

What the Sharing Economy Takes

Uber and Airbnb monetize the desperation of people in the post-crisis economy while sounding generous—and evoke a fantasy of community in an atomized population.

By Doug Henwood

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Sharing is a good thing, we learned in kindergarten, but that wisdom was soon called into question by the grown-up world of getting and spending. Now, New Age capitalism has spun out a wonderful invention: the “sharing economy,” which holds out the promise of using technology to connect disparate individuals in mutually profitable enterprise, or at least in warm feelings.

The most prominent examples of the sharing economy are a taxi-hailing service called Uber and a real-estate-subletting service called Airbnb. As with most enterprises emerging from Silicon Valley, they come with a very ambitious vocabulary. Brian Chesky, the co-founder of Airbnb, uses words like “revolution” and “movement” to describe his company, which is now valued at \$13 billion—a bit less than the price at which the stock market values Starwood, a company that operates 1,200 properties in 100 countries, under names like W, Westin and Sheraton—making Airbnb the best-capitalized revolutionary movement in history. The term “sharing economy” has been making the rounds for about a decade, but the phenomenon has roots in the 1990s: all of its trademark enthusiasms—the flattening of stodgy old hierarchies, the rise of peer-to-peer networks, the decentering of everything—were concepts imported into middlebrow culture by the likes of Thomas Friedman. Then as now, the structure of the Internet was taken as a model for society: a network of

peers rather than a gray-suited hierarchy. But in its last iteration, during the dot-com boom, techno-utopianism was more about the production side of the economy—transforming the world of work into a flexible, hip space for creativity and collaboration.

The updated version is more about the consumption side; in fact, another name for it is “collaborative consumption.” In a 2010 article in the *Harvard Business Review*, Rachel Botsman, formerly of the Clinton Foundation, and venture capitalist Roo Rogers applied the term to Zipcar and Netflix, though it seems like a grand appellation for gussied-up rental operations. “Collaborative consumption,” they wrote, “gives people the benefits of ownership with reduced personal burden and cost and also lower environmental impact—and it’s proving to be a compelling alternative to traditional forms of buying and ownership.” Less famous names in the “space,” as business professors like to say, included Zilok.com, a peer-to-peer rental scheme for tools and appliances (which offered me a jackhammer for \$18.75 a day); UsedCardboardBoxes.com, for the “rescue” and resale of used cardboard boxes (which brags that it’s saved over 900,000 trees); and the then-new Airbnb.

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Airbnb, which seems universally loved by both hosts and renters, has since become the most appealing example of this profitably collective ethos. I spoke with hosts (who universally crave anonymity) who pick up anywhere from \$15,000 to \$75,000 a year by renting out parts of their houses. It's not quite free money; one host in Los Angeles, whose annual earnings are at the high end of that range, estimates that it takes from one to three hours a day to maintain the space (which would work out to \$125 an hour or more). And guests love the service, too—it's much cheaper than a hotel.

But the model isn't blemish-free: there's a real, if hard-to-measure, impact on housing availability and affordability in desirable cities. In October, New York State Attorney General Eric Schneiderman issued a report tracing the rapid growth of Airbnb in New York City. It found many of the rentals illegal, which wouldn't necessarily be something to worry about if they didn't stretch an already-taut housing market. Schneiderman also found that many of the units are rented out not by individuals, but by large commercial operations that do nothing but let out units via Airbnb, taking them off the regular rental market. Airbnb's response is that the company has put an end to the commercial operators, and that its footprint is too small in any event—25,000 hosts in a rental market of 2.2 million units—to make much of a difference.

That may sound reasonable, but it's not fully convincing. Yes, 25,000 hosts is tiny next to a 2.2 million rental inventory—but there were only 68,000 vacancies as of the city's most recent survey. And more subtle displacements go on as well: one graduate student I spoke with took a two-bedroom apartment in a gentrifying Brooklyn neighborhood that he otherwise couldn't afford, knowing that he could rent out the empty room and cover his rent. He feels guilty, but what's an impecunious grad student to do? He added that he had a friend who rented a four-bedroom apartment, also in a gentrifying neighborhood, and Airbnb'd three of the rooms. Such practices take units off the rental market and grease the wheels of gentrification by making rapidly rising rents "affordable." My Los Angeles source said similar things about her neighborhood. And she dismissed Airbnb's claim about getting commercial operators out of the business; she's recognized houses previously run by professionals who have simply recast themselves as private individuals.

Airbnb would rather we see it as a community, not merely commerce, even as it hastens the breakup of working-class neighborhoods in cities like New York and Los Angeles. Airbnb's head of community, Douglas Atkin, wrote a book about how brands such as Apple are like a religion to their loyalists. The aim is to turn a business, whose overriding aim is to make a profit, into "radical belonging organizations."

Writing three years after Botsman and Rogers's "collaborative consumption" article in the *Harvard Business Review*, and with Airbnb firmly established as a leading "sharing" company, Arun Sundararajan announced in the same journal that collaborative-consumption models had surpassed Zipcar in the ride-sharing sphere. Zipcar was still burdened with a dedicated fleet, while outfits like RelayRides and GetAround allowed car owners to rent out vehicles they weren't using. Sundararajan said that while collaborative consumption was "more reminiscent of flower power than of Gordon Gekko," big business was going to have to adapt to its challenge. We're not there yet: last year, RelayRides reported on Monday of Thanksgiving week that I could rent a Camry for \$80 a day, or an Escalade for \$300 over the holiday weekend, in New York. Avis's Brooklyn location was out of cars.

But in ride sharing, there's really only one victor: Uber, a company with a knack for breaking laws, because the march of disruption can't be bothered with legalities. Uber is the headline-grabber of the moment because, at a dinner party in New York last November, a company VP suggested to BuzzFeed's Ben Smith that it might be a good idea to spend \$1 million hiring opposition

researchers to dig up dirt on the lives of journalists who had been writing critically about them—especially Pando’s Sarah Lacy.

But that’s only one of Uber’s problems. As Lacy noted, singling her out was just the latest in the company’s string of offenses against women. In June, an Uber driver kidnapped an inebriated woman in Los Angeles and drove her to a motel with the presumed intent of raping her, according to the charges. Driver screening seems minimal, and in Lacy’s words, the Uber PR team has a habit of “discrediting female passengers who accuse drivers of attacking them by whispering that they were ‘drunk’ or ‘dressed provocatively.’” Founder Travis Kalanick—whom colleagues call a “douche” and an “asshole”—bragged to a *GQ* reporter that his success had made him such a magnet for women that he should rename the company “Boob-er.” In France, Uber ran an ad promoting drivers who were also “*avions de chasse*,” which translates literally as “fighter planes” but colloquially as “hot chicks.”

According to legend, Kalanick founded Uber in 2009 one snowy evening in Paris after a brainstorming session with co-founder Garrett Camp. It launched in San Francisco—a city where it’s notoriously difficult to get a cab because of strict limits on their numbers—in 2010. It was far from Kalanick’s first venture. A youthful coder, he founded Scour.com, a Napsterish file-sharing site, in 1999, while still a student at UCLA; it was quickly

sued out of business by the entertainment industry for copyright violations. (Apparently, he has a thing for sharing other people's stuff.) A second venture, Red Swoosh, moved media files around legally for pay; it was sold in 2007 and made Kalanick a small-time millionaire. He's a big-time billionaire now.

After its San Francisco launch, Uber was immediately slapped with a cease-and-desist order by city authorities for running an unlicensed cab service. Kalanick found this opposition energizing: the company quickly expanded to other cities, sometimes with official blessings and sometimes without. At first, Uber featured high-end cars for a little taste of luxury, booked via a smartphone app. As Kalanick told an early Uber gathering, the experience was: "I pushed a button, and a car showed up, and now I'm a pimp." Uber soon faced competition at the low end from the now-second-banana ride-sharing service Lyft, however, and began recruiting regular people with regular cars as drivers. Its growth has been explosive: it now has hundreds of thousands of drivers in over 200 cities.

But there's a lot of discontent among drivers, both those who work for Uber and those who work for what are derisively called "incumbent" companies. Traditional drivers have staged protests against Uber and its rivals in Los Angeles, Washington and across Europe, although none have gone to the same lengths as Parisian cabbies, who have attacked the cars, smashing

windows and slashing tires. And while Kalanick et al. have a point about the restricted taxi availability in major cities, it's the fleet owners who are profiting, not the drivers facing a low-cost rival.

Uber drivers often complain about the low (and declining) pay and miserable conditions. S., a driver in Chicago (who, like everyone I spoke with, wanted to remain anonymous for fear of reprisals), says that full-timers put in sixty hours a week for an hourly rate that comes to \$12 or \$13 after expenses. He says the company is constantly scheming to cut pay. A., a driver in Los Angeles (and one of the few women in the trade), says she gets \$11 to \$12 an hour after expenses (daily expenses like gas, not depreciation of the car), which is around the twenty-fifth percentile of the city's hourly earnings, though about in line with typical taxi-driver pay. That's a sharp contrast with the \$35-an-hour rate that was dangled in front of her when she signed up. A. describes Uber as "a port in the storm," a way to pick up some cash while, Angeleno that she is, she works on some movie and web projects. Uber's a different story in New York, where all drivers have to be certified by the Taxi and Limousine Commission, and the cars are all regular cabs or car-service vehicles. Every Uber-hailed driver I've spoken with in New York likes the service, because it delivers more paying riders than they'd otherwise have.

Drivers are rated by their passengers, and if your rating isn't high enough, the company will "deactivate" you—which is how they say "fire," since you're just another node in the app to them. J., another LA driver whose name was passed along to me by an organizer with the California App-Based Drivers Association (a project of the Teamsters Union), says passengers love to wield this power over drivers: one insisted that he run a red light or lose his five-star rating. And J. says there's no appeal process for a bad rating or deactivation.

You need a newish car to drive for Uber; if your car gets too old, that's grounds for deactivation. But the company is ready to help: it's entered into a partnership with Santander, a Spanish bank, to offer car loans to drivers, with the payments conveniently deducted from their paycheck. According to the terms posted on Uberpeople.net, a chat board for drivers, the payments work out to an interest rate of around 21 percent. They get you coming and going.

Earlier this year, Uber hired former Obama campaign manager David Plouffe to handle its PR, strategy and lobbying. Kalanick describes a politico like Plouffe as a perfect fit with Uber, because there are daily "primaries going on with folks in the ride-sharing space." Well-capitalized revolutions need such high-end strategists.

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The sales pitch that accompanies this revolution is an update of what Richard Barbrook and Andy Cameron, writing almost twenty years ago, called the “Californian Ideology,” a “new faith [that] emerged from a bizarre fusion of the cultural bohemianism of San Francisco with the hi-tech industries of Silicon Valley.... [T]he Californian Ideology,” they added, “promiscuously combines the free-wheeling spirit of the hippies and the entrepreneurial zeal of the yuppies”—a marriage sealed by a common anti-statism. Its promise was that, in time, everyone will be “hip and rich.”

For Barbrook and Cameron, the techno-utopia promised in the mid-1990s was very much a product of the baby boom, with roots in a 1970s artisanal hippie/New Leftish capitalism, subsequently leavened with the rising libertarian ideology of the New Right in the 1980s. Individualism and techno-utopianism were merged into a single, seductive package. The latest update of the Californian Ideology is the product of a different cohort, one more comfortable with Ayn Rand than Charles Reich. Its enterprises are less associated with garages than with venture capitalists. It traffics in one of Silicon Valley’s favorite words, “disruption,” but it’s a bit short on the intense utopian promises of the New Economy era of the late ’90s. Then, technology was going to make work meaningful, end recessions and promote human understanding. Now, technology is making it easier for you to hail a taxi—in a way that’s taking down the already low incomes of “incumbent”

cabbies. It may make you feel hip, if that's something you're longing for, but it's going to make only a few people rich.

Of course, "sharing" entrepreneurs aren't entirely lacking a utopian line, as Chesky's exuberant language demonstrates. But despite the appeal to a green communitarianism, it just doesn't have the verve of its dot-com ancestor. That may be because in the 1990s bubble, jobs were easy to come by and real wages were rising across the board, so optimism was easily transmissible. Now, despite over five years of official recovery, the sharing economy offers some people, like cab drivers, the prospect of real wage cuts, and others, like people with a spare bedroom, a way to supplement stagnant incomes. The sharing economy is a nice way for rapacious capitalists to monetize the desperation of people in the post-crisis economy while sounding generous, and to evoke a fantasy of community in an atomized population.

Perhaps nothing exemplifies this growing desperation like the smaller, production-oriented side of the sharing economy. Here, the labor of people is shared in an arrangement that looks increasingly feudal. There's the venerable TaskRabbit, founded in 2008, which was described by *Wired* as an "eBay for real-world labor." It matches "Taskers" with "Clients"—firms or people with

errands to run. Financially, TaskRabbit is a pipsqueak next to the giants of the sharing space; according to CrunchBase, it's received just \$38 million in financing.

CrunchBase's bio for TaskRabbit hits all the right notes: "It was a cold night in Boston in February of 2008 when Leah Busque realized she was out of dog food for her 100-lb yellow lab, Kobe. Leah thought to herself, 'Wouldn't it be nice if there was a place online I could go to connect with my neighbors—maybe one who was already at the store at that very moment—who could help me out?'" Thanks to the magic of this "curated" website, lugging a bag of dog food on a cold winter night gets recast as an act of neighborly generosity, even though money will change hands and the "neighbor" is unlikely to be seen again. Many Taskers are people who had good jobs until the recession hit; as of last year, 70 percent had a bachelor's degree, and 5 percent a PhD. Now they're running around town fetching stuff. Comparable services like Amazon's Mechanical Turk allow workers to bid for the privilege of doing piecework online—filling out spreadsheets, doing graphic design, checking code for errors—at low rates with no accountability from companies, which can reject their work (and their invoice) if they deem it insufficient for any reason.

The sharing economy looks like a classically neoliberal response to neoliberalism: individualized and market-driven, it sees us all as micro-entrepreneurs fending for

ourselves in a hostile world. Its publicists seek to transform the instability of the post–Great Recession economy into opportunity. Waiting for your script to sell? Drive an Uber on the weekend. Can’t afford a place to live while attending grad school? Take a two-bedroom apartment and rent one room out. You may lack health insurance, sick days and a pension plan, but you’re in control.

As Airbnb’s Chesky said in a McKinsey & Company interview, today’s generation sees ownership as “a burden.” People aren’t proud of their homes or cars; they’re proud of their Instagram feed. As Chesky predicts, “in the future, people will own whatever they want responsibility for. And I think what they’re going to want responsibility for the most is their reputation, their friendships, their relationships, and the experiences they’ve had.” Affect triumphs over material lack. You may not have a job, Chesky adds, citing Thomas Friedman, but you’ll have an ever more complex “income stream”—which in most cases is more likely to be a trickle than a torrent.

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Doug Henwood

Doug Henwood is a contributing editor of *The Nation* and author *My Turn: Hillary Clinton Targets the Presidency*.

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