

SHARING ECONOMY, REGULATORY ARBITRAGE, AND URBAN GOVERNANCE: HOW CITY SPACE SHAPES ECONOMIC GROWTH AND INNOVATION

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ABSTRACT. Employing recent research results (e.g. Davidson and Infranca, 2016) covering the relationship between sharing economy, regulatory arbitrage, and urban governance, and using data from Pew Research Center, I performed analyses and made estimates regarding the debate over the legality of home-sharing services, U.S. users' views of ride-hailing services, and U.S. individuals who expect these services to play a role in managing the customer experience. Empirical and secondary data are used to support the claim that the numerous well-resourced disputes that sharing economy companies are having with city governments have established the conditions of the sharing economy and have altered the character of local government regulation.

Keywords: sharing economy; regulatory arbitrage; urban governance; city space

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1. Introduction

The sharing economy is flourishing by reintegrating assets and individuals in a determinedly deep-rooted, place-based manner (Barros-Del Rio, 2016; Havu, 2017; Mihăilă, Popescu, and Nica, 2016; Popescu et al., 2018) and by supplying ground-breaking solutions to the demandings of life in populous urban regions. Trust mechanisms that are essential to sharing economy platforms produce value by taking actions to certain urban circumstances of crowded, mass indistinctness. Regulatory conditions may confine or alter the provision of urban amenities, shaping the additional capacity that sharing economy companies capitalize on to satisfy demand for services like ride sharing and alternative housings. (Davidson and Infranca, 2016)

2. Literature Review

Sharing companies have identified ways to step on current local regulatory incongruities and hindrances to entry brought about by local law, generating the chance for regulatory arbitrage, because such enterprises establish and organize their activities to bypass local regulation. Such endeavors give rise to frictions (Andrei et al., 2016a, b; Gava, 2016; Michailidou, 2017; Nica, Potcovaru, and Mirică (Dumitrescu), 2017; Popescu et al., 2017a, b, c), as sharing-economy competitors are in conflict with incumbent suppliers at the local level. The concentration and physical closeness that further thicken markets for sharing firms indicate that any adverse spillovers are intensified locally. Sharing platforms, by building up utilization of present resources and unraveling additional capacity, may generate concerted, bounded externalities, by swiftly expanded in urban regions. As sharing enterprises are disorganizing established segments of urban economies (Esty, 2017; Life, 2017; Nica, 2015; Popescu and Alpopi, 2017), regulatory arbitrage has been extremely adequate. (Davidson and Infranca, 2016)

3. Methodology

Using data from Pew Research Center, I performed analyses and made estimates regarding the debate over the legality of home-sharing services, U.S. users' views of ride-hailing services, and U.S. individuals who expect these services to play a role in managing the customer experience. Empirical and secondary data are used to support the claim that the numerous well-resourced disputes that sharing economy companies are having with city governments have established the conditions of the sharing economy and have altered the character of local government regulation.

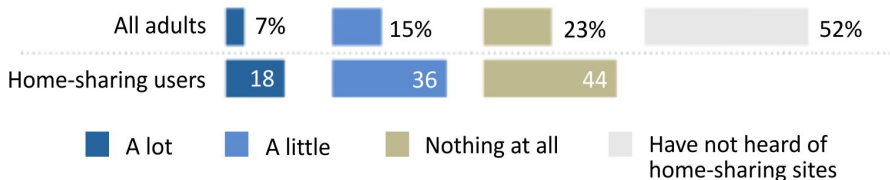
4. Results and Discussion

Local governments ask that sharing-economy companies make data concerning their operations public and adhere to current regulations. Insofar as sharing economy companies constrain local governments in the direction of more information-driven policymaking, such endeavors may harmonize demands for superior regulatory unambiguousness by local citizens. As a result of the swiftly unstable underlying forces of the sharing economy and the substantial information it brings about (Bratu, 2016a, b; Holzer, 2017; Mihăilă, 2017; Peters, 2017; Teubner, Hawlitschek, and Dann, 2017), cities may examine and alter regulatory reactions taking into account novel data. Grasping the sharing economy as a city phenomenon involves local governments to more comprehensively normalize it (Dușmănescu et al., 2016; Lăzăroiu et al., 2017; Nica et al., 2014; Popescu, 2014) and to reflect on how the substantial information it brings about may facilitate more precisely adjusted reactions to its concentrated consequences. The sharing economy has been defined and enhanced through the apportioned disharmonies of local regulatory arrangements,

but it is also remodeling cities themselves, by creating novel patterns of local governance and political involvement and by modifying models of advancement and mobility. (Davidson and Infranca, 2016) (Figures 1–6)

Figure 1 The debate over the legality of home-sharing services

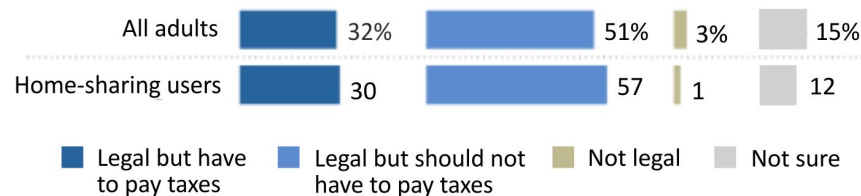
Percent in each group who have heard ... about the debate over whether or not homeowners should be able to legally rent out their homes using services like Airbnb, VRBO or HomeAway



Sources: Pew Research Center; my survey among 2,400 individuals conducted October 2017.

Figure 2 Both users and nonusers strongly support the legality of home-sharing services and feel that homeowners using them should not have to pay taxes in order to use them

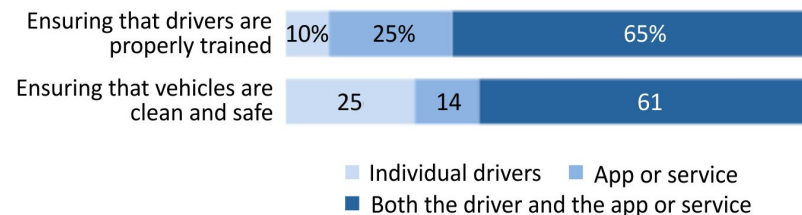
Among individuals who have heard about this debate, percent who say these services should be...



Sources: Pew Research Center; my survey among 2,400 individuals conducted October 2017.

Figure 3 U.S. individuals expect these services to play a role in managing the customer experience

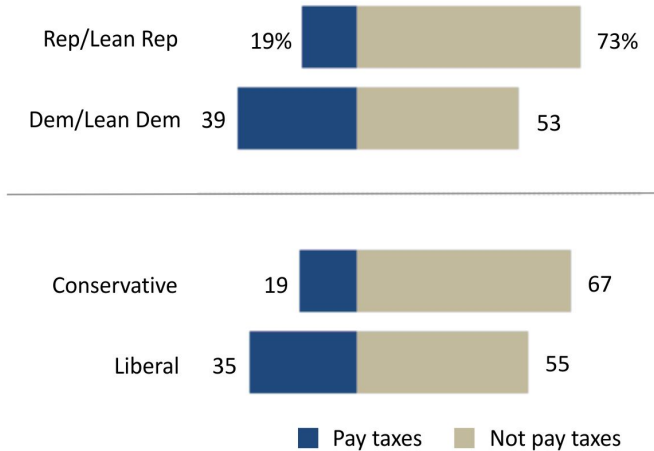
Percent of ride-hailing users who think ... is/are responsible for ensuring the following aspects of service are achieved



Sources: Pew Research Center; my survey among 2,400 individuals conducted October 2017.

Figure 4 Both conservative, liberal home-sharing users feel that owners should not have to pay taxes to use these services

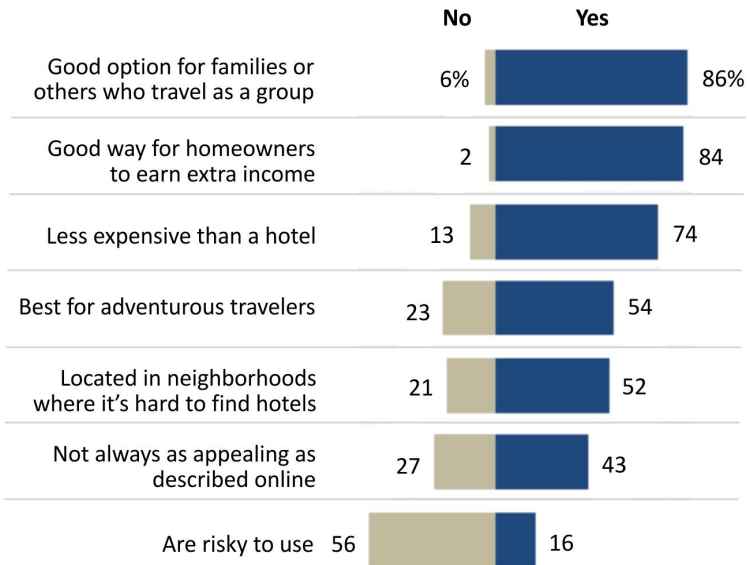
Percent of U.S. home-sharing users in each group who feel that owners should/should not be required to pay hotel or occupancy taxes to use these services



Sources: Pew Research Center; my survey among 2,400 individuals conducted October 2017.

Figure 5 Home-sharing users view these services as good for people traveling as groups, homeowners looking for extra income

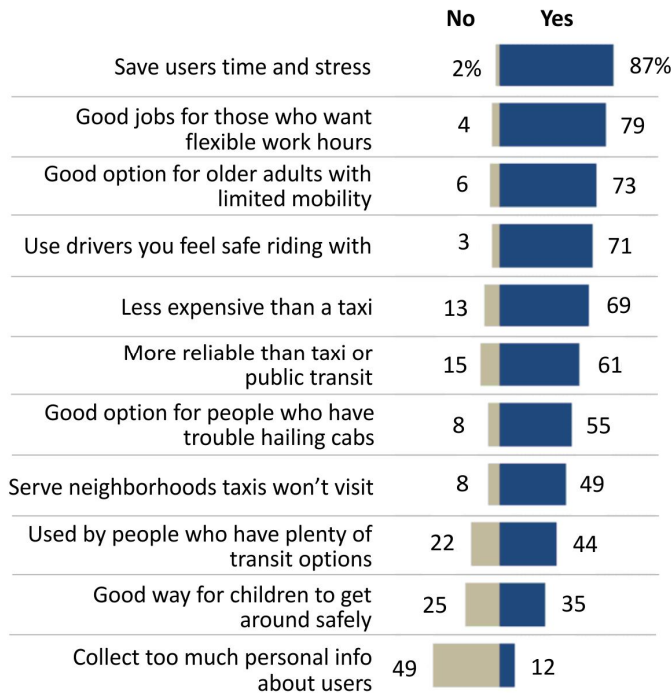
Percent of U.S. home-sharing users who feel that the following statements describe these services well or not



Sources: Pew Research Center; my survey among 2,400 individuals conducted October 2017.

Figure 6 U.S. users' views of ride-hailing services

Percent of ride-hailing users who feel that the following statements describe these services well or not



Sources: Pew Research Center; my survey among 2,400 individuals conducted October 2017.
 Note: Don't know responses not shown.

5. Conclusions

Numerous sharing economy firms have thrived via a type of regulatory arbitrage that exploits local administrative challenges. The numerous well-resourced disputes that sharing economy companies are having with city governments have established the conditions of the sharing economy and have altered the character of local government regulation (Buchely, 2016; Lăzăroiu, 2017; Moser, 2017; Popescu Ljungholm, 2017a, b; Zogning, 2017) in these essential manners: (i) insofar as the sharing economy flourishes by exploiting the current regulation, it is constraining local governments to more markedly convey and adjust their administrative aims; (ii) local governments are attempting to incorporate register sharing-economy companies in this mechanism by acquiring the massive information such enterprises own; and (iii) the sharing economy, by carrying out particular confined regulations more relevant for local citizens, may have spillover consequences bringing about raised requirements of unambiguousness for local government regulation. (Davidson and Infranca, 2016)

Author Contributions

The author confirms being the sole contributor of this work and approved it for publication.

Conflict of Interest Statement

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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