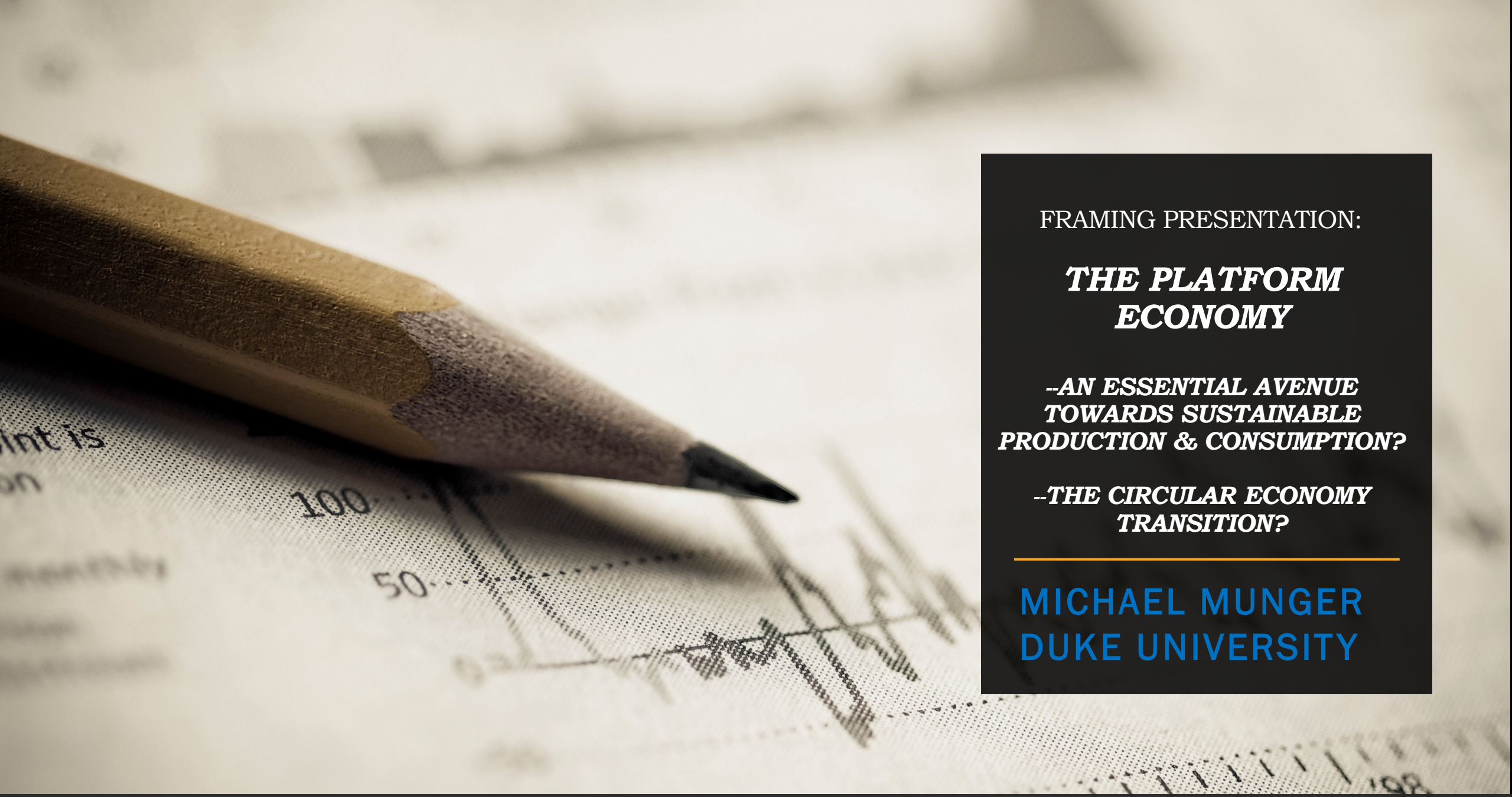

FRAMING PRESENTATION:

THE PLATFORM ECONOMY

--AN ESSENTIAL AVENUE TOWARDS SUSTAINABLE PRODUCTION & CONSUMPTION?

--THE CIRCULAR ECONOMY TRANSITION?

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Examples: Doing MORE with LESS

- Dimensions of Difficulty: Permissionless Innovation and Disruptive Commodifcation
- New Regulatory Paradigms
- Packaging and Enhanced Producer Responsibility
- Platforms for Cooperation
- Commodification of Excess Capacity
- Two Examples:

What is the platform economy?

A Platform is any setting for cooperation that solves the three core problems:

(1) Triangulation
(2) Transfer
(3) Trust

Until now, different sectors (P2P, B2B, and B2C). Many businesses have been brokers, organizing 2-sided markets. Platforms blur these distinctions. Reducing transaction costs commodifies excess capacity – not only physical assets, but skills, money, and hobbies. Evolution of platforms:

1. Souk in Fertile Crescent
2. Sears Catalog
3. Malls
4. Amazon
5. Wikipedia

Platforms: Potential

Owning costs twice: opportunity costs of (1) capital, (2) storage/disposal costs. Linear, dead end process

Sharing/renting reduces opportunity cost, because

(1) each user owns only a slice of time

(2) storage is shared rather than linear.

Enormous potential: most household products are unused at any given time. Owned, and stored. Most capital assets are owned, and stored.because using them further would have transactions costs that exceed the potential revenue or savings.

Aspirations/Imperatives of the sharing economy transition:
(1) Allow those who now *own* the least to *use* (much) more
(2) Use fewer resources overall…
(3) …sustainably, connecting with the "circular economy" and SDG/2030 Agenda

Platforms: Potential

Policy levers to pull:

1. “Enhanced Producer Responsibility;” government policies that encourage EPR could articulate with sharing platforms. Reassigning property rights/responsibility to those with clearest ability to make changes: producers.

2. Standards and guidelines for “black box” (analogous to airlines, but for “internet of things” items) to reduce cost of assessing liability for damage to products being shared.

3. End explicit and implicit subsidies of “personal” transport modes. Commodification of excess capacity will happen naturally (BlaBlaCar). Hybrid forms of group transport, passenger/freight vehicles. Like ships in 19th Century.

Entrepreneurship: Potential for Cooperation

What factors will drive the platform economy – and what might hold it back?

Innovative entrepreneurs will be central search and discovery process. Baumol (1990): ALL nations have entrepreneurs.

Three types of entrepreneurship:

(1) arbitrage, just making better use of things we already have, and store or leave idle.

(2) innovation, and new ideas of products, services, or apps.

(3) creation of new platforms

Infrastructure is important: starting with affordable, high-speed connectivity – but going far beyond that. History teaches us that we will create new jobs – eventually. We learn how to augment, rather than replace, technology. (ATMs, Philippine radiologists servicing US hospitals,)

But we need to rethink our policies to speed this process up, and to promote innovative, even experimental ways to solve this. Minimum wage laws accelerate the process of cutting jobs, in the near term. But what is the alternative?

Platforms: Effects

Platforms allow us to use resource better, more intensely, and much more cheaply

Ownership secures a stream of services. But use is intermittent, with storage costs in between.

Storage costs can be turned into a revenue stream, products become services. The result?
(1) smaller footprint (parking “Apparkingspot.com,” closets “Rent the Runway,”)
(2) much more intensive use, ending “throw-away” culture (rentals “Turo” and “Spinlister”, tool libraries)
(3) much wider and cheaper and convenient access, so everyone gets access (tutoring,Taskrabbit, Hoffice, accounting or other business services).

Human interaction around highly specific interests: *promote division of labor*, Durkheim’s sense of communities and “organic solidarity” is a complement to Smith’s commercial division of labor.

Enormous value that is not measured: *consumer surplus.*

Ending emphasis on pricing and ownership expands value to users. Price system is not the ONLY way to promote division of labor!

Platforms: Problems?

Requires New Regulatory Paradigm: Network externalities are the VALUE PROPOSITION. Reduce transaction costs. But for the same reason network externalities create barriers to entry and market power. Not exactly anti-trust, or EoS/utilities. Must take the old goals of anti-trust (consumer value) to heart, but recognize that the problem here is not high prices, as in traditional monopolies. Governments need to create presumptive property rights to data, and protect use of private data for profit.

Privacy and Ownership of Data: Problems of privacy, making reputations portable, without using "social credit scores" for political control and suppressing dissent.

Institutions in Developing Nations: What will this mean for progress towards sustainable development, especially in transition economies? Saltating change, "turn-key" development institutions on blockchain.

More Value, Much Smaller GDP: Most of the benefit will come as social return and consumer surplus, while physical output from existing activities will actually decrease. Prices and wages may fall, jobs overtaken by gigs. Employment security, precariousness of income streams?

Regulation of Space: Big increase in space in central cities as parking is taken for other uses, smaller flats as storage needs are reduced.

Prices and Expectations: Prices of using things will fall, and income will fall. Problem is to ensure that prices fall by more than incomes, for most people. INCREASE in "real income." Panic, or JM Keynes' famous "two day work week."

Covid a barrier, or an accelerator? Effects of Covid shows substantial momentum created. Perhaps permanent increase in remote work, less travel to meetings, but what about restaurants and live entertainment? If they don't survive, the very nature of urban life will change.

Role of Governments and Policy

Infrastructure – first point of call. Infrastructure in a broader sense: move away from regulation to agile governance that allows for different ways of achieving the intended effects, and rethink traditional approaches to anti-trust, natural monopolies, and utilities

The most looming challenge is regulating data – finding cross-border solutions to allow us to put their enormous potential to use while ensuring privacy and legitimacy (talk about block-chain solutions to anonymity and smart contracts, and perhaps pseudonymity and anonymity)

The most basic principles are:

1. Allow for permissionless innovation.
2. Monitor developments and impact carefully.
3. Try things out on a small, pilot basis.
4. Look for opportunities to set standards that reduce transaction costs of sharing (black box technology for power drills)
5. Flexibility. If something does not work, stop doing it. THESE principles are good. The problem is that if something doesn't work we usually conclude we need to spend MORE on it, not stop doing it!

Developing Nations: Saltation or Separation?

It is much easier to copy things that have worked elsewhere without reinventing the wheel

Cellphones, not factories: Most return will come in the shape of consumer surplus and inclusion, more efficient usage of resources – higher utilisation rates

The high levels of educational attainment in ECE transition countries are an important factor to make the most of the potential

Manufacturing drove capacity accumulation and development in East Asia – but its employment is decreasing and will decrease further, as we will need less stuff overall. Trying to "get out in front" of this process. ***Lower prices, lower wages, fewer jobs. And then….?***

Same effect on domestic, low value-added services. ***Most of the returns will not show up in GDP figures***

D. North: "Different History." Not much help. Saltation? Corrupt law enforcement, slow judiciary, expensive financial systems. Is it possible to leap over these?