable energy cooperatives. These activities are tied together by a common means (harnessing the existing resources of a community) and a common end (growing the wealth of that community). The sharing economy is the response to the legacy economy where we tend to be reliant on resources from outside of our communities, and where the work we do and the purchases we make mostly generate wealth for people outside of our communities. The rich are still getting richer, and the sharing economy can reverse that."

Yet, while local small-scale initiatives like tool sharing, time banking and community land trusts can increase sustainability and equity among participants, many are beginning to question whether the larger sharing economy is the improvement described by advocates. The sharing companies with the most financial success – from Airbnb, which connects people with extra room in their homes to people needing that space, to Lyft and Über, which connect those with cars with those without – appear to be heading in the opposite direction with workers losing rights and privileges, and money increasingly leaving communities to enrich speculative investors.

As Arthur de Grave writing on Ouishare, a website focused on the collaborative economy, explains, "Two main groups of criticism have emerged: one on ownership structures and the other on employment." Other concerns around questions of insurance, regulations and tax avoidance also hound the sharing economy.

The importance of ownership

In terms of ownership, there is concern that most of the larger sharing companies are privately held, profit-oriented corporations financed by Silicon Valley venture capitalists looking not to create a new economy, but to reap the largest profits possible. As Marjorie Kelly, senior fellow and director of special projects with the Democracy Collaborative, said in an interesting presentation on her book, *The Emerging Ownership Revolution*, "Ownership is the original system condition. Ownership is how wealth is created, and it determines who gets that wealth; it determines who controls the economy."

Janelle Orsi states, "You can't truly remedy today's economic problems by using the same business structures that created the economic problems. Because of their current ownership structure, Airbnb, Lyft, Über, and TaskRabbit could be bought out by ever larger and more centralized companies that won't necessarily care about the well-being of people using the services, or about the overall abundance of jobs in our economy." She and many others see "only one way to ensure that a company will make decisions in the interests of the people it serves: Put those people in control of the company." She suggests that "[i]f Lyft were a user-owned cooperative, it would be more apparent that Lyft operates simply to provide technology and payment processing to the users, and it will look less like drivers are working for and generating profits for Lyft."

"Are Silicon Valley venture capitalists currently being fooled into creating the embryo of a peer-to-peer (P2P) economic paradigm, in which they will lose most of their influence? Or are the enthusiasts talking about empowerment being tricked into creating a new kind of serfdom?" asks technology writer Jon Evans.

Legal questions around the sharing economy

The sharing economy brings with it a host of legal questions related to taxation, public safety, insurance and more. As Janelle Orsi puts it, "[F]or now, the sharing economy exists almost entirely in legal grey areas… Everything happening in the sharing economy lands somewhere on a spectrum between what is regulated and what is not."

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Economist Dean Baker describes some of the problems related to Airbnb's business model in that cities lose tax revenue since participants are not paying hotel room taxes. "Airbnb can also raise issues of safety for its customers and nuisance for hosts' neighbors. Hotels are regularly inspected to ensure that they are not firetraps and that they don't pose other risks for visitors. Airbnb hosts face no such inspections – and their neighbors in condo, co-ops or apartment buildings may think they have the right not to be living next door to a hotel (which is one reason that cities have zoning restrictions)… Insofar as Airbnb is allowing people to evade taxes and regulations, the company is not a net plus to the economy and society – it is simply facilitating a bunch of rip-offs."

Joe Mathews expressed his concern that the sharing economy "is likely to produce more fights than profits," and will likely leave state and city governments "embroiled for years in political, legal, commercial and environmental battles related to sharing." He gives examples: "Who's responsible if your dog bites my kid while in my care? What kind of car insurance, training and licensing do you need to shuttle me safely? What, if anything, do we owe to the kennel workers and cabbies who lose work? And who decides how we govern all of this? … There are so many potential conflicts—along professional, political, commercial, geographic, generational and gender lines—posed by sharing that I couldn't list them here." And there are already a growing number of lawsuits and regulation battles related to the sharing economy in cities around the world.

The situation of workers in the sharing economy

A major area of concern is the situation of workers in the sharing economy. Many writers have comments similar to The Economist's that it "is surely no coincidence that many peer-to-peer rental firms were founded between 2008 and 2010, in the aftermath of the global financial crisis." As Leo Mirani points out in Quartz.com, "There are only two requirements for an on-demand service economy to work, and neither is an iPhone. First, the market being addressed needs to be big enough to scale—food, laundry, taxi rides. Without that, it's just a concierge service for the rich rather than a disruptive paradigm shift, as a venture capitalist might say. Second, and perhaps more importantly, there needs to be a large enough labor class willing to work at wages that customers consider affordable and that the middlemen consider worthwhile for their profit margins."

While many provide services through these platforms as a way to supplement their income from other traditional jobs, as these types of jobs become scarcer, an increasing number of people rely on their participation in sharing platforms as their main or sole source of income. In the U.S. we see the unemployment rate falling not only because of more jobs being available, but also due to an increasing number of people opting out of the traditional jobs market and becoming independent contractors in the gig economy.

In an interesting article in the *Washington Post*, Catherine Rampell places the sharing economy within the larger history of how, over the last 40 years, corporations have shifted risk on to their workers. "The risks involve everything from income instability (the worker, rather than the firm, has to absorb the brunt of demand shocks or price cuts); to irreversible capital investments (Über and Lyft have infamously pushed drivers to buy new cars by promising big returns that never materialized); to unforeseen criminal liabilities (what happens if an Airbnb guest turns your home into a brothel?); to fewer protections in the event of catastrophe (no access to programs such as workers' comp)." This process is further detailed in Jacob Hacker's classic book, *The Great Risk Shift: The new economic insecurity and the decline of the American dream*.

As labor researcher and attorney Veena Dubal explained at a recent conference on the sharing economy, "Since the 1970s, forces have aligned to create work that is more precarious. 'Rideshare' companies contribute to that culture of precarious work, putting workers back in early 20th century conditions. They've made it really easy to get a ride – at the cost of workers' lives… It's the great risk shift." This is because the service providers in these sharing economy exchanges are not considered to be employees and receive none of the perks associated with employment like paid sick days, health care and Social Security. Natasha Singer in the *New York Times* has an interesting exposé about the precariousness of being a service provider for a variety of sharing platforms.

Jon Evans reports that in the UK, "[t]he median hourly earnings for the self-employed are £5.58, less than half the £11.21 earned by employees," continuing: "The slow transformation of a huge swathe of the economy from steady jobs to an ever-shifting maelstrom of short-term contracts with few-to-no benefits, for which an ever-larger pool of people will compete thanks to ever-lower barriers to entry, in a sector where most jobs are *already* poorly paid…does this sound to you like it will decrease inequality and increase social mobility?"

"What we are witnessing with the collaborative economy is a **shift from jobs towards unpaid labor from a crowd of volunteers**. Take open-source softwares or Wikipedia for instance, and imagine this for the whole economy. Long story short, this is not about less work, but about having fewer paid positions," writes Stanislaus Jordon in Ouishare. "Is that a disaster though?" he asks, responding, "It is, if we don't redefine what 'job' and 'work' means, and how they relate to income. However, if we seriously consider the radical alternatives, this could be a great step for society."

He then explains why a guaranteed basic income would be crucial in granting workers more security while participating in the less structured or regulated collaborative economy. "[S]ince a basic income would partly separate income from jobs, it would put the social utility of employment into question. Is employment the only (and best) way to produce wealth? It seems to me that the financial crisis just demonstrated the opposite: stratospheric wages of traders and bankers only help fuel the mass destruction of our economies instead of building sustainable growth."

These are crucial questions to consider as the sharing economy grows and replaces parts of the traditional economy. We need to create structures and regulations that help the sharing economy be a positive change instead of simply deepening the economic crisis and increasing worker-assumed risk.

How to make the sharing economy most beneficial

As the sharing economy grows it will have serious effects in reducing economic growth. By sharing goods, people will need to purchase less, which is a positive change in that it will result in less environmental destruction. Yet it will also result in fewer jobs in a variety of sectors of the economy. In addition, governments will struggle as studies show that many sharing transactions take place without paying any taxes. As Eliad Schmuel writes in his article, *Does the Sharing Economy Reproduce Inequality?* "Hotel[s] pay tax[es] that benefits the state and in most jurisdictions the sharing economy options do not. That's become a big deal in New York, San Francisco and states heavily reliant on tourist revenues such as Montana." In order to accentuate the positive aspects of these changes while avoiding the negative consequences, it is essential to create sharing companies that allow for the participation of all participants in decision-making.

As Susie Cagel writes in an illustrated description of a recent sharing economy conference, "In its full scope, including barter and gift transactions and nonprofit collectives and cooperatives, the sharing economy is decidedly not all bad. Enabling peer-to-peer commercial interactions *can* save us time and money; it can lessen our impact on the planet. [Yet] it can also replicate old social and economic patterns and further degrade worker and consumer protections." In order to avoid the worst potential aspects of the sharing economy, ownership is the key question. By creating cooperatives or other structures in which participants (both service providers and users) are the owners and decision-makers, companies can help avoid the more exploitative aspects of the sharing economy.

Sharon Ede has an excellent article on the Postgrowth.org blog in which she talks about the importance of focusing not only on *transactional sharing*, that is "typically profit-driven, and more about the efficient operation of existing systems, resource efficiency and cost sharing," but on *transformational sharing*. While this "can have some or all the characteristics of transactional sharing (more efficient use of resources, spreading costs)… there is an additional, critical element – it involves a shift in power and social relations. This means who owns and controls the processes by which sharing occurs, who benefits, and whether it is strengthening the commons or resulting in the commodification of our lives. Integral to transformational sharing is that it builds social capital, strengthening relationships and resilience of communities through sharing and cooperation."

Janelle Orsi has an outstanding video, well worth watching, in which she further delineates the concept of transformational sharing; the fundamental aspects being shared control, shared responsibility for the common good, shared earnings, shared capitalization, shared information and shared efforts.

Shareable.net has a host of stories about sharing initiatives that strive for transformational sharing such as the rise of cabby-owned taxi cooperatives, a myriad of sharing initiatives taking place in economically challenged Detroit and the rise of multi-stakeholder cooperatives, in which workers, producers, consumers and others affected by a business are involved in that business' decision-making processes.

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Indeed, it is time to ask ourselves, as open economy blogger Simone Cicero writes in a fascinating exploration of how to best frame the sharing economy, "What's the right interpretation: is the *sharing economy* the first attempt to instill community perspectives in the traditional process of *venture capital* backed innovation? Or, on the contrary, is that an attempt of venture capital to monetize peer-to-peer and cooperative trends emerging from a pervasive Internet and a global cultural shift?" As Arthur de Grave reminds us, the debate is secondary and action is more important than words. It is up to us to help create a truly transformative sharing economy: "If you cannot predict something with a reasonable amount of certainty, stop arguing endlessly about it and start acting towards the outcome you would like to see."

Next Encounters

The next edition of Encounters will focus on other aspects of the collaborative economy that hold much promise such as distributed production, peer-to-peer financing and open source knowledge movements.