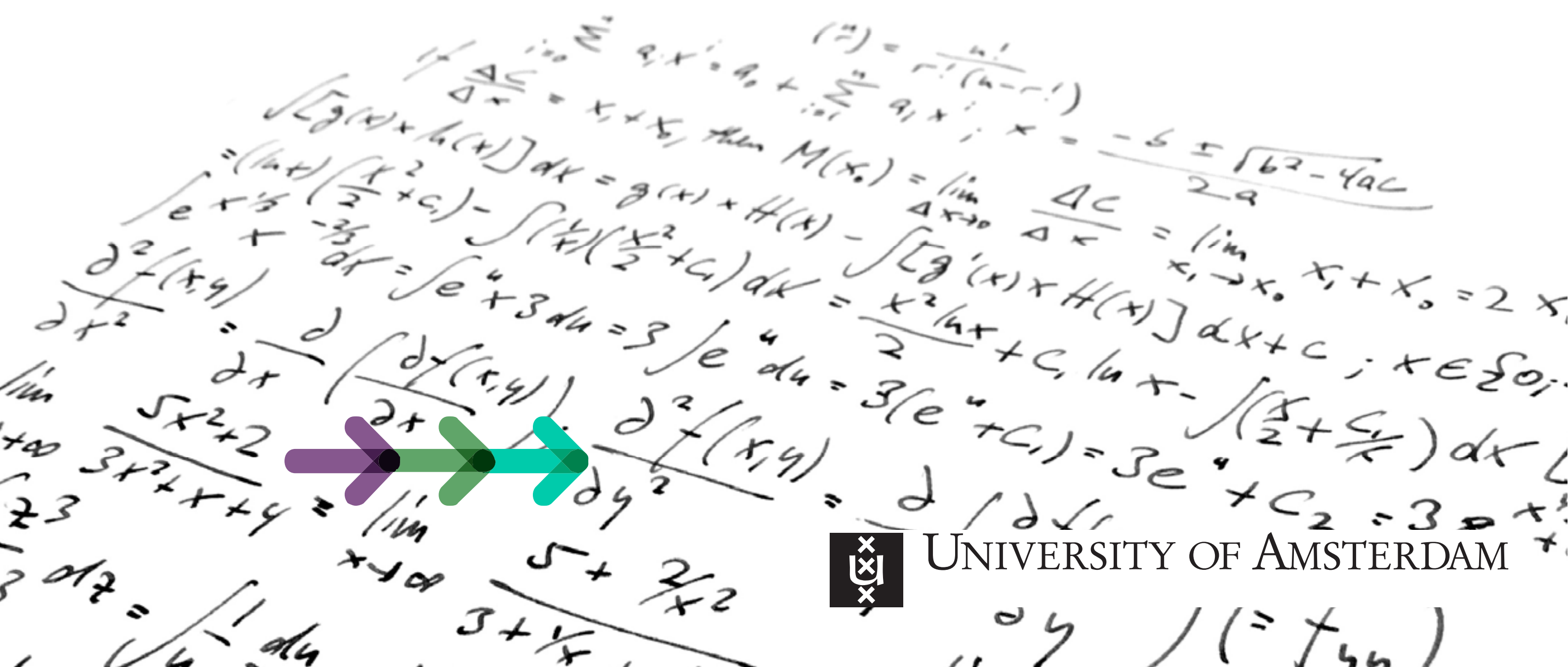
Fickle Formulas

The Unsharing Economy

Daniel Mügge

This blog post originally appeared on Follow the Money. The research behind it has received funding from the European Research Council (ERC) under the European Union's Horizon 2020 research and innovation programme (grant agreement no 637683).

14 August 2015



University of Amsterdam

What exactly is shared in the 'Uber economy'? Certainly not wealth, that ends up in the pockets of the Ubers and Airbnb's of this new world and those of owners, not with the service providers themselves, says political economist Daniel Mügge. 'Flexible outsourcing accentuates inequality, and inequality is a drag on growth'.

The year 2015 may be remembered as the year Airbnb became unstoppable. In previous summers, apartments in cities like Amsterdam would empty out, with locals fleeing to the beach or the countryside. Cat sitters were in high demand. Not so this year. Hardly a person who didn't post their flat on Airbnb. Other incarnations of the "sharing economy" have a harder time. Just a few weeks ago, the smell of burning rubber wafted through Paris. Irate taxi drivers had torched tires to protest against Uber, fearing for their jobs. Courtney Love got caught in the traffic mess and fumed on Twitter, but French President Hollande obliged and duly demanded a crackdown on private ride-hailing. Berlin continues to ban Uber altogether; Amsterdam is decidedly undecided.

Uber, or not to Uber?

The US and UK governments, in contrast, have cast their lot: they are in love with Airbnb et al. Last March Matthew Hancock, then UK Minister of State for Business and Enterprise, launched plans to make 'the UK the sharing economy's natural home'. He cited the usual benefits: getting extra mileage out of idle cars, extra use of empty homes, and extra gardening out of lawnmowers. So, which way should our societies go: to Uber, or not to Uber? The sharing economy is mostly painted as a battle between taxi drivers and private chauffeurs. But that's a distraction. Consider the effects on our whole societies, and the 'sharing economy' is a complete misnomer – 'unsharing economy' would be more accurate. To the individual Uber driver who earns a few euros extra, the app looks like a weapon against sluggish growth and inequality. But if we Uberize our whole society, the effect will be the opposite: it will sharpen societal gaps, further unbalance the economy, and so hamper growth.

The key to the unsharing economy lies in its systemic effects: who wins and who loses once everyone embraces it. Sharing suggests mutuality. You Airbnb your flat to me for a weekend, and I Uber you home from the pub on Friday night. The reality is totally different. Flexible outsourcing allows people with adequate paychecks to unload low value added activities – gardening, cleaning, dog walking, caring for kids or parents – onto those with meager pay.

The flexible bit

Outsourcing is nothing new. What is new is the flexible bit. Digital technology has slashed transaction costs. Twenty years ago, finding someone to trim my lawn meant burying yourself in the Yellow Pages for an hour. It wasn't worth the bother. Now, it takes a minute on TaskRabbit (coming to your town soon, if it isn't there yet), and with automatic payment I don't even need to talk to the guy toiling in the garden. The TaskRabbits see an opportunity to earn a little extra. But before long, flexworking in your free time in the evening will no longer be an option but a necessity. Real estate prices are the main reason. Like all those providing outsourced services for the better-off, TaskRabbits have to live within commuting distance from their clients. Their extra earnings feed real estate markets and disappear in landlords' pockets through competition for houses that are close to jobs. The TaskRabbit works, but competition makes sure that someone else reaps the benefits.

You find this dynamic everywhere. New tools allow people to squeeze out a few more hours behind the computer. Laptops from the boss, Wi-Fi on the train, concentration boosting pills for over hours. But what seems like a boon at first, soon is a bane. You can no longer choose to work on the train, but you have to - your boss knows you can and competition for jobs is stiff. Flexible outsourcing benefits those whose jobs aren't exposed to the Uber-squeeze and who can easily rent a handy-man at half price. But it deepens class divisions instead of helping to overcome them. On a societal level, that is unsharing, not sharing.

Accentuating inequality

There is a nefarious moral dimension, too: Uber is a hop on, hop off job. Just dropped your kid at soccer practice? You could relax on a bench with a coffee and a book. But isn't that stealing from your family, when you could also chauffeur people around town? Through the Uber-flexibility of the 'sharing economy', you can always find work somewhere. It's just a question of the price – which flexibility forces downward. How can you demand welfare state benefits if TaskRabbit says that somebody needs her windows cleaned and is ready to pay for it? Airbnb has similar effects. At first sight, it boosts the incomes of apartments' occupants. But in fact, the benefits flow to those who own them. If you rent a flat in city center Amsterdam and can Airbnb it out during the weekends, while staying with your parents, you boost your disposable income. But if everyone else does the same, tenants will simply bid up flat prices even further. Soon your calculation of how much you can afford to pay has to include the income from renting the flat out for two weekends a month. On a systemic level, Airbnb boosts the price of real estate, and thus the wealth of its owners – not the income of tenants. In the unsharing economy societal gaps run become visible even in our smartphones – there are the people who have the ride-hailing app versus those with the one for chauffeuring others around. Flexible outsourcing accentuates inequality, and inequality is a drag on growth, not a necessary price for it. Those of us who love cheap Uber transport shouldn't kid ourselves: when we order the next ride, we're not building the future economy, we're chipping away at it.