



The role of innovation in the sharing economy Discussion

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Alexis Walckiers, Belgian Competition Authority
and Ecares, Université libre de Bruxelles

Introduction



- Francesca, my wife and travel agent
- 3 nationalities, 5 languages, lived in 7 countries
- This year: Chatham, *NJ*, Kiawah, *SC*, Amalfi, Bologna & Lago Maggiore, *IT*, Geneva, *CH* & Evvia, *GR*
- All this for FREE

- Francesca 2.0
- Active on www.trocmaison.com, now www.homeexchange.com
- More destinations, more flexibility
- Reduces matching costs
- Universal reputation mechanisms

- Dinners, moving houses, rides
- Monetary payments?
- Personal sphere and professional sphere are blurred



Wider concept of innovation

Innovation = total factor productivity?

- benefits: P2P exchanges have the capacity to
 - mobilize underused resources – gains from trade
 - reduce search and transaction costs
 - improve matching
 - lower prices
 - foster healthy competition between suppliers
 - raise quality
 - reduce asymmetry of information between buyers and sellers
 - help consumers chose products that best fit their needs
 - protect consumers through increased reputation concerns
 - provide opportunities for innovators
 - facilitate entry at various levels of the value chain
 - potential to improve productive efficiency (x-efficiency)
- some benefits may not increase GDP growth
 - many sellers produce in their spare time
 - Uber? Airbnb? TaskRabbit?
 - ... and sometimes without monetary compensation
 - Wikipedia, Linux, Home Exchange



Less regulation

Is reputation a substitute for regulation?

- can reputation mechanisms improve welfare?
 - the good? reputation addresses most regulatory concerns
 - in some cases, reputation mechanisms provide a better level of protection than existing laws (regulatory capture?)
 - taxis? hotels?
 - incentive of platforms to improve reputation mechanisms
 - the not-so-good? reputation addresses some regulatory concerns
 - reputation mechanisms may not be the appropriate tool to address health problems, financial regulation, and others
 - Ponzi's and Madoff's clients were their best advertisement
 - difficult for a client to assess whether a restaurant complies with sanitary regulations
 - heterogeneity of users and standards (what is a good restaurant?)
 - what are the incentives of users to disclose bad experiences? and platforms?
 - economic literature on the subject
 - the ugly? some P2P platforms are designed to break laws
 - the concept of P2P was popularized by file sharing systems that helped share music files protected by IP rights



The role of competition authorities

More than cases?

- competition issues?
 - platforms are prone to monopolisation
 - high fixed costs, low marginal costs
 - Indirect network externalities: the number of members of a network raises the attractiveness of the network for potential matches
 - in theory, monopolies can deliver good outcomes
- advocacy?
 - competition authorities can help explain the benefits of increased competition
 - foster review of existing regulations when they have become less useful
 - bring in the consumers' perspective
 - expectation management!
 - competition authorities cannot weigh competition concerns against other motives for regulatory interventions
 - only the competent authority can decide, often elected politicians
 - this is how it should be !

