

Sharing platforms, market distortions, transaction costs and rent-seeking: a case of existing tourism industry

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Abstract:

Fast growing phenomena of sharing-economy have recently received increasing scholarly attention in economics, law, sociology and development studies. This paper seeks to quantify the impact of sharing platforms on the existing industries, in particular on the existing, current tourism industry and their impact upon the patterns of economic growth. Article discusses successful AirBnB sharing platform, addresses generated market distortions and investigates their impact upon predominantly labor intensive, extensively taxed and regulated existing tourism industries. It offers a transaction costs perspective on the nature, institutional development and patterns of growth of the sharing economy. Moreover, while employing well-defined normative criteria of wealth-maximization it identifies a double moral-hazard problem, offers a behavioural, legal and economic evaluation of the irredeemable and rent seeking acts and provides economic arguments for an improved, normative regulatory response. The paper is an attempt to find out what new light can shed on the issues of sharing platforms, of business models in the sharing economy and of their possible success or failure in order to help to clarify it.

The main findings are: a) “sharing-economy” should be, analytically speaking, actually seen as a transaction costs minimizing institution which boosts, spurs allocative efficiency; b) the inefficient, hostile legislation across Europe hinders the development and growth of sharing-economy in the instance of tourism industry and calls for an immediate EU wide regulatory response, reform and consequential harmonization that will boost, enable further development of sharing-economy; c) law-maker should introduce a powerful deterrence mechanism that deters potentially irredeemable acts and minimizes opportunism and moral hazard (i.e. behaviour which represent a pure waste of resources – e.g. bad quality, tax avoidance); d) law-maker should introduce a set of mechanisms that foster efficient generation, utilization and disclosure of information and hence generate more trust and enable more efficient peer-to-peer matching; e) the new Package Travel Directive should be amended in order to cover also the sharing-platforms in tourism industry; f) law-maker should draw a clear cut line between peer-to-peer sharing and conventional economic activities; g) law-maker should in order to mitigate a double-moral-hazard problem provide uniform rules on liability (shifting risks upon superior risk bearer), quality and safety issues (standards); h) potential Airbnb’s rent-seeking behaviour should be addressed via existing antitrust institutions; i) future will witness a growth of “sharing mechanisms” that are innovative market-matching-facilitated economic exchange mechanisms of scarce resources, where consumers are paying to access, consume or use someone else’s property, goods, or services for a

particular, limited period of time and a decline of other “sharing-economies”(e.g. exchange of labour, food sharing); and finally g) the emergence of novel economic institutions, ingenious market matching mechanisms for mitigating, tackling the notorious transaction costs problem should be supported and facilitated.

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