May the sharing economy create a new wave of globalization?

Abstract. Sharing economy is a promising concept which was re-founded as a replay to the increasing globalization, resource misallocation and growing inequality and poverty. In this paper, we try to identify the potentials of the sharing economy and its possible impact on future financial and market developments. We have presented a number of examples of the realizations of sharing economy in practice with its limitations and constrains. We have also shown how easy this new concept may be transformed to a global movement similar to the current globalization process. It has also been noted that the critics and objections against the globalization may be valid also for sharing economy unless some actions will be carried out to avoid the mistakes of the past connected to the globalization.

Keywords: Sharing Economy; Exchange Economy; Globalization; Peer-To-Peer; On-Demand

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1. Introduction

Sharing economy is a phenomenon known as long as there is a human (Belk, 2010 [1]). It operates on the principle of exchange of goods and/or services by joining together demand side and supply sides. This type of relationship was the cornerstone for the analytics of market behavior. The development of the technology has brought the sharing economy to a new level, showing how vast potential this kind of activity has. It is based on a direct interaction between the vendor and the purchaser with bypassing the intermediary. It should be noted that the beginnings of direct trade was closely related to the value of exchanged goods. This has changed. With the development of trade and greater technical and technological advancement of offered products also the number of intermediaries has increased, which adversely affect the relation between price and value of goods offered and the demand side. Increased internationalization and globalization, beyond the initial stimulation of the economic and financial development of the states, led to great social disparities and misallocation of a different kinds of resources (Urbaniec, 2015 [2]; Bilan, 2013 [3]; Ayres, 2015 [4]). The answer to the growing loss of trust to the governments and financial institutions, combined with the development of virtual market places on which a variety of services can be exchanged, caused development of alternative means of payment like virtual currencies, e.g. bitcoin, (Richter, Kraus & Bouncken, 2015 [5]). The growing impoverishment of society forced people to look for a variety of creative solutions that could help them to optimize their resources and save costs on the one hand, but on the other hand, people began to realize the scarcity and limitation...
of certain common resources such as water, air, food and the need for their protection (Csigene Nagypal et al., 2015 [6]; Baranowski, 2013 [7]; Lenhart & Sikora, 2015 [7]). All of the things mentioned above, search for new, optimal solutions, lack of trust and overall disappointment became a foundation of the creation of a new culture of «anti-consumption» by promoting the sharing economy.

The researchers like (Zhuo, 2015 [9]; Rifkin, 2014 [10], Rifkin 2015 [14]; De Graeve, 2014 [12], etc.) are stating, that the sharing economy phenomenon is not afad but could be a an outlook for the future development of the world’s economy.

Within the last few years sharing economy is gaining interest from the scientific researchers. According data from google search statistics the number of queries connecting to sharing economy is constantly growing from 243 in 2012 to more than 3100 in 2016. This should not be wandering as the number of sharing economy users is rising. Following Statista web page, in 2014 there were 15.4 m adult users in the US. This number grew to 21.7 m in 2015. It is assumed that in 2019 the number of sharing economy users will rise by 72% comparing to 2015.

2. Literature Review

The sharing economy contains of a variety of forms. It is important to understand and define what sharing economy is. In the literature we can find a list of terms, which are being used interchangeably, e.g. access economy (Denning, 2014 [13]), collaborative consumption with the meaning of «reinvention of traditional market behaviors through technology to make better use of shared and other useful thing» (Botsman & Rogers, 2010 [14]). «Mesh» is defined by Gansky (2010) [15] as a trend, where companies with usage of mobile media provide consumers with goods and services they need on the real time basis, without a need to transfer the ownership over the good between them. «Commercial sharing systems» according to Lambert & Rose (2012) [16] is «opportunity to enjoy product benefits without ownership», not to distinguish between profit and non-profit share. Mont (2002) [17] defined product-service systems as a competitive networks created to satisfy the consumer needs, however, contrary to the other authors, Mont (2002) has put the meaning of the sharing system to the environmental context. We can find attempts to define and organize sharing economy in a more transparent way which can be presented as follows. Access economy is a system where the usage of goods is superior to ownership by granting an access, e.g. all open access journals, Netflix, etc. Circular economy is a system where the resources are circulating within the economy maximizing their usage, e.g. sharing clothes, books, etc; re-sell of the underused items. Collaborative Consumption is a system, when the goods and/or services are being used by many people, e.g. car pooling, frequent flyer mile pools, reusing of things. Peer-to-peer economy is a system focused on connecting individuals, and on-demand economy is based on fullfillment the consumer needs on the real time basis without distinguishing between individuals and industrials. Additionally, Belk (2014) [18] tries to distinguish sharing from pseudo-sharing. He claims that pseudo-sharing follows egoistic motives and is focused on taking advantages in form of money, for example. The sharing, on contrary, is associated with feelings and emotional, personal attachment and self-fulfillment. The sharing economy is not only about being altruistic and to feel good, but it is about not to waste resources by sharing them and to optimize or maximize the capabilities of given resources. Such attitude could have a significant impact on finance and traditional perception of economy. It may also cause a number of threats for the economy, which society and state should be aware of.

3. Purpose of the paper

To show the potentials and risks of the sharing economy and potential impact on future developments. To make a detailed outlook of the sharing economy and define its prospects taking into account social and economic threats.

4. Sharing economy in practice

In the market, sharing can now be observed with success in a number of fields. The examples are presented in the table 1.

Except of some obvious types of things that are shared, like books, clothes, tools and other material items, people started to share also intangible assets, which they possess, e.g. their skills (cooking for the strangers), offer them accommodation or transportation, but also they exchange their knowhow by creating virtual study groups, uploading online courses and lectures. The knowhow sharing is also visible in co-creating and co-development of open source platforms like the open source statistical software R. Apple is sharing its gains with the individual contributors, who are inventing different useful and apps with potential for iPhone. Sharing economy through elicitation of individuals might improve or impacted future developments. It must be pointed that according PwC sharing economy has high growth potential. In 2013, sharing economy sector generated USD 15 bn revenues. This was 18 times less than the standard economy. It is assumed that by 2025 the revenues generated by the sharing economy converge traditional sectors, and will be equals USD 335 bn². However the sharing economy will have a greater growth rate compared to standard economies.

4.1. Market structure

Sharing economy has started to change the market structure in the significant way. From the vertical structure of the market, where the producers of goods were followed by many intermediaries to the horizontal structure, where the trade is coordinated and organized by one virtual market place provider and the trade itself take place directly between provider and the merchant. Apple is sharing its gains with the individual contributors, who are inventing different useful and apps with potential for iPhone. Sharing economy through elicitation of individuals might improve or impacted future developments. It must be pointed that according PwC sharing economy has high growth potential. In 2013, sharing economy sector generated USD 15 bn revenues. This was 18 times less than the standard economy. It is assumed that by 2025 the revenues generated by the sharing economy converge traditional sectors, and will be equals USD 335 bn². However the sharing economy will have a greater growth rate compared to standard economies.

4.2. Virtual market places

The economy exchange would not be possible without technical developments and improvements, like virtual markets, platforms and mobile applications, making the linkage of supplier and buyers possible on a real time basis (Schwarzl & Grabowska, 2015 [20]). One of the biggest and well known are Naspers, EBay, Amazon, Airbnb, etc. All this platform provider are in all cases beneficiaries of an economy sharing activities. They profit form the data base management, trade and user charging. The financials of this companies show how dynamically sharing economy is developing and what enormous potential it has. For example, in 2012, the Airbnb was valued at USD 2.1 bn. In 2014 its value raised up to USD 10.0 bn, to reach the valuation of ca. 30 bn in 2016. According to Bloomberg its Revenues in 2015 may reached USD 900 m. It had a growth rate around 360% compared with 2013.

4.3. Trust

One is common for most of these activities - they are based on a trust. The trust is the thing, which makes the sharing economy so extraordinary. This is a new model, which returns to the beginnings of formation of societies, when the law was not so expanded. The role of trust in sharing economy was discussed by Ert, Fleischer & Magen (2015) [21]; Jeonghye, Youngseong, & Hangjung (2015) [22]. Up to the point, when the exchange is proceeded among people, who we know well and trust them, safety is not so strongly emphasises but if the strangers are involved security and safety of the users become crucial. Not only verification of the users has been strongly disrupted but more than all resources, which they possess, e.g. their skills (cooking for the strangers), offer them accommodation or transportation, but also they exchange their knowhow by creating virtual study groups, uploading online courses and lectures. The knowhow sharing is also visible in co-creating and co-development of open source platforms like the open source statistical software R. Apple is sharing its gains with the individual contributors, who are inventing different useful and apps with potential for iPhone. Sharing economy through elicitation of individuals might improve or impacted future developments. It must be pointed that according PwC sharing economy has high growth potential. In 2013, sharing economy sector generated USD 15 bn revenues. This was 18 times less than the standard economy. It is assumed that by 2025 the revenues generated by the sharing economy converge traditional sectors, and will be equals USD 335 bn². However the sharing economy will have a greater growth rate compared to standard economies.

4.4. Environmental advantages and social effect

You cannot pass over in silence the environmental benefits of this form of trade. The re-usage of resources, which are underused, makes the environment beneficiary of the sharing economy. The energy, wind, water and food can be saved by acting as a community and not in the egoistic way

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1 https://www.statista.com/statistics/289856/number-sharing-economy-users-us

2 http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/
the-sharing-economy-sizing-the-revenue-opportunity.html
3. In such context, one third of the food produced in the world is being wasted. The UN announced as a main goal for the years 2015-2030 the limitation of food waste. This is one of the world’s biggest issues. Spendthrift shoppers with retailers, are active in avoiding and limiting wasting of food. This is one of the world’s biggest issues. Spendthrift shoppers with retailers, are active in avoiding and limiting wasting of food. This is one of the world’s biggest issues. Spendthrift shoppers with retailers, are active in avoiding and limiting wasting of food. This is one of the world’s biggest issues.

5. Sharing economy limitations

Sharing economy has not only advantages mentioned in the section four, but also threats, which might negatively impact its future developments.

5.1. Market

Sharing goods and services may negatively affect the consumer market. In line with the classical supply and demand theory if the demand fall, price is adopting and falling as well. But in extreme case, if the goods like, e.g. cloths have been shared or resold with the strong discounted price, the demand for a new goods will drop. After a price adjustment the demand still will not increase, unless the original price will be close to the one offered on the virtual market. This might cause in return, the increase in production of luxury goods and strong limitation in production of common goods which are selling on the primary market and their price will increase, what in effect might cause a further society impoverishment.

5.2. Decentralization

On one hand disconnection form the standardized form of trade is a return to the roots and could speed up economy. But on the other hand, governments and companies are losing control and money on this kind of sale. Firstly the trade with the re-used goods is due to the lower Value Added Tax. Also lending or exchanging of goods should be registered and due to some taxes, but with the small value of barter trade the transactions are mostly not been registered and through this governments are losing gains from taxes, so the whole communities are penalized with the lower amount of governmental money for social expenses or investments. Moreover sharing economy can negatively impact the labor market and the commercial companies active on it. The good example is the case of Uber Poland. Uber is a multinational platform, which via mobile apps connect clients with the car drivers. Kowalik (2015) [24] describes the reasons why this company is so successful in Poland. Drivers registered on Uber are not obliged to apply and to own a taxi driver license, which in the most countries of the world are nationalized, limited and expensive. Moreover, the drivers do not register their business activity, so they are not due to the health care or pension contributions. Therefore, these taxi drivers are the most competitive and cheap, what the official competition is not able to bear. Uber is acting under the Dutch law, and the drivers do not receive direct payments from passengers, so it is very difficult to prove that any illegaliies are taking place. If the earnings have not been disclosed, any income tax will be paid. Such dealings may have further inclinations for government in the future. No health care or pension contribution by many people will have huge negative impact on the money provided for health activities for all citizens will be diminished. People who have not paid pension contributions may suffer privation.

5.3. Legal issues

Sharing economy is a relatively new phenomenon lacking legal frames and regulations. Baker (2014) [25] in his article in The Guardian wrote that business models within sharing economy work, because they break the law. They avoid paying taxes, their services are beyond any regulations and the consumers are not protected in the sufficient manner. The currently available law can only partially cover all issues connected with sharing and free access. Morgan and Kuch (2015) [26] suggested that sharing economy through its nature is forcing legal authorities to redefine and reconfigure the definition of property, ownership and capital in the new way. On the other hand, McLean (2015) [27] suggests that the legal regulations should also be an intern initiative of sharing economy. Law in its current shape will not be able to adjust in the timely manner, and that is why the own regulations must be applied to prevent fraud and misuse of trust of sharers.

5.4. Payment control

One of the biggest challenges of the sharing economy are the online payments, which complement the sharing economy, and makes the business on a real time basis possible. One of the latest achievements in this respect are the crypto currencies like Bitcoin, which are based on a block chain mechanism. Bitcoin is working independently from the official money and financial systems and allows for a virtual currency transfer in almost a real time. This money may be exchanged freely on the exchange platforms like Coinbase, LocalBitcoin, etc. It is worth to mention that virtual currencies like bitcoin are also a type of peer-to-peer sharing economy. While such transaction are off the official records, it may be used to avoid taxation or making the sharing business untraceable for governmental institutions.

6. Conclusions

Sharing economy is a promising concept, which was re-founded as a replay on the increasing globalization processes and resources misallocation. Most of the users are the young mobile people, who disagree with the standards imposed by the big global companies. Among young people is not number one on their wish list anymore but social activities
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