POLICY BRIEF

Texas Institute for Property Rights

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Defending the "Sharing Economy"

In recent years, much controversy has arisen over companies such as Airbnb and Uber. Airbnb and Uber are the poster boys of the "sharing economy"--a technological revolution that has allowed millions to become successful entrepreneurs. That revolution has been successful because it enables individuals to circumvent the regulatory cronyism that dominates many industries, such as lodging and taxis.

While the details about these companies and their industries differ, the critics of both industries are raising the same fundamental objection—these businesses aren't playing fair. Airbnb and Uber enable individuals to make money easily and conveniently by using assets that they already own—a home or vehicle. Hotels and taxi companies claim that sharing companies aren't being subjected to the same regulations as they are, and this isn't fair.

Critics of these companies want governments to force individuals to comply with the same regulations as hotels and taxis. They want to dictate how Airbnb and Uber (and the millions who operate under their umbrella) operate. According to the critics of the "sharing economy," business owners should not be permitted to operate as they choose, but rather, as government demands.

Notice that the critics do not demand more freedom for themselves. Instead, they want to "level" the playing field by subjecting Airbnb and Uber to the same stifling regulations that impede them. Instead of demanding that the regulations be removed, they demand that the innovators be shackled.

For example, the taxi industry is highly regulated in most municipalities. Before an individual can legally operate a taxi service, he must obtain a license from the municipality. And that license can be outrageously expensive—at one time a taxi license in New York City cost more than $1 million! An aspiring taxi entrepreneur simply cannot afford to pay such a fee simply to be allowed to offer a value to willing buyers.

The essence of the "sharing economy" is connecting willing sellers with willing buyers.

City governments (as well as some state and national governments) have fought back and enacted a multitude of restrictions and regulations explicitly aimed at sharing companies. But while large businesses might be the poster boys, individuals are the actual victims.

As an example, many local governments want to subject short-term rentals to hotel taxes. This can add an average of 14 percent to the cost. This makes a short-term rental less economically competitive with hotels, but it is only part of the cost of regulations. Compliance costs—collecting taxes, remitting taxes, and filing the proper forms—takes time. And an innocent error can result in penalties. Many individuals prefer to forgo the additional money instead of subject themselves to the vagaries of government bureaucracy.

Regulators like to paint the issue as large, out-of-state companies trying to destroy the fabric of a community. As an example, in 2017 the Texas legislature was considering a bill that would limit the ability of local governments to regulate short-term rentals. Airbnb supported the bills. At the time, Bennett Sandlin, executive director of the Texas Municipal League issued a statement claiming that

> Airbnb is trying to ram through the Legislature their special interest law to ban cities from adopting rules to deal with growing citizen complaints about the company's hotel operations in residential neighborhoods.

While this might make for a great soundbite, it evades the fact that Airbnb is not a hotel operation. It is a service that connects people who have something to sell something with people who want to buy that something. Airbnb and its competitors connect those with space to rent with those who want to rent space. Similarly, Uber and its competitors connect those with a vehicle for hire with those who want to hire a vehicle. This is what classified ads and the Yellow Pages did for decades. It is what Amazon, eBay, Craig's List, and countless other websites do today.

In the "good old days," things moved slowly. Regulators--those who want to control how others live--could keep up. But in the digital age, things move a little more rapidly. And innovators are finding creative ways to provide values, including connecting sellers and buyers. The regulators, who aren't interested in progress or individual flourishing, seek to stifle the innovators. And in doing so, they harm everyone.

Fundamentally, this is an attack on property rights. The right to property means the freedom to create, use, keep, trade, and dispose of material values. If an individual wants to rent a room in his house (or his entire house), he has a right to engage in that trade with a willing buyer. To prohibit him from doing so or to dictate the terms of that trade violates the property rights of both the seller and the buyer.

If an individual wants to drive others for a fee, he has a right to engage in that trade with a willing buyer. To prohibit him from doing so or to dictate the terms of that trade violates the property rights of both the seller and the buyer.

The "sharing economy" isn't really about sharing. It's a new way of doing business, and it empowers millions to make a better life for themselves. We should applaud and defend that.