What is the sharing economy?

The term sharing (or share) economy means to systematically borrow objects or provide and share spaces and areas, especially by private persons and interest groups. The term sharing economy is used synonymously – in addition to the original definition by Martin Weitzman (which is explained in more detail below) – or in relation to sharing information and knowledge.
cf. Springer Gabler Verlag (Herausgeber) Gabler Wirtschaftslexikon, Stichwort: Sharing Economy (2018). http://wirtschaftslexikon.gabler.de/Archiv/688938792/sharing-economy-v5.html (2024-05-27).

According to the idea of the sharing economy, one should not make something one's own, but use, inhabit, or cultivate it for a certain time. This also means that there needs to be an original owner. The focus is on shared consumption. The goods change owners as long as they are usable or available. A special case is crowd investing or crowd funding.

Beginning of this economic theory

According to Wikipedia, the term "share economy" was invented by Harvard economist Martin Weitzman in 1984 and means that the more is shared among all market participants, the more wealth is generated for all. Even if Weitzman did not have in mind the sharing models that are booming today, the idea of sharing things is not new. There have always been ways of leasing, renting, borrowing, or giving goods to others free of charge, for example in public libraries, doctors' offices, laundries, agricultural cooperatives, or car rental companies.

So why all this hype about the sharing economy?

Several (world) economic crises have shaken the economy and expectations of steady growth have not been met. Many people notice the widening gap between rich and poor, the increasing troubles of developing countries, and the ecological consequences of economic development with great skepticism. The last major financial and economic crisis was at the beginning of the 21st century. It directly affected many and is probably one of the reasons why especially young people have been looking for alternative market models. In the end, they did not only (re) discover them but even developed them further.

The need for more social responsibility and resource conservation has led to the development of more and more of such models. Initiatives such as community gardens, food sharing, private car sharing, etc. stand for a new, different attitude, and a shift away from a system of purely capitalist society and consumerism.

Role of the internet and social media

One of the reasons why sharing models are booming is the possibility of fast communication via the internet and the smartphone. Providers and potential users of services or products are connected with each other within a very short time, even worldwide. Many companies operate as internet platforms and reach users via apps. This means that companies reach a large number of interested people. In addition, the internet has a self-regulating function: With the help of social media, users and providers of sharing models evaluate each other and take action against abuse.

Sharing among young people

Sharing also plays an important role among young people. This was the result of a survey of young people in fall 2014 for the Institut für Jugendkulturforschung.

Motives and motivations are:

- **Political view:** For many young people, the sharing economy is an alternative to the throwaway and consumer society.
- **Saving money:** When things are currently expensive or do not necessarily have to be owned, people like to go back to sharing,

which makes the sharing economy especially interesting for young people.

- **Limitation and shortage**: Real shortages of certain goods and services are also an argument for the sharing culture. When living in a house is experienced as increasingly expensive, shared housing is a way to deal with the realities of the housing market.
- **Meeting new people:** Sharing communities are well networked and thus allow like-minded people to get to know each other.

cf. Prohaska, Katharina (2015). Sharing-Ökonomie in jugendlichen Lebenswelten. Wien.

Advantages and disadvantages

Sharing goods and trading services are the center of the sharing economy. The ideal form of the sharing economy is public-good oriented, which stands for important and positive topics such as the reduction of costs, social responsibility in dealing with property and resources as well as the idea of ecological sustainability.

On the other hand, profit-oriented sharing economy models (Airbnb, Uber, etc.) are also viewed critically. Massive criticism comes from the traditional economy. While alternative economic models are booming, traditional economic sectors, such as the car trade or the hotel industry, are complaining about losses and blaming sharing models such as Airbnb, Wimdu, Uber, or car-sharing. Criticism is not groundless regarding the partial lack of legal conditions for these sharing models. It is necessary to find answers to questions such as whether private landlords and drivers need a business license or whether they need to pay VAT. Here, the state needs to create a framework for competition. Since 2021, for example, Uber drivers first require a taxi license before they are allowed to transport people. And while driving with Uber may often be cheaper, one should not forget that in some situations the price is so low because the Uber drivers earn very little in the background. Platforms such as Airbnb, which allow the renting of housing for tourist purposes for a certain time, are also criticized. On the one hand, such services offer tourists cheaper and more authentic accommodation options than hotels. However, landlords can also make more money by regularly offering their unneeded apartments to tourists rather than by renting them to the locals. This results in a reduced number of accommodations for the local population. The shortage can then cause price increases for the remaining properties

Which sharing models are there?

There are numerous, very different, models that fall under the economic model of “sharing”, and it is often not easy to differentiate between these models.

The first classification that can be made is: Who is the seller and who is the buyer? Here, there are three cases:

- 1st case: The consumer is both seller and buyer (e.g., exchange platforms, clothing swap parties, couch-surfers, but also Airbnb, Uber, and Shpock). In this case, we are talking about a consumer-consumer business, with the company being the middleman (= peer-to-peer model).
- 2nd case: The company is the seller, and the consumer is the buyer (typical business model such as laundries or car rental models like Share Now) (= business-to-consumer model).
- 3rd case: The consumer is the seller, and the company is the buyer (this includes all crowd funding/crowd investing models) (= consumer-to-business model).

Very often, mediation platforms help consumers to find the (best) offers. Platforms such as AirBnB, Uber or willhaben earn their money by brokering offers. For consumers, this is mostly free of charge. The platform collects the money from the providers for the mediation. Some are profit-oriented, some are not.

Is sharing an economic model?

As explained earlier, the real idea in the sharing economy is the sharing of objects and services. Money is not the focus in the ideal form. It is about the useful exchange of goods and services. “I offer - I need” - is the focus. And there are different types for doing so: While some models are based on immediate exchange, other models have long-term goals, such as with a book exchange – sometimes you add a book, sometimes you take one out. In the end, the trust is that the book exchange is always filled and never fully empty.

It is also possible to have models that are not designed to make a profit, but for which money does play a role, for example, just to cover costs. In the ideal form, providers would rather not make profit, but also no loss. They would like to share the costs they would originally have to carry alone! A classic example is organized carpooling, such as via www.blablacar.de. On this website, for example, Paula finds out that Leo is driving his car to Salzburg next Saturday at 10 am. Leo asks all passengers to pay €10 each. This is cheaper for Paula than taking the train. So, here Leo shares his car and the fuel costs! The advantage is in sharing the costs and not in earning money! However, the difference between cost-covering and profit-oriented models is unclear. Nowadays, you can already find cooking invitations in private apartments on the internet, where the price for the meal is comparable to those of gourmet restaurants.

Finally, there is urban gardening, or “community gardening”. Here, the city provides and promotes the cultivation of green spaces. There are already many private community garden projects. In recent years, a commercially driven sharing economy has also developed. “Sharing instead of owning” has become a real business model.

Platforms such as Wimdu, Airbnb or 9-flats earn money from brokering private apartments and thus create a “win-win-win” situation: the person who rents his/her apartment, the platform that mediates the rental, and the tenants who have advantages (lower rent). However, the offers are also criticized: For example, the shortage of living space or the question of tax evasion cause problems.

Crowd funding/Crowd investing

A commercially shaped form of the sharing economy is crowd funding/crowd investing: Companies collect money from private persons to realize a business idea or to cover a financial need that banks don’t or not so likely do. This can even involve a great amount of money (up to 2 million euros for a company, and no more than 5,000 euros for a consumer within a time span of 12 months). However, one can also lose the entire sum invested. While crowd funding is done out of a willingness to help or a passion for a project (and therefore is more symbolic or in the form of material goods), crowd investors expect a return, compensation in form of money, or even company shares.

Advantages and criticism of crowd funding

Especially small and medium-sized companies, which have difficulties in getting a loan from the bank, benefit from this possibility to finance their projects with the help of a large number of investors. The idea sounds good; however, there are usually good reasons why banks do not support such companies in the first place.

When the first crowd funding projects were launched, there were no legal requirements. A company simply announced that it needed money, and many people gave small and larger contributions to the company, because of this call. For example, this is how the financing model of the Waldviertel shoe manufacturer Heinrich Staudinger looked like. But certain businesses, such as taking savings deposits, are reserved exclusively for banks. And for this, banks require a license. Both the Finanzmarktaufsicht (FMA) and the Supreme Court therefore prohibited this type of corporate financing. In addition, it was criticized that the invested funds were not covered by deposit insurance and thus did not provide sufficient protection for investors.

Since 2015, the Alternativfinanzierungsgesetz is in place, which creates a legal framework for alternative financing starting from an amount of €250,000 to be collected. It allows business financing without involving banks, but, at the same time, the investors are protected by uniform information and disclosure requirements. However, total losses can still occur if the project fails.

Link list of popular platforms:

www.leila.wien
www.kostnixladen.at
www.flohmarkt.at
https://foodsharing.at
www.vinted.at
www.kaesch.at
www.shpock.com
www.willhaben.at
www.hometogo.at
https://talenteverbund.at
http://foodcoops.at
www.couchsurfing.com
www.airbnb.at
www.wimdu.de
www.9flats.com/de
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www.umsonstladen.at
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www.gemeinwohlprojekte.at/crowdfunding-fuer-gemeinwohl
https://shary.at

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