



*Ministero dello Sviluppo Economico*



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# THE SHARING ECONOMY: EFFECTS ON INNOVATION AND ECONOMIC DEVELOPMENT AND REGULATORY CHALLENGES AHEAD

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# SUMMARY

0. Premise: I will only talk about regulation
1. What is the "Sharing Economy"?
2. Case studies
3. Regulatory challenges
4. Conclusion

# 1.1. WHAT IS THE “SHARING ECONOMY”?

According to Wikipedia,

- “A sharing economy takes a variety of forms, often leveraging information technology to empower individuals, corporations, non-profits and government with information that enables distribution, sharing and reuse of excess capacity in goods and services... Collaborative consumption as a phenomenon is a class of economic arrangements in which participants share access to products or services, rather than having individual ownership”

While this is a common view of the so-called “sharing economy”, this is both **misleading and reductive**

# 1.2. IN SEARCH OF A BETTER NAME

The “Sharing Economy” is **not about sharing anything**

In order to better understand what it is and why it has a **disruptive potential**, a better definition is needed

Let’s start from a **quick survey** of case-studies...

- ...and then spot the similarities...
- ...in order to get to an “operational definition”...
- ...characterize the regulatory challenges.

## 2.1. CASE STUDIES TO DEFINE THE SHARING ECONOMY

“An inspired theoretician might do as well without such such empirical work, but my own feeling is that the inspiration is most likely to come through the stimulus provided by the patterns, puzzles and anomalies revealed by the systematic gathering of data, particularly when the prime need is to break our existing habits of thought”

- *Ronald Coase*

## 2.2. UBER AND LYFT

Uber and Lyft allow professional as well as non-professional drivers to meet the demand of people in need of urban mobility



## 2.3. BLABLACAR



BlaBlaCar allows non-professional drivers who have planned a trip from city A to city B to meet the demand from people who need to take the same ride

## 2.4. CAR2GO

Car2Go rents cars to users, who may drive them within the boundaries of a given urban areas



## 2.5. AIRBNB



Airbnb allows people who own unused houses to offer them for rent, for limited periods of time to people in need of a temporary accommodation

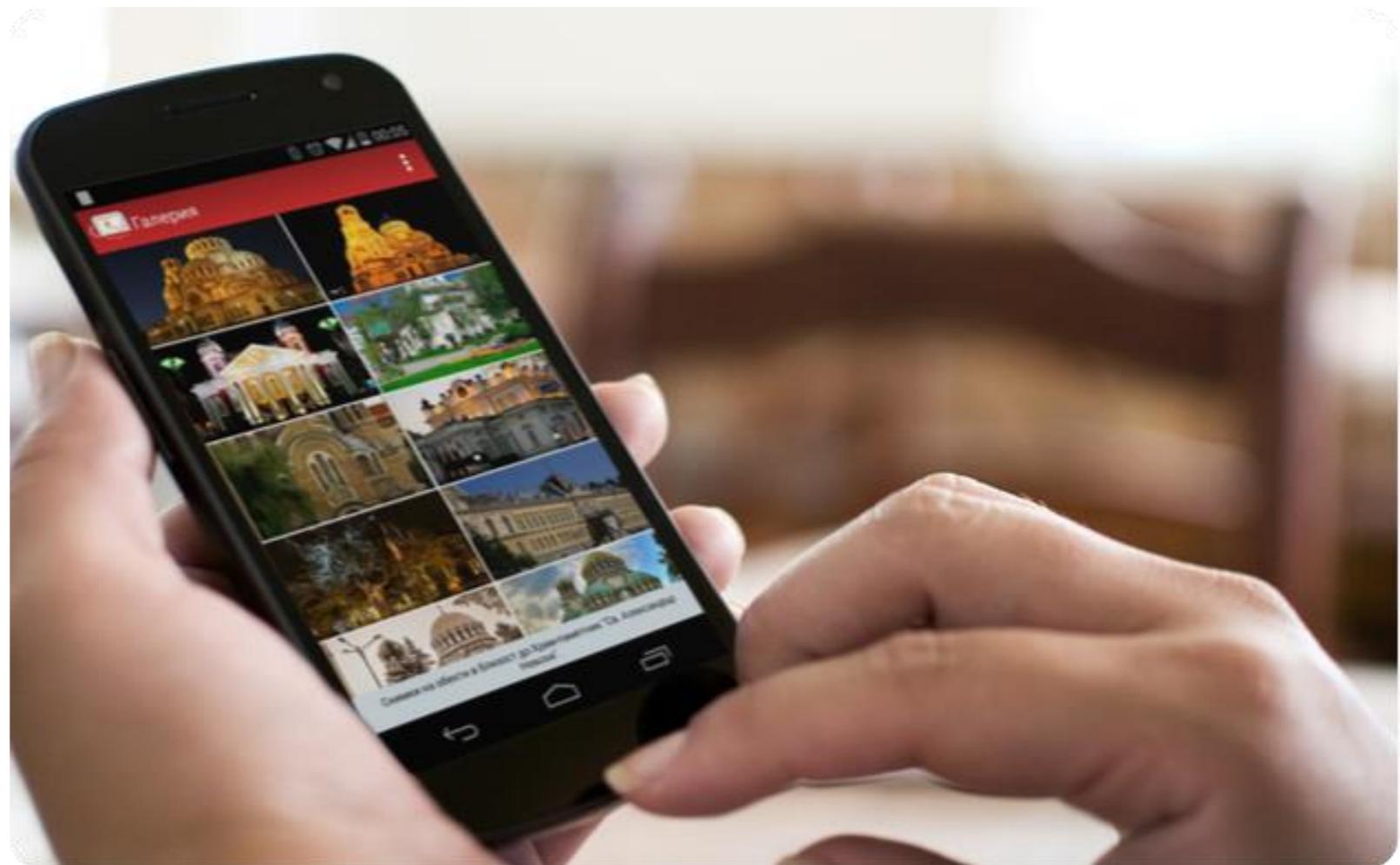
## 2.6. GNAMMO

Gnammo allows non-professional cooks to host dinner events in private locations, whereby people in search of a place to eat can join



## 2.7. ANY OTHER EXAMPLES?

Do you have specific firms providing similar services in Bulgaria?



## 2.8. MY OWN LIST (WORK IN PROGRESS)

### **Agriculture**

Garden sharing  
Seed swap

### **Finance**

Crowd funding  
Peer-to-peer  
lending  
Virtual currency

### **Real estate**

Coliving  
Co-housing  
Collaborative  
workspace

### **Coworking**

Home exchange  
Peer-to-peer  
property rental

### **Labor**

LETS  
Time banks

### **Property**

Bartering  
Book swapping  
Clothes swapping  
Fractional  
ownership

### **Freecycling**

Peer-to-peer  
renting

### **Transportation**

Bike sharing system  
Carpool/Ride  
sharing  
Carsharing  
Real-time  
ridesharing  
Share taxi  
Share parking space  
Transfer cars

## 3.1. SUMMING UP

All the surveyed case studies share common characteristics:

- They do not provide a specific service – they rather work as **intermediaries**
- Regardless to their for-profit or not-for-profit nature, they entail **people paying for a service they consume**, whereby the innovative firm charges a **fee on the intermediation**
- They allow a **(better) use of existing spare (productive) capacity**

## 3.2. SUMMING UP (IN MORE FORMAL TERMS)

They decrease transaction costs

They manage platforms (two-sided markets)

They challenge incumbents by introducing an unexpected kind of competition in (sometimes) closed or rigidly regulated markets

They capture existing demand as well as create new demand

They are regulatory unknowns

# 3.3. REGULATORY CHALLENGES

(Theory says) Regulation does

- Create the conditions for markets to properly work
- Raise barriers to entry

Regulation is predicated upon a **specific understanding** of the market

But what happens when the **boundaries** between different industries **vanish**?

- Uber/Lyft: Do they compete with taxis? Do they compete with public transport? Do they create new demand? In which combination?

## 3.4. REGULATION AND (DISRUPTIVE) INNOVATION

It is a mantra that “regulation should be **flexible**”

However, **regulation is almost never flexible**

Flexibility is easier applied with regard to “**sustaining innovation**” than “**disruptive innovation**”

By changing the boundaries between industries, **disruptive innovation also changes the boundaries between regulat-ion/ors**

- Does Uber fall under telecom regulation or transport regulation? Or both? Or neither?

# 3.5. IN SEARCH FOR A NEW REGULATORY PATTERN

Regulation is sometimes “needed” BUT

- Such “need” depends on old industrial organization, that does not necessarily last forever
- Periodical regulatory reviews are needed as well, to check whether the industry has changed to a point that once-needed regulation becomes obsolete
- Regulation tends to perpetuate itself by assuming that a) the regulator possess all the relevant information and b) consumers and market operators do not possess enough information
- Please note the gap: between enough and all there is... reality

# 5.1. CONCLUSION / 1

“Sharing economy” is a common, “sexy” name for something which is less sexy but much more fundamental:

- Two-sided markets that reduce transaction costs and create value by making efficient use of spare productive capacity

Uber, Lyft, BlaBlaCar, Airbnb, Gnammo, etc. are examples of how the same economic proposition underlies a wide array of disruptive innovations

Disruptive innovations open new markets and challenges existing regulatory frameworks

## 5.2. CONCLUSION / 2

As industrial organization and industrial structure change, **regulation should change** as well

Long-held truth may **no longer reflect reality**

- We need **periodical regulatory reviews** to check whether the theoretical foundations of regulation still hold
- We need to accept that the very **boundaries** of different industries **may vanish**

To capture all the benefits of disruptive innovation, **market forces need to be set free**

# 5.3. CONCLUSIVE LESSONS

Liberalize

Liberalize

Liberalize

# Thank You for Your attention



“Give anyone a lever long enough and they can change the world. It's unreliable levers that are the problem”

-Terry  
Pratchett

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