

# The Sharing Economy: Economic Frame or Forerunner of Another Political Cleavage?



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**U**ber closed down its operation in Hungary on July 24, 2016 due to a new law which would impose serious penalties on its drivers, (for example resulting in taking away their licenses) making its operation impossible. This was the last act of a several months long debate in which taxi drivers (by resorting to protests and blocking the streets) forced the Hungarian government to ban Uber. With this decision Hungary became one of the few European countries where the sharing economy – as one of the most important economic developments – has recently become a very political issue. The case of Uber vs. taxi drivers was undoubtedly influenced by party politics in Hungary: the governing right-wing Fidesz-KDNP positioned themselves against Uber, while the left-liberal opposition – regardless of their political ideology – took Uber's side. Hungarian intellectuals were more divided: the usually anti-government but new-leftist opinion leaders seriously criticized Uber for their tax and employment policies, by the same token indirectly becoming the harsh critics of the sharing economy in general.

This clearly shows the novelty of a new economic model – which is only now being shaped – on multiple levels: it can bring innovation in terms of economic, legislative and political solutions, and can open new front lines between right- and left-wing parties, or even among the left and liberals. This can have even more serious consequences in a country like Hungary, where the opposition is forced to form some kind of unity or cooperation against the government (in this case, it is mainly the new election system created by the Fidesz government). This left-liberal camp is already divided by certain issues and the sharing economy may simply become yet another reason for turning the Hungarians against each other.

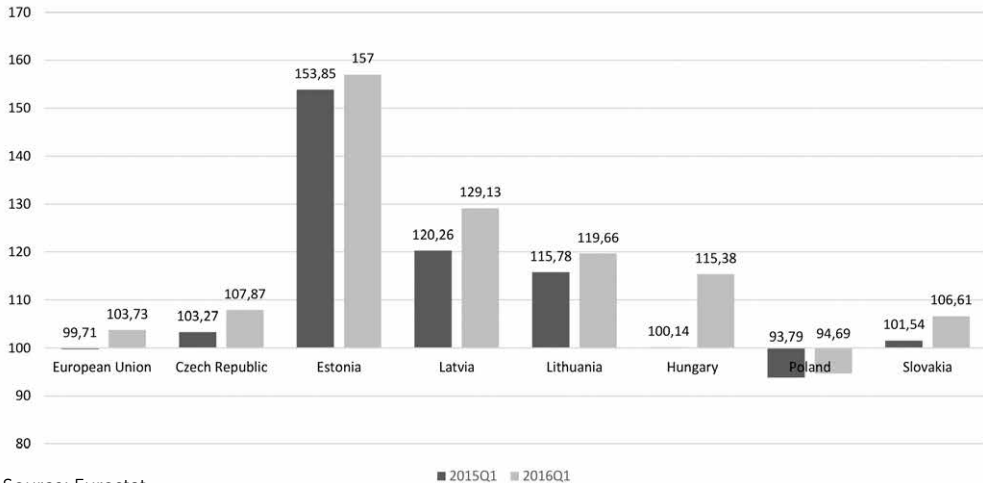
## SHARING AND COLLABORATIVE ECONOMY

The term itself, is another thing currently under construction. The respective EU bodies recommend the use of “collaborative economy” instead of the original, more popular term ‘sharing economy’<sup>1</sup>. The Commission’s recommendation is rather supportive towards the collaborative economy in general due to its innovativeness and potential to create jobs. A part of these suggestions is aimed at policy makers: “Absolute bans and quantitative restrictions of an activity normally constitute a measure of last resort” – but admits that the development of a collaborative economy raises some important questions regarding the legislation both nationally and

### WHAT IS THE COLLABORATIVE ECONOMY?

The term ‘collaborative economy’ refers to business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals. The collaborative economy involves three categories of actors: (i) service providers who share assets, resources, time and/or skills – these can be private individuals offering services on an occasional basis (‘peers’) or service providers acting in their professional capacity (‘professional services providers’); (ii) users of these; and (iii) intermediaries that connect – via an online platform – providers with users and that facilitate transactions between them (‘collaborative platforms’). In general, collaborative economy transactions do not involve a change of ownership and can be carried out for profit or not-for-profit.

<sup>1</sup> <http://www.eesc.europa.eu/resources/docs/com2016-356-final.pdf>

**Figure 1. House Price Index (2010 = 100). Quarterly data**

Source: Eurostat

on a European level – and in the latter case, it can only mean some further recommendations.

Nevertheless, we should bear in mind that the actual name or an official term do not really matter: no matter which label is used, people will understand it anyway. And for them the operation and the impacts are what really counts.

Basically, according to the EU definition, a ‘sharing’ and ‘collaborative economy’ shall be used as synonyms and thus it means they both:

1. connect service providers and costumers;
2. through an online platform;
3. regardless of whether doing this individually or as a member, or an employee of an organization.

Opportunities and innovations coming from a sharing economy can be realized if they are regulated appropriately and efficiently, which requires a predictable social and political environment. Examples of the

two most popular services – Airbnb (offering rooms and flats for short term rent) and Uber (for car transportation) – illustrate well what impact they can have on society – revealing and generating both positive attitudes and serious concerns.

## WINNERS AND LOSERS OF THE SHARING ECONOMY

Supporters of the sharing economy like to present the concept in a way that it benefits many actors while at the same time it does not hurt anyone, a few agents at most. However, it is not that simple. Even if a sharing economy brings a better situation for the economy in general in the short term, there might be groups that will be affected by the negative consequences or suffer in the long term.

The rise of property prices in Budapest (not only, but mainly) due to the introduction of Airbnb is a good example for the first case<sup>2</sup>: after the results of a higher number of student applications in late July 2016, difficulties in finding accommodation and being

<sup>2</sup> [http://hvg.hu/ingatlan/20150702\\_Megvesztek\\_a\\_magyarok\\_mindenki\\_az\\_Airbnb](http://hvg.hu/ingatlan/20150702_Megvesztek_a_magyarok_mindenki_az_Airbnb)

able to pay the rent of a flat or a room for students were among the leading news. The latest Eurostat results from Q1 2016 show a 15.2% increase in housing costs, which is the highest rate among the countries included in the research. As Figure 2 shows, although Hungary's performance is not the worst in medium-term – the rise of housing costs is the highest in the Baltic countries (2010=100), – Hungary's rise was the largest in the past two years. [See Figure 1]

As for the employees working in the Uber model: although it is a good source of extra income, or a monthly living can be made working full time, it is still questionable whether the paid taxes are a sufficient source of future pensions in 30-40 years.

The Hungarian Uber vs. taxi drivers debate revealed the attitudes of society regarding the service itself and the members of the taxi driver community trying to protect their interests – or privileges. Both sides conducted their own research and the results of the questions (clearly showing the different approaches) can be analyzed together.

Based on these the vast majority, 72% of the population of Budapest in general supported Uber<sup>3</sup>, but only 37% actually used it (2% only used Uber, and 35% used both Uber and taxi). 80% consider new technologies good opportunities for the economy, and a good source of taxes; however more than half of them have heard about Uber not being registered, therefore not paying taxes in Hungary – and 79% of respondents do not think it's fair<sup>4</sup>.

The results teach some important lessons: likeability and support for Uber was significantly higher than the ratio of actual us-

ers, and the government's communication campaign of the taxi drivers. On the other hand, the Hungarian government's communication about Uber not paying taxes and not operating under the same circumstances and expectations as taxi drivers was very successful. ' Finally, the rate of those who could not agree with either of the groups (45%) while strongly opposing the protest of the taxi drivers shows the novelty of the situation and how divisive the issue is.

In the meantime, we cannot say the case was about economic, taxation or regulatory issues, but rather about the way of living: Uber supporters (e.g. posing with Uber drivers on selfies), mainly young, middle-class people, who were – based on their active online and social media appearances – simply against older taxi drivers trying to avoid competition. The opposition parties also tried to frame the controversy as an issue of modernity, in which the governing Fidesz party does not understand digital technology and is afraid of young generations using it.

The case was quite similar with the internet tax protests in 2015 with hundreds of thousands of protesters, which occurred in Budapest when the government tried to impose a monthly fee for internet subscriptions. The protests succeeded in changing the government's plan and prevented the introduction of the tax. Although there was no political follow-up for this movement, it created the basic frame for the communication of the opposition which appeared in the case of Uber as well, because here, the freedom provided by the Internet is a key factor.

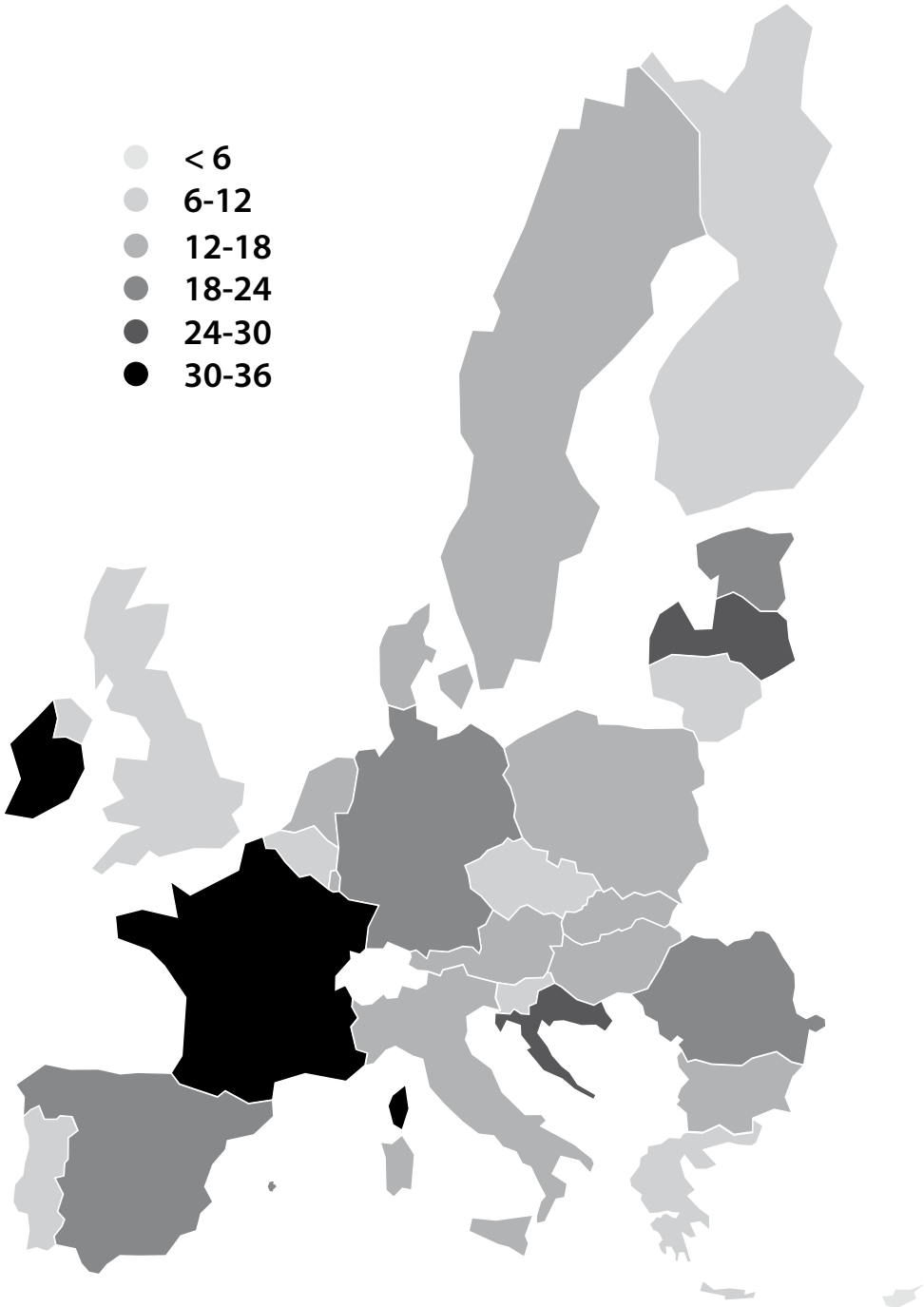
## USERS OF COLLABORATIVE ECONOMY

According to Eurobarometer data, half of the population of the EU have heard about collaborative platforms, but only 17% use(d) them. There are significant differences between certain countries: France and Ire-

<sup>3</sup> <http://ipsos.hu/hu/news/fovarosiak-tamogatjak-az-uber-t>

<sup>4</sup> <http://nepszava.hu/cikk/1095918-ketszer-annyian-taxiznak-mint-ubereznek-budapestben>

**Figure 2. Which of the following matches your experience regarding this type of platform? Total of "Used the services" answers**



land lead with 35–36% of the population using such platforms, whereas Malta and Cyprus are the last ones with 2 and 4% of users as compared with the population. Hungary is somewhere in the middle with its 16%, and is one of the countries (like Estonia and Austria) where there are more people who have heard about the phenomenon but have not used them rather than those who do not know them at all. [See Figure 2]

Apart from the differences between the respective countries, there are also some interesting socio-demographic correlations: younger men (especially aged between 25 and 39) and those with a higher education are much more likely to use collaborative platforms.

The study on the phenomenon and reputation of the collaborative economy conducted by Pew Research in 2015<sup>5</sup>, shows similar results: those with a higher education were four times more likely to use collaborative services than those without a diploma. The age correlation was also convincing: younger people (aged between 18 and 44) were much more active users than older respondents. The results also showed that people with a relatively high income were the most active customers.

Although these social differences are not too surprising, they still reveal some important correlations: users of a sharing economy usually come from social groups with certain characteristics both in Europe and in the US. Eurobarometer additionally emphasizes that if we examine these groups together and create a sub-sample from young urban employees with at least a secondary education, the rate of col-

laborative platforms' users amounts to 32% across Europe, which is almost two times more as in the entire society.

However, the above mentioned groups are not unknown to voter behavior experts: they are decisive actors at recent elections and referendums. When speaking of Brexit or Austrian presidential elections, the young, mainly urban, economically better off voters with a higher education were the classic "Remain" or green and pro-Europe voters of Van der Belle. When we recognize this kind of similarity between such different kinds of issues, it is worth considering the possible reasons for such an overlap and what factors can be found in the background.

### SHARING ECONOMY AS THE PRODUCT OF GLOBALIZATION

The basic idea behind a sharing economy and some of its aspects are not new at all: hitchhiking can be viewed as the early



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<sup>5</sup> <http://www.pewinternet.org/2016/05/19/the-new-digital-economy/>

(and free) form of car sharing service. Later (but still before the emergence of online platforms), spontaneous services through which people could buy a ride in busy places in big cities (usually at a bus or train station) developed. We can also think of the communities where professionals with different expertise helped build each other's houses or harvest. What was affected by the difficulties in buying certain services or was simply related to trust issues. Finally, long before the launching of Airbnb, Couchsurfing offered a similar service, but it was not money in the center of its philosophy but getting to know other people and encouraging social interactions.

All these examples have two things in common: trust and reciprocity. The former is crucial if we are to let someone into our house or our car. The latter signifies paying for the service by offering a similar service in return at some other time. A sharing economy brings one crucial modification: from now on, services are tied to money and thus a sharing economy itself became an important part of the economy and society. This development has an important digital feature: it enables its agents to widen or substitute the circle of trust.

In the case of a sharing economy, trust is not based on personal relationship but the collective evaluation of otherwise unknown users: you trust an Uber driver or Airbnb accommodation because other users gave them a positive evaluation. This fundamental change in the trust relations is closely related to yet another phenomenon: globalization.

By the 21<sup>st</sup> century, due to technological development and a few other contributing factors, the world has become homogenous and diverse at the same time: thanks to the flow of information, scientific and academic trends and results are ac-

cessible regardless of geography. Hungarians, Finns, Americans can watch the same shows, follow political life, startups and business ideas from all around the globe. More people than ever before can speak foreign languages, and this creates a common reality for communication. The development of transportation and decreasing costs of access to it made meeting in person easier. Nevertheless, globalization generates both winners and losers: the opportunities explained so far are not for everyone. Additionally, while winners can and do meet with each other, losers are going through the same problems usually being far away from one another, separated from their peers, which, in turn creates further challenges.

### **WINNERS AND LOSERS OF GLOBALIZATION**

Taking advantage of globalization is not automatic at all: without the necessary education and/or financial background it is much more difficult. Although technology reduces distances, it does not cease them: young adults in Western and Eastern Europe will not be the same, and someone in London will have different circumstances and opportunities than someone in Sunderland. Sharing economy services are closely connected to urban areas: Uber exists only in major cities whereas Airbnb is not a competitor in rural tourism as in many cases room renters in rural areas simply turned their traditional room renting services into Airbnb, while it was a real novelty in Budapest. Online platforms or applications can be used only by people with adequate digital literacy and trust towards innovative solutions. The lack of trust in online transactions is already featured in Eurobarometer data as one of the most important concerns compared to traditional forms of trade<sup>6</sup>. [ See Figure 3 ]

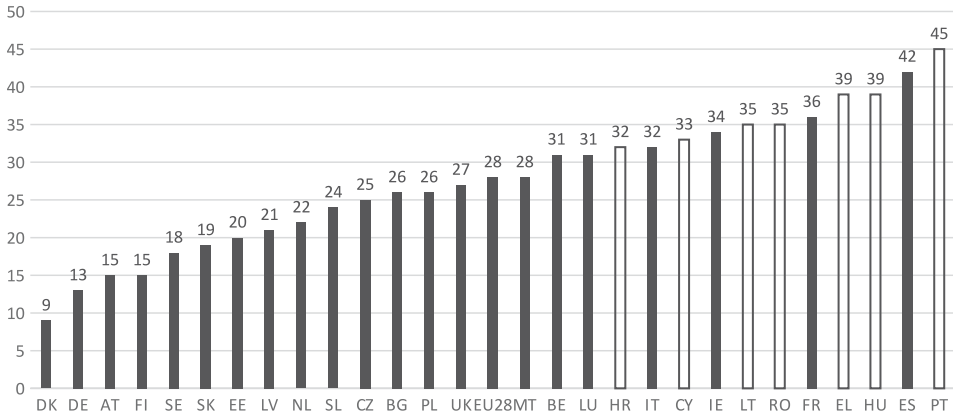
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<sup>6</sup> It was listed second Europe-wide and first in several, mostly Eastern European countries (including Hungary).





**Figure 3. “Compared to the traditional commerce of goods and services, what do you think are the main problems for the people using the services offered on these platform?”. ‘Not trusting in the internet transaction in general’ – for countries marked with white it is the most important**



Experts and the European Union expect the rocketing of the sharing economy’s performance in the coming years. Despite this, the possible social impacts, and agents who will not be among the winners should not be ignored. The disadvantages are twofold: on the one hand, people who are not taking advantage of collaborative economy platforms will be forced to carry on without it (and as a consequence, they will need to employ more expensive, lower quality traditional services), and on the other hand, their personal, emotional well-being can be influenced negatively by the perception of being excluded from this economic growth. This phenomenon is confirmed also by the fact that the actual users of a sharing economy and the groups of those supporting globalization are very similar. Moreover, other Eurobarometer data from 2015 showed that people with positive attitudes towards globalization are very similar socio-demographically to the users of a sharing economy: younger, urban, well-off citizens with a higher education. [See Figure 4]

Economic and political context and concerns related to a sharing economy have a social dimension at the same time. It has recently become apparent that certain groups are being left out or excluded from the benefits of economic growth and development, and liberal political elites need to take responsibility for what is happening to these groups.

In the case of Brexit voters, their dissatisfaction with their situation and the lack of ability to take advantage of EU membership were remarkable aspects contributing to their attitude. We may easily recognize the same trends behind the popularity of Donald Trump in the United States: disillusioned Americans feeling left out of the country’s progress (or believing they are its victims) have been long looking for someone who could represent them politically, and now they have found such a person in Donald Trump. These voters pose a notable challenge for individuals who want to live in a world based on free trade – because they fail to appreciate its benefits.

**Figure 4. Social-demographic background of 1) users of collaborative platforms and 2) the term globalization brings something positive to mind**

	Total "Used of Services"	Global-ization: positive
EU 28	17%	46%
<b>Sex</b>		
Male	21%	48%
Female	15%	44%
<b>Age</b>		
15-24	18%	64%
25-39	27%	52%
40-54	22%	44%
55+	10%	38%
<b>Education (End of)</b>		
15-	4%	37%
16-19	13%	43%
20+	27%	50%
Still studying	21%	67%

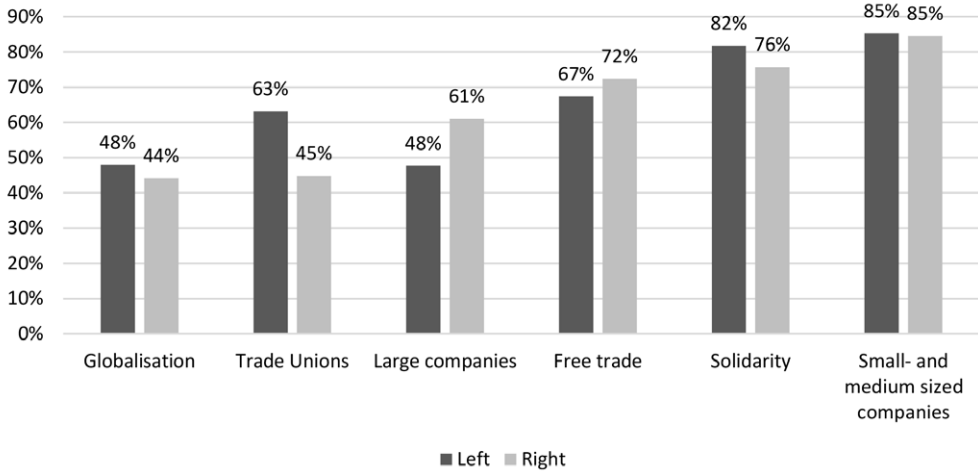
	Total "Used of Services"	Global-ization: positive
<b>Respondent occupation scale</b>		
Self-employed	26%	47%
Employee	25%	50%
Manual workers	14%	47%
Not working	11%	43%
<b>Type of community</b>		
Rural area or village		43%
Small/middle size town		45%
Large city		51%
<b>Difficulties paying bills</b>		
Most of the time		33%
From time to time		52%
Almost never/ never		50%

### CHALLENGES POSED BY A SHARING ECONOMY FOR LIBERALS

A sharing economy and globalization as such, pose numerous economic or regulatory challenges which shall be discussed by experts. A sharing economy is a question of a life-style and social structures and depends not only on our financial situation but is related to many

other factors. It is not only about a new kind of service which is innovative and costs less, but changes what we know and think about the borders of communities: it can bring people and enterprises closer together, but at the same time, it can change the way we make our short- or long term-decisions, be it the purchase of a car or a flat, or the profession we choose.

**Figure 5. “For each of the following could you please tell me whether the term brings to mind something very positive, fairly positive, fairly negative or very negative?”. Rate of very and fairly positive answers altogether**



Source: Eurobarometer 2015

However, we still cannot be sure whether decisions concerning a sharing economy are made by citizens on the basis of information they get or by cooperating with others. While it is true that a sharing economy might bring different actors together with the state or society in the case of certain services, it can also have a negative impact on individuals as far as social systems are concerned: the long-term consequences of Uber rides and Airbnb holidays are not yet visible but they already signify less taxes, health insurance or pension affixes in the meantime.<sup>7</sup>

Although a sharing economy can contribute to a state with a smaller allocation and more individual responsibility, which is something liberals certainly support, if it is not happening with the necessary consciousness and the losers of globalization turn against the free market capitalist economy in general, the lib-

eral foundations of our world might suffer. A sharing economy can easily lead to growing inequality which threatens political and social security – e.g. with populist parties gaining more and more support playing on these disappointments, dissatisfaction and frustration. Thus, the support for a sharing economy is as much an economic issue as a political one. [See Figure 5]

It is crucial that liberals take responsibility for these matters also because, in the case of globalization, the traditional right-left dichotomy does not work anymore regarding the represented groups or issues: neither the right, nor the left, clearly represent only the winners or only the losers of globalization. On the contrary: most traditional, establishment parties are still representing and talking to the winners regardless of political ideology, while losers are more often than not represented by populists, anti-establishment, or even radical parties. This also proves that the classic right-left opposition (which makes sense in terms

<sup>7</sup> [http://index.hu/gazdasag/2016/01/20/uber\\_taxi\\_rendelet\\_budapest/](http://index.hu/gazdasag/2016/01/20/uber_taxi_rendelet_budapest/)



*Moda Para*

of solidarity, trade unions or large companies) does not work for the winners of globalization either.

### **POLITICAL REPRESENTATION AND SUPPORT FOR A SHARING ECONOMY**

This is precisely why political and social aspects need to be discussed in the debate about the legislation and support for a sharing economy more than ever before, in order to reflect on the possible outcomes and indicators not only on the macro but also on the individual and community levels. Parallel to the growth of sharing economy, the enhancement of citizens' tax consciousness is crucial in order to make them understand how these new forms of services affect the providers' and costumers' situation. It is still a strong belief of some individuals about a sharing economy that providers are basically avoiding paying taxes, which seriously damages the taxation morality as the traditional service providers may feel legitimized not to play by the rules in order to make a living.

The spread of a collaborative economy might also bring a growing number of new forms of business. However, many countries simply lack the culture of doing business – this is especially true in Hungary<sup>8</sup>. The differences between and consequences (regarding health care, pensions, unemployment benefits) of being either an employee or an entrepreneur need to be emphasized in order to enable people to make conscious decisions and to reduce uncertainty and frustration.

Moreover, social groups where there are no conditions of developing an entrepreneurial attitude need to be addressed and their involvement and participation in a sharing

economy should be promoted and supported – for example with the help of civil organizations and social entrepreneurship.

Needless to say, one of the greatest barriers of a sharing economy in the EU is the lack of digital literacy and trust towards online transactions. Age, income or geographic gaps will not cease automatically. Although the education system is struggling with mitigating these disadvantages, it still fails to improve digital skills in many countries. Thus, digital security and trust of citizens in it must be enhanced.

The expansion of a sharing economy also requires the reconsideration of customer protection and organizations: new forms bring new problems and possibilities to cheat, which can lead to the erosion of general trust in them and in business in general.

Although the regulation needs to be as limited as possible, the state has to consider the aspects of social integrity and create sector-specific circumstances in order to be able to handle middle- and long-term consequences. The growth of a sharing economy did not only lower the costs of certain services but also made people ask for and pay money for things that used to be free (Airbnb instead of Couchsurfing, Uber or other telecar services instead of hitchhiking.)

Finally, the fringe features of these services need to be monitored regularly – for example, Uber influences not only taxi services but also the usage and financing of public transportation.

### **CONCLUSIONS**

A sharing economy is one of the most exciting and interesting forms of business. However, its impact reaches not only the

<sup>8</sup> [http://ec.europa.eu/public\\_opinion/flash/fl\\_354\\_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf)

service or financial sectors: it is interwoven with other parallel social processes. Since the financial crisis of 2008, it has become more and more visible. Despite the fact that the global economy currently performs better in general, certain groups are not aware of this fact or are even under quite an opposite impression. Users and beneficiaries of a sharing economy come from certain groups with strong characteristics both in Europe and the US: young, urban, better-off adults with a higher education. They are open-minded and able to connect to the global society and realize the advantages it is offering. Nevertheless, we shall be aware of the fact that there is another group, which is considered to be outside of the recent economic and social progress, and its situation is defined by uncertainty, being excluded and turning inwards.

The expansion of a sharing economy very soon became a political problem: it is therefore crucial that political actors reflect on the recently emerged opposition to traditional service providers in a representative democracy. However, it is not certain whether traditional parties can adapt to this new kind of challenge. The traditional, right-left political division is not sufficient anymore to understand the phenomenon. Based on the above-mentioned examples, the divide is not really there. The losers of globalization can easily be reached by populist, anti-establishment parties, but the traditional parties (advocating liberal values, free market and democracy) are losing touch with them. This is why they are more often than not able to address only the problems of the winners.

Summarizing, a sharing economy unintentionally highlights the danger of the polarization of societies as it also contributes to the growing gap between

social groups. In order to protect the liberal rule of law, these kinds of differences and divisions must be mitigated, while the innovation of the collaborative services must be promoted and incentivized while taking these factors into account. ●



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INTEGRITY  
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The aim of Integrity Lab is to analyze and formulate the social and political environment in Hungary and Europe by projects promoting the rule of law, active citizenship, and advancing liberty and prosperity with Hungarian and international allies sharing these principles and aims in order to find new, innovative solutions to the problems of the 21st century – let them be private, civil or political actors