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Uber-style disruption OK as long as it leaves us in a better place

The notion of a sharing economy would find much less traction if the U.S. economy was creating enough well-paid, full-time jobs with benefits.

By Jon Talton
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Coming out of Benaroya Hall recently, I saw a young woman standing on the sidewalk with her smartphone. Soon an unmarked sedan arrived and she slid in the back seat alone. The only other occupant was the driver.

I realized that I was seeing Uber, or one of its competitors, at work.

In the same situation, I'm not sure I would have gotten in that car. While crimes involving taxi drivers happen, they are subject to rigorous background checks and licensing requirements. But, I thought, maybe that was just the mystery writer in me, over-imagining.

Instead, earlier this month an Uber driver was arrested in the alleged rape of a 27-year-old female passenger. He was a serial sex offender and out on bail for a previous rape. New Delhi responded by banning Uber.

If you've been on Mars with NASA's Curiosity rover, Uber is the most popular of the ride-sharing companies muscling its way into the province of cab companies. The 5-year-old company has raised $2.7 billion and might be valued at $40 billion if it went public.

Uber works with an app that allows customers to summon a ride. Drivers use their own cars. It operates in 250 cities worldwide.

Headquartered in San Francisco, Uber is also the exemplar of the so-called sharing economy, where individuals rent out everything from their vehicles to apartments and even power tools to make extra money. For promoters, this is "disruption" at its best.

The downside: The business model "is largely based on evading regulations and breaking the law," as economist Dean Baker wrote in the Guardian.

While Seattle accepted the ride-sharing services under a two-year pilot program that provides for some regulations and capping the number of drivers, the big battle in the Northwest is to the south.

Portland earlier this month sued Uber, calling it an "immediate, real and substantial threat to the public." Among the city's concerns are that drivers are not insured, do not hold commercial licenses and are not screened by authorities. The cars also lack the security cameras required of taxicabs.

The company has found similar roadblocks elsewhere, including Las Vegas, Austin and Philadelphia. In Boston, Uber is facing a suit by lawyer Shannon Liss-Riordan for allegedly exploiting its independent-contractor drivers. Among her prominent victories was a case representing Starbucks baristas.

Another concern is the security of Uber's data collection or how it might put that to use.

Nor did Uber help itself when it emerged that a senior executive advocated spending "a million dollars" digging up dirt on critics in the media (dig away, I'm an easy target). After that embarrassment, co-founder Travis Kalanick promised "a smarter and more humble company."

Uber has steadfastly defended its safety and vetting of drivers. It also has spent heavily to get its way in state capitals, fighting what it considers obsolete laws and a cartel of cab companies.

Investors are certainly enamored. So are most economists.

Two-thirds of respondents to a University of Chicago poll agreed that, "Letting car services such as Uber or Lyft compete with taxi firms on equal footing regarding genuine safety and insurance requirements, but without restrictions on prices or routes, raises consumer welfare."

This provoked Cato Institute economist Arnold Kling to blog, "Let me suggest the next poll question: 'Letting unlicensed medical providers compete with doctors and other licensed practitioners on equal footing regarding genuine safety requirements, but without restrictions on prices or services, raises consumer welfare.'"

And who are these drivers anyway? Professionals? College students? How much money do they make? Objective evidence is thin so far. But the Uber Driver Diaries blog offers some fascinating insights.

My big problem with Uber-style "disruption" is that it penalizes those who have played by the rules and paid taxes to support the public good — mostly to enrich some clever Bay Area techies and capitalists with little regard for the consequences of these toys.

Rather like Amazon, they promise convenience, competitive pricing and technologically enabled ease. Most are not sustaining or rebuilding a middle class already savaged by the similar Wal-Mart business model.

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To utter such blasphemy in a tech town risks being likened to a buggy-whip maker as the automotive age took off.

But this familiar twee refrain is erroneous.

The makers of buggy whips were a relatively small number of artisans and their assistants.

The auto industry disrupted, but also created millions of jobs at ever-better wages and benefits. It was a major component in the expansion of the American middle class in the 20th century.

Now we’re going in the opposite direction. An elite has the whip hand, and the rest of us are along for a bumpy, costly ride.