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'Share' economy to bring sweeping changes

By: Kim Lyons
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Jonathan Danial is a concierge, making sure guests have bottled water, crisp linens and the signature house banana bread — in his home.

David Pavel has been a classic limo driver, chatting up his passengers as he gets them where they're going — in his car.

The two men are part of the "share" economy, a system where people connect through advanced technology to offer old-fashioned things such as a room (through services such as Airbnb) or a ride (Uber or Lyft) directly to a stranger.

It's a big deal.

"It's the first new economic system to emerge since the advent of socialism and capitalism in the 19th century," said Jeremy Rifkin, an economist and author of the new book "The Zero Marginal Cost Society." "It's already transforming economic life, and it's going to change every aspect of our lives dramatically for the next few years."

President Barack Obama spoke of this concept last month when he was in Pittsburgh. "Part of what technology has enabled is the same thing that's driving Uber or Airbnb — this concept of the share economy," the president said.

Duquesne University economist Matt Ryan said the strongly supportive local reaction to Lyft and Uber has surprised him. "The only people fighting against them are those trying to protect the regulated industries."

The fight has not been insignificant, with Pennsylvania's Public Utility Commission last week issuing a cease-and-desist order on Lyft and Uber operations. The companies face fines of \$1,000 per day, and 23 drivers face civil and criminal charges after a PUC enforcement officer cited them for driving for the ride-share companies, and Pennsylvania is only one area where Uber and Lyft are battling with government regulators.

The resistance from cab and limousine companies is understandable, Ryan said. "They make money from restricted competition," he said. "If put in this situation, of course most people would respond like this. It's like when Wal-Mart moves into an area; they always take a beating in the press, but they have the confidence that they will be successful. People complain, but at

the end of the day, they're being well-served. The market bears out, and people vote with their dollars."

Airbnb, which connects travelers with lodging in private homes, has not yet dealt with resistance from regulators in Pennsylvania. That hasn't been the case in New York, where the battle between Airbnb hosts and renters and the state attorney general has prompted headlines such as "The City that Never Shares?"

"No one expected that a technology revolution would be so extreme in its productivity that it could reduce the marginal costs for a whole array of goods and services to make them nearly free and no longer subject to traditional market forces," Rifkin said.

Pavel was one of the cited Lyft drivers and said he sorely misses it, not so much for the extra income but for the camaraderie. "It is a great way to meet new people," he said. "Pittsburghers are so real and honest. I heard so many unique stories."

He thinks the latest regulatory action is a bump in the road, however, and expects ride sharing to win in the end. "Even if they lose the cease-and-desist battle, they won't lose the war," he said. "It's innovation; it's progress. Back in the 19th century, carriage manufacturers tried to lobby that automobiles are unsafe. Look how that worked out."

Danial said his partner was not on board with the idea of renting out a room in their home at first but was quickly won over. "We've had guests from Europe, guests from all over the United States," he said. "

Another Airbnb host in Pittsburgh, Kate Stoltzfus, said she and her husband rent out what used to be called a mother-in-law apartment in Garfield. They have not had any bad experiences and have had several repeat guests, she said, adding that they screen potential guests carefully. The extra income has been helpful, too, she said.

"I think it's a great way to show Pittsburgh to people (who) don't live here," she said. "It's a chance to get to know the city, to see that Pittsburgh isn't this deserted, polluted place."

The biggest complaint she hears from her Airbnb guests: "They don't understand why they can't hail a cab."

What the latest crop of startups is doing, is continuing what Napster started in the late 1990s with music sharing, making it easier for people to connect with each other, Rifkin said. Once a technology such as that is introduced, it doesn't just go away, even if it gets shut down for a time, Rifkin said.

Besides Airbnb and Lyft and Uber, there are other well-funded technology companies that haven't arrived in Pittsburgh yet but are connecting people with everyday wants and needs: TaskRabbit lets people rent themselves out for odd jobs and small tasks. Parking Panda lets people share and sublet parking spaces, to the chagrin of some cities' parking authorities. Many

universities, even schools as venerable as Harvard and Yale, offer some version of massive open online courses, or MOOCs, which allow sharing of knowledge and education.

Matthew Feeney, policy analyst with the Cato Institute, said to expect more of these companies in the future.

"They are taking advantage of new technology but in order to do things that are familiar," he said. "This is technology that allows people to do things they have been doing for decades, letting someone crash on their couch or giving rides."

New technology has long meant lost jobs, from the printing press through the industrial revolution and computerization. Feeney said he understands the frustrations of taxi drivers, who have long operated in a heavily regulated industry, and now see upstarts such as Lyft and Uber suddenly come along and get around those rules.

"They go through a lot of unnecessary steps to be able to drive a taxi, but the frustrations of one group are going to lose out because frustration is no reason to halt innovation. If it were, we would not have cars or computers."

The way forward, then, is not to try to fit these new companies into existing systems but to create new systems that better accommodate them, Feeney added.

"Lawmakers want to level the playing field by making Uber and Lyft follow outdated regulations," he said. "What they should be doing is reducing the number of regulations."