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# **SHARING ECONOMY**

Trust, legislation and the new technological change

# ABSTRACT

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Sharing Economy represents one of the markets with the best growth trends: the basic concept is about sharing property and applications, in different sectors. It is an important topic nowadays, especially in the financial markets, since the "Sharing Economy" model has a disruptive potential in many traditional areas. Taxi services such as Uber, home-sharing such as Airbnb or even platforms that provide credit at lower market rates, such as Lending Club, have millions of users, but they also attract a lot of criticism.

Sharing Economy is a concept that has not been completely analyzed yet from the point of view of the legal and behavioral rules to be applied. For this reason, it is sometimes an unexplored territory.

60% of the world population believes that innovation will be the main factor that will influence economic growth over the next 30 years. Innovation is one of the driving forces of our society and represents the constant engine of new ideas. The technological inventions we watched few years ago in science fiction and in some Hollywood films, such as artificial intelligence, connected devices and 3D printing, are allowing us to connect and invent new ways that we have never seen before. However, different thoughts can be discussed about this topic.

The Canadian researcher Tom Slee, for instance, claimed in the famous book "What's mine is yours" that "Many people place too much faith in the intrinsic capabilities of the Internet to promote trust and a fair community, helping and facilitating accumulation unintentionally of private fortunes and the construction of new forms of exploitation working". What makes Sharing Economy so attractive is its low cost, efficiency, convenience, lack of intermediaries and greater flexibility. But all this can also mean lower wages and less protection. Moreover, Sharing Economy makes a small contribution to GDP by now, because sharing often involves modest payments. Offering a student free accommodation for one night or a free ride can be a good thing and reduce CO2 emissions, but can potentially lead to a reduction in GDP, because the student would have booked a room in a hotel or would have travelled by train, in other circumstances. The indirect impact on GDP can, however, be positive, because the Sharing Economy encourages people to travel more and allows them to spend the money saved for other purposes.

Today, monopolies dominate the current Sharing Economy and markets. So why Blockchain as an infrastructure of the Sharing Economy platforms can represent the solution to many problems? The platforms based on Blockchain technology have much lower costs and offer complete transparency, eliminating the intermediaries, so large companies that follow Sharing Economy's ideas, as well as other online markets, should make sure to keep up with these developments if they want to remain at the top of their sector. Therefore, choosing a Blockchain technology means eliminating a percentage equal to 20/30% of the costs for traditional platform transactions: this is because all transactions are recorded on the Blockchain, in a database that is shared by the various users.

It is also important to not confuse the traditional models of "crowd-sourcing", where people contribute to the development of platforms but where they do not benefit from their success. Blockchain technology can make crowd-sourcing systems even more "cooperative" where one identifies as both contributors and platform shareholders.

The path of technological evolution is paved with good intentions turned into monopolies and bad habits which are often replaced by new interpreters. Microsoft coined the motto "A Computer on every desk and in every home", but then it suffered sanctions from the antitrust and Google came that was born on the wings of "No Evil". History seems to repeat itself and it is now in the hands of the new entrepreneurs of the Blockchain Economy to correct the mistakes of the past without incurring new ones.

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# 1 INTRODUCTION

*“If you have an apple and I have an apple and we exchange these apples then you and I will still each have one apple. But if you have an idea and I have an idea and we exchange these ideas, then each of us will have two ideas.”*

George Bernard Shaw

When I read this statement by G.B. Shaw for the very first time, I immediately thought it could represent the best summary of what Sharing Economy means nowadays.

As I am ending my university studies in Economics, I would like to underline once again two of the main basic economic principles:

- 1) scarcity of resources;
- 2) importance of exchanges.

The main idea of the Collaborative Economy, which is the second well-known definition instead of “sharing”, comes from these options out.

Resources are scarce: they are not available in sufficient quantities for any predictable present or future human needs. In other words, they are not limitless. The political economy definition claims that the scarcity of resource means "limitation" of it, so it cannot be available ad infinitum. Sharing our goods could be a possible solution if we want to fight the limits.

The contrast between scarce resources and unlimited human requirements creates a problem of structural imbalance, which forces man to make choices. Man have unlimited number of needs and limited resources. The heart of economic science is based on this diatribe: the man and the choices he seeks.

Every economic transaction is an element of trust.

When we deposit our money into a bank and when we buy shares or goods on the websites, we need to trust someone we do not know and someone we do not see.

We can only hope that the company we invest in is not a fraud and that the product acquired corresponds to what we have ordered.

Much of this trust comes from the existence of protecting laws and commercial practices on grounds of the contractors. In many countries, there are control authorities who are observing (or should observe) on the legitimacy of companies making money demands to the public. If the buyer is not satisfied, many businesses offer their customers the right to return the product purchased without any aggravation. All these protections count little if we do not trust our counterparty. Good faith is what we need to believe in.

Laws can be “tricked”, commercial practices can be followed in form but not in substance and legal remedy can be so much expensive that become useless. Trust is essential to have the effect on the network and it is important to create bidirectional evaluation systems that can encourage buyers and sellers to become frequent users of its platform.

The following dissertation tries to go into the Sharing Economy reality, with a special soft spot to the issues of trust, the ambiguity of legislation and the role of the Blockchain technology. While we have already heard something about trust and its relevance for the collaborative economy, we probably know only few information about the Blockchain technology.

In this thesis, I would like to point its significance out, which is still ongoing and why this new form of technology will probably change the economic world we know. Sharing Economy is an economic revolution, which worth more than 553 billion dollars in the USA and more than 22,4 billion pounds in the United Kingdom. The trafficking seems to be still unclear in some respects, but we are sure that it is an unstoppable issue.

Is it a problem or does it represent an advantage for our modern society? How can collaborative economy could meet all the people and all the culture around the world? How can it put diverse people (with unlike backgrounds and different ideas) in touch? How can a world-class affair guarantee the same conditions and the same positive results both in Europe and in America or in Asia? I will try to analyse the most important Collaborative Economy’s aspects, especially by talking about Uber and Airbnb.

As I am going to explain a bit later, these two platforms represent the two perfect models: they are both famous everywhere and they are continuously matter of common concern, warts and all. What is certain is the role of the social media and the social network. In the past decades, companies and firms came out thanks to the market place or thanks to the union of some groups of people.

Creating companies was the fast and the cheapest solution in the past, because costs of internalisation were less than the transaction costs. Today everything has changed, because Internet has cut not only the costs but even more the time. If we think about some jobs, indispensable for the proper functionary in the preceding years, like salesmen who knocked and still knock everyone's door to sell their products, we immediately think that this profession may not be necessary anymore nowadays.

Why wasting money and time if we can sit on a chair, open our notebook/tablet/phone and sell goods with the click of the mouse, in less than one minute? Firm's powdering is reasonably foreseeable! Platform replaces the previous market place and allows consumers to meet producers. It is easy to understand why this a territory full of potentials and possibilities, but surrounded by dangers and pitfalls.

In Italy, some economic fields are more involved into the Sharing Economy process than other ones: food service industry, especially hotels, and transport sector are the two big categories, that must face Sharing Economy shifts every day. At this point, let us try to go into detail, deeper in the holes and in the maze, paying attention to how Sharing Economy can positively and negatively change the present and the future.

## 2 SHARING ECONOMY, AN OVERALL POINT OF VIEW

Uber, Etsy, Blablacar, Zimride, Ouishare, Homelink, Airbnb, Vayable, Carsharing, Carpooling are recurring names in the day-to-day economic landscape.

What is the intuition behind these models?

The world is full of under-utilized assets and resources. How much time do we spend using the items we own (cars, bicycles, apartments, holiday homes, tools or yachts)?

We always hear some news about them, but are we able to describe what these companies do? How do they work? What are the differences between the abovementioned services? Are they similar or do they act differently? What are the positive aspects? Which negative points we should know better? What are the impacts produced by this economy? What about the result of its growing diffusion? What are the most critical issues and the best prospects?

Answering all these questions is not easy, because the topic is incredibly wider and sometimes, it could be drawn as a “tricky place”.

If we really want to understand a bit more about this argument, we better proceed step by step. All these new enterprises are part of the Sharing Economy reality.

According to Rogers and Botsman, authors of " *What's Mine Is Yours: the rise of collaborative consumption*", Sharing Economy promotes new forms of consumption, based on the re-use. For this reason, procurement and ownership of the asset take second place. Its diffusion is supported by the ongoing models of exchange, redistribution, social media and new technologies.

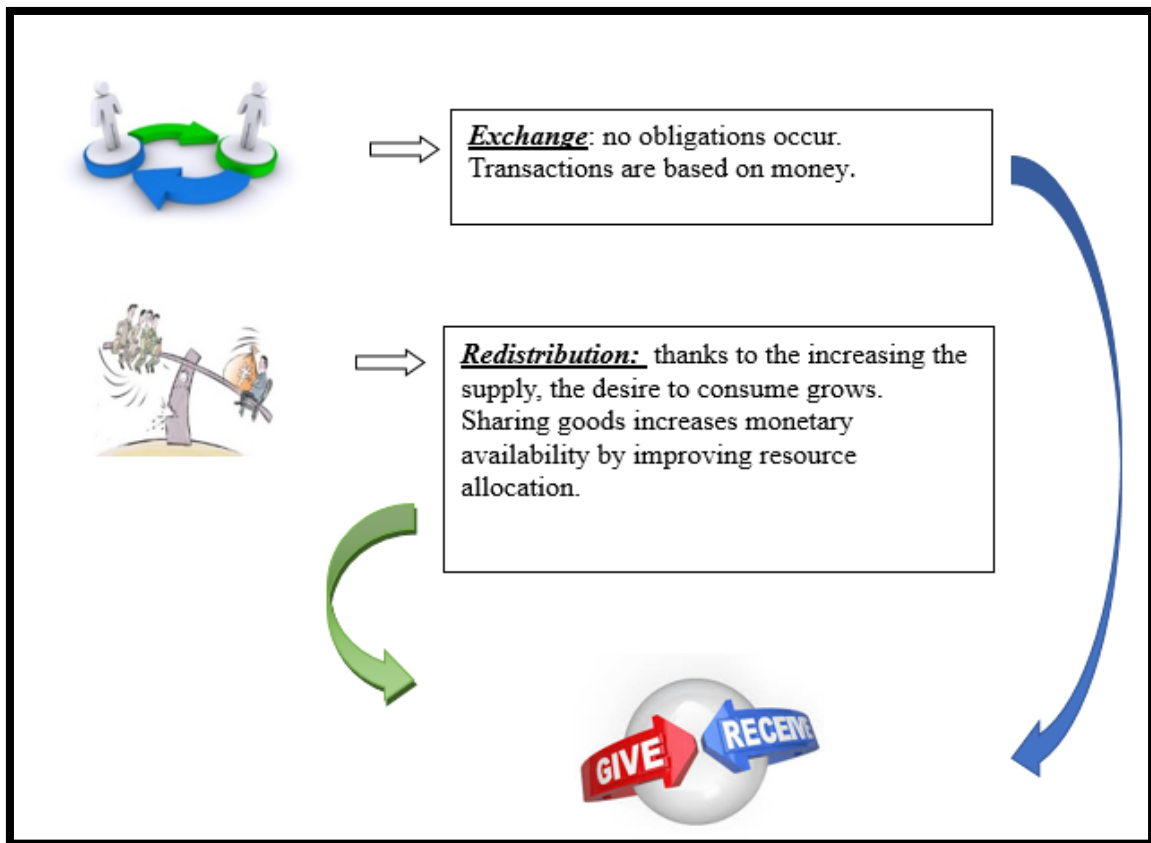


Figure 1 Sharing Economy base

As “The Economist” pointed out, Sharing Economy, also called Collaborative Consumption, Peer-to-Peer Economy, Crowd-Based Capitalism, Access Economy, Gig Economy, the Mesh, represents an answering to the economic crisis we are dealing with. This alternative engine will not displace the traditional economy, but it can provide some important social and economic benefits, by involving public administrations, communities and individual citizens.

In an interview, the Vice President of HomeAway, Marcello Mastioni<sup>1</sup>, claimed about Sharing Economy phenomenon:

“The key point is the role of technology both as a facilitator and as a filter. We come from a world where contact between travellers and owners took place only by booking. Now we have made the conversation easier from the first step and the experience is much more personal and unique”.

Another definition was given by Debby Woskow, a subscription-based home exchange business: “Online platforms help people to share assets,

<sup>1</sup> Marcello Mastioni became the new vice president and managing director of Europe, Middle East and Africa (EMEA) in 2014.



resources, time and skills. It encompasses a broad church of businesses and business models: peer-to-peer marketplaces such as Etsy, which allows anyone to sell their possessions; services like City Car Club, where people can share access to a car without owning one themselves and time banks like the Economy of Hours which allows you to trade your skills<sup>2</sup>.” The idea of these new platforms comes from a very simple assumption: optimizing waste.

In Italy, every car is used on average 11 minutes a day and the car sharing is used 60 per day; Uber comes to 8.5 hours a day. The average car occupancy is 1,4 people. The following graph briefly shows the comparison between the collaborative economy sector and the traditional one throughout the years: as we can see, the profit achieved by the Sharing Economy activities is supposed to match the traditional one in about ten years<sup>3</sup>.

**Sharing economy sector and traditional rental sector projected revenue growth**

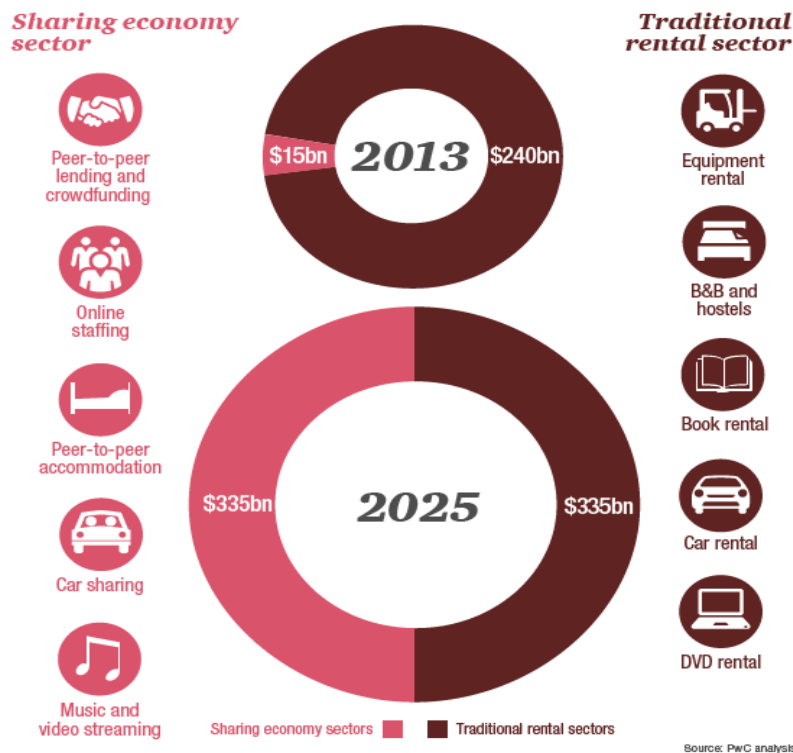


Figure 2 Source Pwc analysis

It is easy to understand that the traditional sharing, bartering, trading, renting, gifting and swapping concepts have modified. These practices are

<sup>2</sup> Unlocking the Sharing Economy: An independent review” (2014).

<sup>3</sup> Sharing Economy is in the hands of the rich 1% of Silicon Valley: \$ 12.7 billion has been invested in 232 start-ups, 283 million on Spotify, 237 on Airbnb

reinvented thanks to network technologies in ways and times never possible before. To recap: Sharing Economy is a new way to exchange and to redistribute the benefits coming from the pooling of our goods, but what are the key elements which characterize this new form of economy?

## 2.1 How much is Sharing Economy worth?

Table 1 - - Source PricewaterhouseCoopers (PwC)

	<b>Transaction values (billions)</b>	<b>% of total transactions</b>	<b>Revenues (billions)</b>	<b>% of total revenues</b>
P2P accommodation	€15.10	54%	€1.15	32%
Collaborative finance	€5.20	18%	€0.25	7%
P2P transportation	€5.10	18%	€1.65	47%
On-demand household services	€1.95	7%	€0.45	12%
On-demand professional services	€0.75	3%	€0.10	2%
<b>Total</b>	<b>€28.10</b>	<b>100%</b>	<b>€3.60</b>	<b>100%</b>

Source: PricewaterhouseCoopers (PwC), "Assessing the size and presence of the collaborative economy in Europe" commissioned by European Commission, June 2, 2016

211553 www.eMarketer.com

Sharing Economy is a new worldwide change but how much is this phenomenon worth all around the world? There are many and different data about that, but what we certainly know is that the collaborative economy will more impact our reality by 2025.

A growing business, which could be worth € 570 billion in less than 10 years. This is the PwC estimated report on the European Sharing Economy. Five areas will guide the Sharing Economy in Europe: transport, housing, collaborative finance, domestic and professional on-demand services.

According to a current scenario, the collaborative economy will exceed twice its present value by 2020, reaching 8.8 billion euros, equivalent to 0.5% of GDP (9.7 million users). Users can rise, ranging from the current 6.4 million to 11.5 million in 2020 and 16.5 million in 2025. In this case, Sharing Economy value is estimated at 10.2 billion in 2020 (+ 16%

compared to the base scenario) and to 19.4 billion by 2025 (+ 37% vs. base scenario).

In Europe, revenues from platforms in the five sectors could reach 83 billion euros by 2025, compared to the “only” current 4 billion.

The London Institute has studied 9 European states in detail (Sweden, Poland, Italy, Belgium, Spain, Germany, Holland, United Kingdom, France) and their 275 companies. Great Britain and France are in the lead with more than 50 share-holding active companies in the market, followed by Germany, the Netherlands and Spain (between 15 and 30), while Italy and Poland have less than 25 active companies in the collaborative area.

Sharing Economy is rapidly reaching maturity, evolving from mere slogans to the preferred option by younger consumers.

This growth is only at the beginning.

Sharing Economy traders will exceed the traditional players by 2025, in many segments but Europe needs to develop a more coordinated, homogeneous and dynamic regulatory environment between the Member States. As I will explain afterwards, the European Commission sharing strategy promotes the revision of the domestic legislation and the elimination of any barrier by the Member States, guaranteeing the protection of competition and the protection of workers and consumers' rights.

What about its social value?

Sharing Economy often corresponds to the innovation of car sharing and the revolution of Uber and Airbnb, but it is much more. It is true that the collaborative economy has been promoted by the digital innovation and the new potential offered by the web, but it is not just about the App. It is true that it has been stimulated by the economic crisis, but it does not concern the lower costs. It is true that the relationship between possession and access to goods and services is changing, but it is not just an economic matter.

Economic convenience is important in the short term, but the characterizing element that can make it a new paradigm in the medium and long run is the social and relational one.

Collaboration and sharing need to be based on trust.

One of the highlights of the social and welfare model of the Mediterranean countries is strong solidarity.

The great propensity to mutual support and collaboration is expressed, however, especially in narrow networks, particularly in family and parental care. There are many studies and research that show how the

anthropological characters of the Italian family have been and still are able to influence the economic model. Compared to other countries, in Italy there is a growing confidence in closer contacts rather than in the wider society and institutions. In other words, in the Mediterranean countries the strong ties of the family and the local community dominates, while the so-called "weak ties" are less developed, which instead foster greater social interaction.

This does not mean that Sharing Economy in Italy is not about to take off, but it has two implications.

The first one is that, as other innovations that unequivocally faced the Italian cultural model, it may take a little longer before fully consolidating. The second one is that it will have a lot more chance of success, as they also show various positive experiences of crowdfunding, within local communities.

Milan is the place in Italy where weak links are more active and where innovation processes are anticipated. Thanks to the role of the City, the Lombard town is already becoming a laboratory for experimentation of collaborative production and shared consumption models.

In Italy, the social enterprise of a collaborative type is born and develops with the territory, thanks to the interest of its members, who are the very expression of the territory that they live in. "Local" is not a conceptual limitation of the business's value, but it might become an opportunity with new infrastructures, stakeholders, associations and communities. Social firm will no longer be measured only on the basis of econometric indicators, but on real social capital, knowledge and skills to develop on the territory.

Moreover, the logic of scraping and the sense of change will be overcome. The new digital neo-capitalism affected the interests of corporations and trade associations that have somehow sought to maintain positions. Dialectics, rather than affecting the relationship between what is old and what is new, should be seen as a complex dialogue between groups defending group interests. On the one hand, trade associations defend their interest and are reticent to change; on the other hand, the neo-operators of large corporations defend the interests of the new digital business; then, there are also the communities of innovators who have different goals and modes in building the change.

Building bridges equates to finding the right narrative balance to communicate the urgency of change, which does not necessarily mean the forcible erosion of those who were there before.

## 2.1.1 Fundamental pillars about Collaborative Economy

### 1. THE PLATFORM.

In the service model offered by sharing platforms, the company does not provide top-down services but allows people to meet and to exchange assets, time, money, etc.

The main role of the platform is connecting people, who become the major players of this system: people own the goods and no longer the company. Exchange platforms are the novelty element distinguishing the economy of collaboration from other forms of sharing, such as barter or buying groups. Worldwide web has changed the trading system of the Community and the way we, as citizens of this planet, can keep in touch.

In America, for example, people can sell fruits of their garden trees, make a cheap vacation, share the car, rent a home cleaning service, by using the WWW.

Platforms have created new markets.

Multinationals such as Handy or Uber have found ways to suck financial value from daily interactions with services, objects and online platforms: the so-called "Internet of Things".

To sum up, all those companies value proposition consists in creating a matching between a consumer, who has a certain resource (property or competence) and a consumer who simultaneously needs that resource at the right moment.<sup>4</sup> Wikipedia itself can be defined as a collaborative platform in which the users can access free content and propose inserting or editing some items at the same time.

In Italy, this "sharing" life is unfortunately just an allusion. For instance, it is difficult for Uber to have a diffusion comparable to that in the US.

### 2. COMMUNITY AND RELATIONSHIPS.

The real set-up of platforms is no longer the assets, but people. Therefore, the main activity of a Sharing Economy service is to build and manage their community which they establish a strong bond with. A value system usually recalls the sociality of experience, economic advantage, efficiency of service, comfort and flexibility.

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<sup>4</sup> Derojeda et al., 2013.

From both a private and public point of view, citizen has a bilateral and continuous relationship (the more mature platforms also include a community listening process whose proposals and moods are monitored and in some cases also become projects).

### 3. TECHNOLOGY.

Sharing Economy is powered by technology, which simplifies contact between strangers and makes the meeting easier and more immediate. Service is allowed at any time and from anywhere. Digital collaborative services are those services that connect people with other people through digital platforms (Internet, mobile, tablet, and more).

This is what allows you to share, trade, or sell directly products/goods/skills. These services are defined as collaborative, because they provide a peer exchange and digital, because they are enabled by new technologies.<sup>5</sup> If there were no digital platforms offering car wrecks, for example, the most convenient option to move would still be to buy a car. Thanks to new technologies this is no longer happens: there is a completely different way of having things, sharing them or borrowing them for a limited time and according to their needs. Without the new technologies, the collaborative economy would not develop.

## 2.2 All that glitters is not gold: some negative aspects

Sharing Economy is an evolving phenomenon that offers huge opportunities in terms of economic and social growth, but it needs a regulatory framework to limit the risks for traditional consumers, workers and businesses.

This system is very complex and, sometimes, difficult to understand. Let's try to figure some negative points out, especially about the outlined pillars.

1. The non-possessing platform has no infrastructure costs and has a fast-paced capital buildup capacity; moreover, the convenience generated by the transaction creates misunderstandings, because many individuals get a real job from the service offered by the

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<sup>5</sup>"Collaboriamo! Come i social media ci aiutano a lavorare e a vivere bene in tempo di crisi", Mainieri Marta

platforms, while the platforms themselves continue to treat a subordinate as a stand-alone work (the accusation of creating a new form of job insecurity comes from this situation.

Not enough is doing to ensure security and to protect the workers).<sup>6</sup>

2. The platform becomes the square for exchanging. It creates a habit that often discourages the market entry of other competitors (that is the reason why Google has never been capable to create a social network able to compete with Facebook);
3. Technology allows these platforms to collect our data and hold the fate of our reputation.
4. Privacy protection: Europe cannot produce a shared picture about the protection of the data confidentiality. The general picture says that the development of technology impacts on the protection of personal data. In fifteen years, people with access to the network raised from 400 million to 3.2 billion. Apple, Google, Amazon, and Facebook's turnover developed from \$ 28.7 billion in 2005 to \$ 350 billion last year<sup>7</sup>.

This expansion in networked information and collected databases reveals new needs to protect public and private powers. On the one hand, it is necessary to "get the hands" on the network<sup>8</sup>; on the other hand, the main subjects who collect and process personal data on

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<sup>6</sup> In the essay "Platform Cooperativism vs. the Sharing Economy ", the author, Trebor Scholz, shows the "dark side" of the growing Sharing Economy. The American scholar brings the analysis of the "peer economy" back on a land perspective and recognizes the dangers for workers.

Behind the obvious opportunities for users (in terms of low-cost services) lurks an unregulated labor market and the appropriation of data and personal information, just for trade.

<sup>7</sup> Source: Espresso, No. 35, September 3, 2015.

<sup>8</sup> Italy has recently elaborated the Statement of the Internet rights.



the net are the USA ones. It is therefore also a "political" issue since the United States and Europe have a different cultural approach to the concept of privacy, which is added to obviously opposing economic interests.

### 2.2.1 The necessity of a regulation: the European Commission's point of view.

Throughout a Communication of June 2016, the European Commission has opted for a soft law instrument on this topic, which is subject to very heated discussions. It is an important intervention suggesting some possible guidelines for the internal regulation activities.

It firstly emphasizes the use of collaborative economy expression:

*"Collaborative economy expression refers to those business models in which activities are facilitated by the use of collaborative platforms. The open market for the temporary use of goods and services is often provided by individuals. "*

There are three actors involved:

- those who provide goods and services (providers), who can operate an occasional or professional basis;
- those who receive the goods and services (users);
- the intermediary that makes contact via an online platform.

Transactions may or may not have a profit.

At the beginning of May 2017, the Commissioner for Internal Market and Services voted for a European Agenda about the collaborative economy by a large majority<sup>9</sup>.

If the Member States are free to interpret the rules of "gray areas in regulation", there will be a strong "risk of fragmentation" of the EU market. Parliament stresses that the Commission report "has not sufficiently clarified the applicability of the existing EU rules on the various models of collaborative economy".

That is why MEPS have asked the 28 national governments to prepare new guidelines to improve existing legislation."

The rapporteur, MEP Nicola Danti made clear that "the collaborative economy has so far developed in Europe through the judgments of the courts (national, regional and local standards), which are often

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<sup>9</sup> (31 votes in favor, 1 against and 3 abstentions)

contradictory among themselves. Now it is time for a shared strategy at Community level. "

A European legal framework about the online platforms is needed to clarify the obligations - including fiscal ones - and to ensure fair competition with the traditional sectors. To this end, a clear distinction needs to be made between professional service providers and occasional operators."

The current legal framework is uncertain. The Commission adds two criteria to evaluate the existence of a work relationship:

- the nature of work, which must be not merely marginal or ancillary;
- the presence of a remuneration.

Communication, while underlining the impact of the "Sharing Economy" on workplace disciplines, does not express any solutions to address the new challenges. On the one hand, it reminds us that the transformation of work and its effects on legislation have been addressed to the public consultation on the European Pillar of Social Rights.

On the other hand, it suggests the Member States to verify the adequacy of their disciplines to meet the different needs of subordinate and self-employed workers in the collaborative economy and the innovative nature of the business models used by the platforms, as well as providing guidance.

A balance between opportunities and promises is not easy to maintain and the protection of the various stakeholders (market players, consumers and workers) must be always ensured (access requirements, liability regimes, consumer protection, the status of workers who work on platforms, tax treatment and so on).

The communication recalls that under European rules, access requirements, licenses and authorizations may be imposed on service providers only where they are non-discriminatory, with a view to pursuing a public-interest objective and proportionate to that aim.

The national authorities must consider the specific features of the new economic model in their monitoring work.

A useful tool for assessing the applicability of market access constraints is to distinguish between occasional and professional activities. The immediate effects of the decision would first concern the equation of the new entrant and incumbent legal regime.

Let's try to better understand these issues, taking Uber as an example. To legally act in Europe, Uber, Lyft and all other companies operating under the same business model should obtain identical licenses, permits and authorizations that are subject to these services in the various legal systems. Without this, unfair competition prevails.

Moreover, if Uber is "a real organizer and operator of urban transport services," what is its relationship with drivers?

Its drivers must be considered as subordinate workers rather than external collaborators. Twenty years ago, when the "Sharing Economy" made the first appearance, the situation was logically different.

When Amazon was founded in 1994 and eBay the following year, the idea was to make full use of Internet connectivity to create new and more efficient markets. In the beginning, it meant new ways to buy and sell books and other items to be collected.

E-commerce is everywhere today and offers consumers new and used items. Likewise, share-economy companies are just in the early days, but one day their services will be widespread. Most people have heard about Airbnb, the online service for renting rooms and apartments.

The company has little more than 600 employees but it has million units available for rent, making it larger than the world's largest hotel chains. Obviously, what Airbnb offers is different from what is provided by the hotels. If Airbnb offered options such as cleaning services or meals, it could become a closer competitor. Those numbers are changing, as the Internet allows new creative business models to increase not only the efficiency of a market, but also the use of various activities.

Digital platforms are facing two related challenges.

The first is to produce an effect on the network so that buyers and sellers can find themselves with frequency and speed to make a sustainable business.

The second is that the platform must create confidence about the product or about the service - on both sides of the transaction.

Small actors can thus act in big markets because - over time - they become known quantities. The strength of these platforms derives from the overcoming of computer asymmetries, dramatically increasing the signal density of the market.

Those who criticize the Sharing Economy say there is no proper regulation or a proper taxation of profits. From the point of view of taxation, it would be necessary to create a new special one for the used digital platforms.

Real and physical resources are those that are made available to users, so it is fair to tax them. It is crucial to understand that we are ahead of a revolution from which the economy of individual states can only benefit (both for tourism and for creating new jobs). Governments should open the way: services that have been offered for centuries are being offered to the community in an innovative method. Fair compensation between the needs of the platform and those of the legislators is needed.

Progress cannot be stopped and developments must be supported and not hampered. It is easy to talk when we are customers but what happens if we pretend, for a while, to be the owner of a hotel or a taxi driver? How would we feel about this competition? Hotels protest for the spread of Airbnb: facilities do not undertake security regulations, guests do not pay their taxes, flats and houses look like hotel rooms but they are not in the reality. Taxi drivers are angry because now everyone with a car can carry passengers without paying licenses.

The Sharing Economy created a big legislative hole difficult to fill, with logic that can escape the tentacles of traditional regulations. These companies deserve the profits because they were able to operate in completely new competitive contexts, avoiding the competition of the existing markets.

Nevertheless, we must bear in mind that these firms are making profit. In the last six years, Uber made more than a billion transfers, and surpassed the value of General Motors, a 107 years old company. In the same six years, Airbnb went from a unique and simple insertion to two million ads and offered more rooms than each of the three largest hotel chains in the world.

### 2.2.2 AIRBNB, UBER and TAX LEGISLATION

There is a sort of truce between the government and Airbnb, but the real war still has to start. In 2015, "Airbnb Italia Srl" paid just € 45,000 in taxes. No one thinks about the business in Italy, in one of the most attractive tourist markets, the third for its customers, after the US and France. In 2016, Airbnb's business in Italy grew again: 121,000 owners and on its platform, 5.6 million contracts were concluded. No one pays.

Airbnb paid last year 621 million euros, which would have generated a revenue of about 120 million euros. Airbnb charges a commission of about 10-12%: a hundred and seventy million have flown directly to Ireland, where they are taxed at a minimum.

The taxes paid to Italy by the US colossus concern only the activities of the Italian company, which occupy very few people in marketing and advertising.

The situation has changed since June: a new rule, rejected by Matteo Renzi few months ago, obliges Airbnb, portals and real estate agencies to directly charge the taxes that owners have to pay on income coming from the renting. Online portals and agencies would have to retain 21% of the sums turned to the "host" by applying the coupon.

However, withdrawals will be applied on payments made from September 12 onwards: who has rented home this summer will not do it. From June 12, Airbnb and the agencies are still required to communicate to the Tax Authority all the operations that have been completed. Before the new system comes into force, however, the Revenue Agency will issue other rules to tighten the veto on the evaders. There are, for example, the "managers", who administer tens or hundreds of "hobby" apartments, but masquerade as a professional activity. Whoever offers online some accommodation must declare to the portal if he works on his own or not.

In the first instance, he will be subject to a 21% retention; in the second case,

Airbnb will pay the gross amount and then the "manager" will make a tax substitute, applying the deduction on the fees paid to the owners. A very heavy inconvenience. 120 million are missing. Some holes remain. Managers only ask for self-certification. And there is the big problem of portals and agencies that do not intermediate rentals, paid directly by customers to the owners.

In this case, the payment of taxes is left to good will. By the way, the government counts to get 80 million this year and 120 the next one, exactly the ones lacking in the appeal.

What about the profits? In 2016, Airbnb paid 92,000 euros of taxes in France: in Paris they are furious, and at the end of August, France will launch a joint initiative with Germany. On 15 September, Airbnb's taxation and other online portals will be at the center of an informal summit in Tallinn by Finance Ministers and Governors of Central Banks. Italy not only supports the offensive but is at the forefront. After bidding giants like Apple and Google, forcing them to pay taxes on income they produce in Italy (over 624 million in arrears, 318 from Apple, 306 by Google), a replication with Amazon and Facebook, is not ruled out.

To have a more complete picture of the phenomenon, certainly not easy to frame, we must pay attention to the critical voices raised against it. Not only

Airbnb, but we can think about the drivers' protests against the law <sup>10</sup>, which was forced to reason also on the report taxi / Uber. The amendment was further postponed: it will be issued by December 31st, 2017. In the meantime, UberPop service has been officially banned throughout the national territory (already declared illegal by the Milan Tribunal in May 2016), such as any other service that allows anyone of becoming a taxi driver.

The bill, renamed the "Sharing Economy Act", first tries to define which platforms can be defined SE and which cannot: fixed tariff services do not fall within the definition, for example. Second, the law forces to sign up to a register of operators, in order to clarify the contractual conditions. Agcom protects all the involved parties, a maximum ceiling of ten thousand euros in terms of revenue, exceeded which a 10% tax will be charged, since the business can no longer have "income from non-professional sharing business" and the revenue will be added to the others perceived.

It is a world that needs to be understood: it is in continuous and rapid transformation so it is very difficult to be always updated.

The relationship between Airbnb and taxes varies from country to country and town to city: some taxes in certain areas are collected by the organization, while others are subject to the user's responsibility.

Electronic payments received by the hosts, but often this is not enough to prevent the high rate of evasion that blurs due to regulatory gaps in the Sharing Economy sector.

Problems of legality of the service and tax evasion are not peculiar to Airbnb, but also to other peer to peer realities.

It is necessary to prevent technological progress from playing its role in the most efficient allocation of goods and services. It is therefore in the interest of the institutions, both consumers and businesses belonging to Sharing Economy, to mediate in search for agreements that regulate a business model.

While the situation in Italy is still controversial, the vision of the Sharing Economy is completely different in the European Northern countries.

Case in point: Swedish approach and the collaboration with Airbnb.

On the official website Visit Sweden, in fact, an unprecedented agreement is announced not only for the vastness of the area but also for the characteristics of tourist stay: completely free of charge and accessible to anyone.

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<sup>10</sup> The law has been named "Milleproroghe" because of its tendency to procrastinate

Sweden, on the other hand, wants to spread and defend in this way the *Allemansrätten* principle, namely the right of public access in the legislature of the Scandinavian countries and which allows anyone to enjoy nature and its benefits.

To spread the news of the partnership, Visit Sweden has produced a video that advertises all the beauties of its own nation with a very convincing motivation.<sup>11</sup>

By contrast, we must define who drivers are speaking about Uber. Uber's drivers could be categorized into the group of "on-demand workers"<sup>12</sup>. By setting up as self-contractors, the person who provides his services through platforms such as Uber do not enjoy any of the safeguards that anyone who works under a regular employment contract can access.

This, of course, also affects the tax impact of Uber's activities, significantly lower than what these activities would have if the platform was recognized as an employer and drivers as employees. Last October, speaking of that, an English labor court ordered Uber to recognize the minimum wage and other standard guarantees to two of its workers.

In Great Britain, a ruling of October 2016 seems to become a legal precedent for the entire Sharing Economy reality: London court ruled that Uber's drivers are "employees" and therefore are entitled to a minimum wage and paid leave. It is the first legal case in the UK that calls into question the business model of many similar platforms, linking workers with clients without incurring the costs of recruit directly. Uber in London is a patchwork of 30,000 small businesses (as Uber's drivers in the British capital).

The Italian situation is, on the contrary, still unclear: by opening the Italian site and clicking on the "Become a Driver" icon, you have a clear view of Uber's policy and its conception of relationships with drivers. On the page where you can fill the application form out to sign up for the platform, you can read:

*"... Become boss of yourself and choose freely when to drive and how much to earn without constraints or schedules ... "*

These statements, however, radically contrast with the ability to organize, address and control drivers. Moreover, the platform retains 20% of the fees paid by customers.

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<sup>11</sup> [www.visitsweden.com](http://www.visitsweden.com)

<sup>12</sup> V. De Stefano (The Rise of the Just-in-Time Workforce: On-Demand Work, Crowd Work and Labor Protection in the 'Gig-Economy', ILO Working Paper, 2016)



By digging deeper, the contradiction between the statements of leadership and the reality of Uber's working condition takes on the forms of paradox. The company proposes itself as a neutral technology infrastructure that would serve as an exclusive purpose to expand the services offered by freelance professionals, thereby fostering free competition.

However, when it controls large segments of the rubber transport market, such as in the U.S., Uber is, in fact, an employer who is not only semi-monopolistic in relation to the demand to which it is addressed but also has an audience Almost inexhaustible work force that is not required to recognize any right and to which it may impose forms of monitoring and organization of work with a very high degree of pervasiveness.

### 2.2.3 Demonstrate the social benefits of Sharing Economy

Although Airbnb already publishes reports on the economic impact, both Airbnb and other players could go far beyond. It would be good and clear using the collected data to identify those segments which are in direct competition with historic operators, such as owners of different traditional properties.

It would also be important to emphasize the contribution that Sharing Economy can give not only to employment (we have “demonized” it until now, if compared to its employees) but also to other social issues, such as the environment or the female participation in the market labor.

For example, what impact could have the car sharing in the 93 Asian cities that the World Health Organization considers among the 100 most polluted ones on earth? Moreover, since in the United States only 21% of Uber drivers are women, the company wants to better promote its commitment to get one million worldwide by 2020.

# Sharing Economy

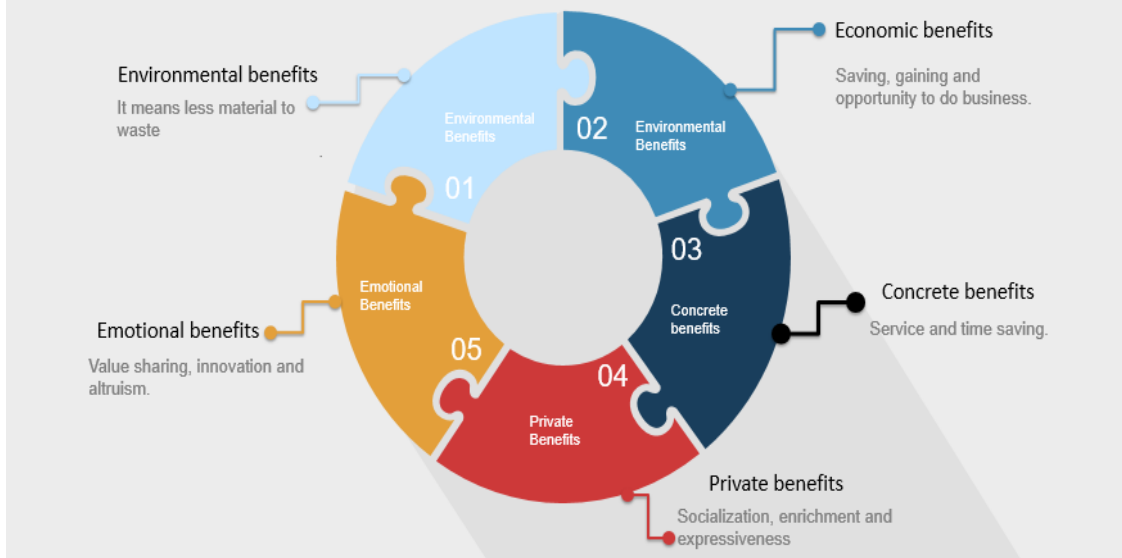


Figure 4 - Source: Duepuntozero research

# 3 ECONOMIC TRUST: A GENERAL DEFINITION

*'Without the general trust that people have in each other, society itself would disintegrate, for very few relationships are based entirely upon what is known with certainty about another person, and very few relationships would endure if trust were not as strong as, or stronger than, rational proof or personal observation'*

(Simmel 1978: 178-9)

Trust is a complex and ambivalent phenomenon, but we are trying to analyze it by referring to two authors who have emphasized, in different ways and in separate ages, the importance of the bond of trust: Simmel and Luhmann.

Simmel was the first one who made trust as a real category of analysis. He represented and explained, at a time away from ours, the passage and the development of trust as closely linked to the process of modernization and thus as a resource for any strong change.

To Simmel, trust is a hypothesis, concerning future action, that cannot be precisely predicted in the present. Uncertainty about future must be reduced through an expectation that should create a state of quasi-certainty.

Modern society differentiates trust expectations as institutional and personal but it requires their continuous interaction.<sup>13</sup> Simmel uses the social intersection theory to explain the process of social differentiation. If progressed thinking differs from the roughest one for the ability to form abstract concepts that arise above multiple empirical representations, the development of the society will follow this logic.

The individual finds himself in an environment that, on the one hand, is relatively indifferent to his individuality, and on the other binds him to his destiny by imposing a capillary norm.

Following the Durkheim's theory of simple societies, Simmel argues that, where society is not differentiated, relations are direct and individuals are held together.<sup>14</sup>

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<sup>13</sup> This is the so-called "symbiotic social intersections" theme.

<sup>14</sup> Durkheim defined it as the mechanical solidarity. It becomes personal trust to Simmel.

It is a mutual solidarity based on profound knowledge and fueled by direct relationships.

In addition to Durkheim, Simmel also focuses on Weber's study of the Protestants' cults to emphasize the characteristics of the so-called "small circles": complete dedication of the individual to fulfill the duties imposed by the group.

In the economic reality, everything rapidly evolves and changes. Trust is one of the elements more subject to change. In the current context, where markets become competitive, turbulent and unpredictable, many businesses and organizations continue to use passed management and marketing approaches. It is necessary to build new relationships with their stakeholders in order to obtain the intended results.

Trust, with satisfaction, mutuality, commitment and accessibility, is an indispensable element to obtain the company's reputation and the establishment of quality relationships.

Satisfaction concerns the benefits' quality that the organization and its stakeholders get from the relationship. On the contrary, commitment consists of taking care of others. In this sense, the relationship between the company and its customers becomes solid and lasting.

Benefit is not only in the immediate but also in the future. Any human relationship, whether it is commercial or interpersonal, should be based on trust.

Integrity, reliability and competence can demonstrate honesty and loyalty. By inspiring confidence, the interlocutor knows (or he thinks to know) that he will not deal with unpleasant surprises in the future.

Being competent will prove to have essential abilities to attain the benefits that the individual wants from the relationship. Demonstrating reliability, a company will be able to present itself as made up of people who keep its word and succeed in transforming words into concrete facts. These last three features will turn into positive experiences that will lead our partner(s) to abandon their control and to become "vulnerable".

It can be said that people who trust are brave individuals and risk takers: they are carrying a risk and all the repercussions that this may have on final results. The "moment of truth" will come sooner or later and the customers will be able to see whether trust has been worthy of being granted or if it has been bitterly betrayed. Trust can be conveyed through the social media, such as Twitter, Instagram, Facebook and Pinterest.

Why these social platforms are so important to convey the Sharing Economy message? Answering is not easy, but we will try to underline the

most common reasons in few lines. First of all, they are famous and utilized all around the world. We can see the data reported in the following table and reading the graph:

**Users and social network**

<b>Users</b>	
FACEBOOK	2 Billion
YOUTUBE	+1 Billion
TWITTER	328 Million
QZONE	630 Million
WEIBO	+310 Million
RENREN	+194 Million
VKONTAKTE	+66 Million
LINKEDIN	106 Million
GOOGLE PLUS	300 Million
TUMBLR	420 Million
INSTAGRAM	700 Million
VINE	40 Million
TAGGED	11 Million
FOURSQUARE	50 Million
PINTEREST	150 Million
REDDIT	114 Million
BEHANCE	4,2 Million
WECHAT	889 Million
WHATSAPP	1.2 Billion
SNAPCHAT	300 Million
LINE	218 Million
TELEGRAM	100 Million
FB	1.2 Billion

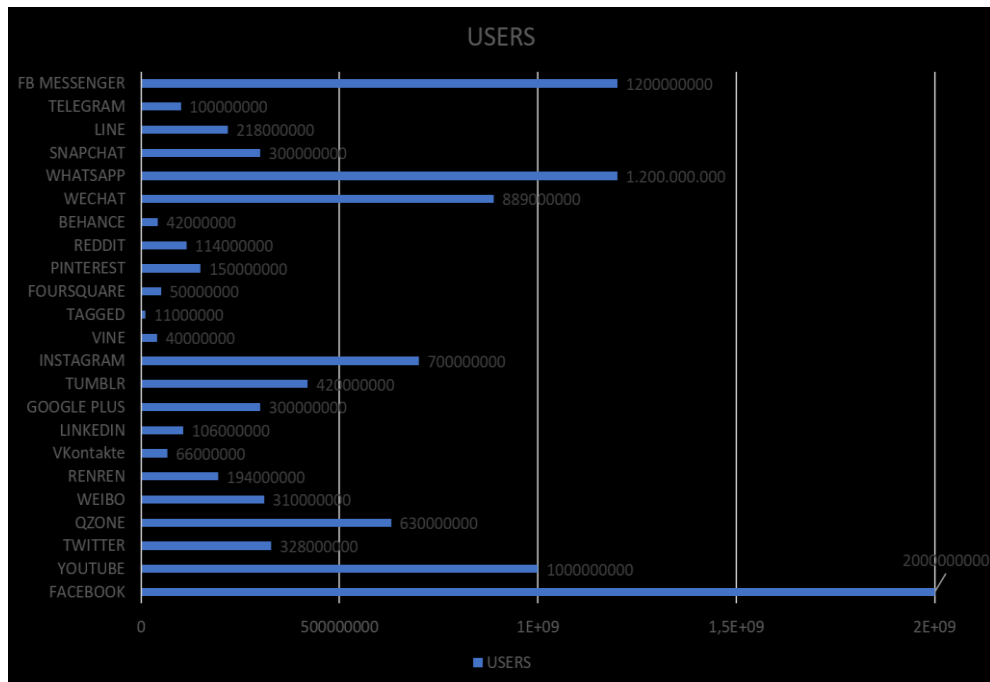


Figure 5 Global Social Media 2017 Monthly Active Users, Source: [bit.ly/social-media-users-2017](http://bit.ly/social-media-users-2017)

Social networks were born as communication tools, where people all over the world could meet, become friends, find old ones and keep in contact. Facebook came out as a method of contacting between university students<sup>15</sup>. Suddenly, what it seems to be a new teenage way of chatting becomes a new method of communication.

People can type about their feelings, their emotions, their thoughts but they can even report and denounce facts and actions. For this reason, social networks promote the collaborative behaviors. Secondly, social networks are one of the best sources of knowledge.

Today we research information just on the websites, because it is more convenient to get a personal idea about it from Internet, rather than asking personally to someone else. If we want to take a mortgage out or if we want to open a checking account, we usually take our laptop/phone/tablet and we look for all the instructions. On the contrary, we would have probably gone to the check-cashing place in the past years.

For instance, before entering a stranger's home or before going on a car with him, you can get information about him via his Facebook or Linked-in

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<sup>15</sup> Facebook was founded on February 4, 2004 by Mark Zuckerberg, a nineteen-year-old student at Harvard University. The name of the site refers to the yearbooks (called "Facebook") with the photos of each individual member. Some colleges publish them at the beginning of the academic year and distribute them to new students and to the faculty staff in order to meet the campus people.

profile or Instagram, to read in addition other users' reviews on the platform about him, to understand his lifestyle and to see his network of acquaintances.

Can we consider us as better persons thanks to the worldwide web? Many analyses were conducted concerning new technologies in the last two decades: many of them believe that people are “more stupid” and “more passive” or “less curious”; on the contrary, others think that we are more honest, “more transparent” and more aware.

Asking if the new digital technology positive or negative affected our everyday life can be compared to asking if a reflex is better or not than a digital camera. Everything is different because we are different and we will not be the same in the future. Change is in place and it will bring good and bad elements, as it always happens. Resisting and fighting it is unnecessary. It is better to know it and understand it, in order to make full use of its opportunities.

### 3.1 The role of social media

Openness to others is in part a cultural factor (Europeans are, for instance, less individualistic than the Americans and more used historically to share with someone else). In part, it is the result of the new individual identities that have been created with social networks. Internet and the social media came into our daily lives not only because we spend many times in reading some news and in taking part in some debates, but especially because they have completely changed part of our behaviours.

The social phenomenon is the emerging point of a wider process of transformation, which requires a profound re-design of internal processes within the company. It is not therefore a Sharing Economy in the strict sense, but a new form of capitalism in which the skills of the individual are no longer made available to the company for which they work, but to the online portals they use. What matters to them is whether they can trust digital platforms.

The element on which Sharing Economy is really based is the digital trust in the used platforms. Over the past twenty years, one-on-one product purchasing on Ebay has caught on, such as accepting strangers in their home or riding car with them. These are risky experiences that cannot exist without trust.

We can call it a radical change to what “trust” means. We must remember that when we create a new form of confidence, we also live up to a new

form of economy and we tremendously expand it. We are witnessing a revolution in how to make economics. Apart from those who invest large amounts of capital in these new business models, middle-low classes benefit most from sharing economics. Sharing Economy more effectively increases the ability to redistribute wealth and improves the quality of life too.

Social media taught us how we can share: a research carried out by Latitude and by the online magazine Shareable means that the 78% of the participating in the program is more “addicted to collaborative actions”. Indeed, we have shared a huge part of our daily life for years, such as pictures, videos, news, information and readings. We share thanks to the platforms, of course, but we also do it because it is a new funny way to socialize. We less take care of the material objects and we more care about what is immaterial.

We more often pick our life up into a file and we store everything in our laptop. The dematerialization of these objects leads us to shift them from a private archive to a social network in a blink of an eye.

Curiosity and egotism are also involved in this process: we cannot wait to read comments and we are curious about what other people think about us. If comments (or reviews if we talk about Airbnb, Uber and so) are positive, our ego becomes stronger, we feel more confident about ourselves and we feel proud of what we are doing. So, in short, we are such advisable and such suggestible that we can change our mood by reading few someone else’s idea.

When pooling becomes so easy with our private goods, it gets more and more common with assets, which we have never thought to share before, such as our car, our home, our garden, our drill and so on. Social media also taught us to trust perfect strangers. We do not care too much when we publish our pictures on Facebook (seeing the graph at the end of the paragraph about its daily active users around the world, in order to understand the users’ frequency), even if we do not exactly know where our post will “travel” through the network.

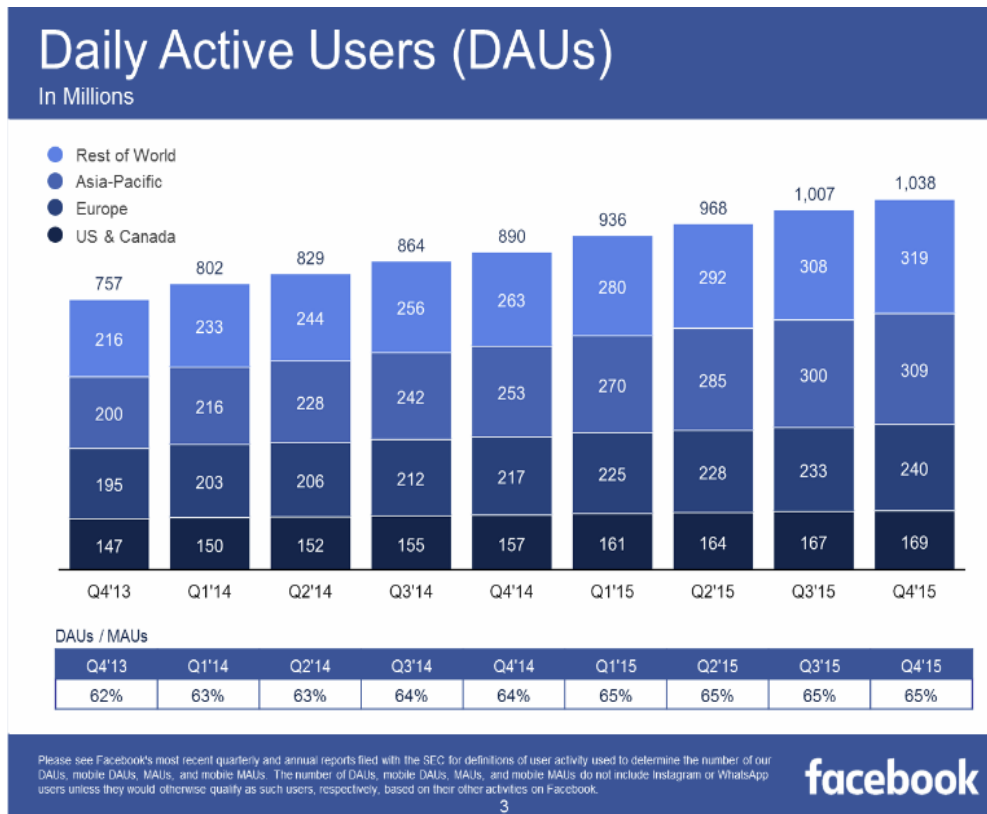
At the same time, we believe in someone else’s judgment about brands and products. One of the five Wikipedia’s pillars says “Wikipedia's editors should treat each other with respect and civility: respect your fellow Wikipedians, even when you disagree. Apply Wikipedia etiquette, and don't engage in personal attacks. Seek consensus, avoid edit wars, and never disrupt Wikipedia to illustrate a point. Act in good faith, and assume good faith on the part of others.



Be open and welcoming to newcomers. Should conflicts arise, discuss them calmly on the appropriate talk pages, follow dispute resolution procedures, and consider that there are 5,467,064 other articles on the English Wikipedia to improve and discuss". Trust is not enough: information is filtered but the most sceptics and this is a serious obstacle for many platforms, especially for Airbnb, where a wider public is necessary. Social media, moreover, taught us how to live in a new global and local dimension.

The story of William Kamkwamba is emblematic about the role of Internet and the social networks. Electricity is a luxury in Malawi. The night is black as the pitch and the sunrise stops all the activities for the majority of the population. However, in the small village of Masitala, a prodigal boy, William Kamkwamba, just 14 years old, has invented an ingenious system for capturing the wind and transforming it into energy. People died of hunger and cholera and William swore to himself that he would avoid such tragedies in the future. William had the scientist's vocation but was forced to work on corn plantations because his family was too poor and he could not go to school. He studied self-taught by borrowing books.

Reading one of these books was fascinated by the windmills. He has been charged to be crazy and he has been accused to be a sorcerer during this "obsessive" quest. But when the wind hit the propellers and the light bulb lit a flickering light, the entire village exploded in applause. From that moment, William could study in front of a laptop for the very first time. He became an international celebrity, enough to teach at the American colleges. His story can explain how creativity and idea can reach everyone all over the world, even if an individual comes from a remote village.



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*Figure 6 Facebook daily active users. Source: Facebook*

### 3.2 Personal experience in Brussels: Hotels Vs Airbnb/ Facebook – Uber Vs Taxi drivers

When I decided to go into that topic, I thought that the best decision would have been “be part of the experiment myself” and this is what I did. I have lived in Brussels for two months.

Looking for an accommodation was very tricky: no one wanted to rent their flat only for a very short period, so I had to carefully seek for it on the worldwide web. During my desperate research, I was impressed at some point because I was looking for some apartments on Facebook.

When I was a child, so approximately at the end of the last millennium, my parents used to call the hotels for our summer holidays. My mother usually called at least five/six hotels before getting a positive answer. The trial (because it looked more like a process, instead of a pleasure moment) was always very long and the waste of time inconceivable. She had to ask information about parking space, general activities, prices, food and, most

of the time, we could not be really informed about the place in which we will spend the holidays.

Today we even have the possibility to exactly know how many tiles make the hotel's floor up. It is easy, fast and costless.

We just need a laptop/smartphone/tablet/watch (yes, a watch, the wristwatch used just for marking time until a few years ago). We need the search engine (one is as good as another one) and the world is at our feet. Everything is there, every single new or information is available in less than one second. Booking, Trivago, Lastminute, Momondo, Hotels, Kayak, Tripadvisor are just few companies related to online reservations.

But no, I did not use these online platforms for my staying. Why I chose Facebook instead of a recognized service? Answering is logical: my willingness to pay. I was looking for an accommodation for sixty days, not just for a couple of nights. As it is easy to imagine, spending my time in a hotel would have meant spending thousands of euro and I could not afford it. Facebook and Airbnb were very helpful: I had the possibility to meet (not personally, of course, but just on-line meeting) many people, looking for a tenant as well.

Airbnb was the best solution since the very first time: pleasant private rooms or nicer entire flats, with the specified utilities, secured payments and positive or negative feedbacks about the owners, which make the selection easier. In few words: secure, reliable and not expensive. Facebook is full of groups about hiring but the supply looks like Airbnb's one. After twenty days of pressing exploration, I found the flat I was looking for, thanks to a young English girl, who offered me a private room at a ridiculous price.

My mother, coming from the old generation idea based on crimes and burglaries, everywhere far away from home, thought I was crazy to spend my time with a girl I have not met before. I replied to her to not be afraid, because this girl had already texted me and she looked kind and pretty on Facebook. My mother went on with her scolding and asked me how can I judge and trust someone only by Facebook.

At that point, I thought by myself that was right; on the contrary, I told her that I cannot believe in someone I do not know but I had to trust her. Moreover, the first online approach was great, so I was just hoping she was the same person in the reality life. After coming back home, I can gladly say that I have a new amazing friend. We do not live together anymore, I am in Italy and she is back to London but we daily text each other and we

keep on having the same friendship we had in Belgium. Living in Brussels was something that I hope I will not repeat.

As a capital and a big town, it cannot be considered as the safest place on Earth, but I must admit I was scared and afraid of coming alone at nights, most of the time. The problem does not concern only the terrorism air you can breathe there, but it is also related to a general idea of “keeping the eyes open, because you never know...”. The first Saturday night, one of my female colleagues suggested me to take a taxi and not to walk alone through the streets, even if it was just half past eleven. I was ready to stop the first taxi driver but she immediately stopped me because even the taxi drivers were not trustworthy there! Many of them usually asked some information to female passengers and sometimes they tried to have physical approach.

For this reason, she called her trusting cub company for me because she personally knew some of the drivers and they were honest people. This was one of the strangest speech I have ever heard in my life. She did not tell me lies, of course, indeed other people suggested me the same, for “precautionary reasons”. What can you do when you are recommended to pay attention both if you walk alone and if you ring the taxi in the middle of the night?

If I were in Italy, I honestly would not have known, but there are some other solutions abroad.

Uber is one of them.

It is another online platform, based on the private car transport service, which directly connects passengers and drivers through an app. Founded by Travis Kalanick and Garrett Camp in 2009, Uber was officially launched in San Francisco in 2010, then landed in several cities around the world. A little taxi but unlicensed, a little car hire service with driver. Car can improvise a driver.

The important thing is to have specific requirements such as having at least 21 years of age, a clean criminal record and a patent that has not been suspended for at least 10 years. The using is very cushy: first, you need to download the application, which is available for free through the Apple Store for iOS devices or the Play Store for Android devices.

Once downloaded, just tap the travel options to get a ride, display the timetables, car dimensions and racing prices. Then enter the starting point of the race, tap 'Send Request' and the driver will arrive in a few minutes.

Once the reservation has been submitted, you can view your driver's contact information and car details in the app. When the destination is

reached, the race price is automatically charged to the credit card associated with the account. No cash needed. In some few lines, I think we can easily understand the strengths of this platform. The adoption of these strategies points to what Joseph Schumpeter called creative destruction. Uber's transformative and destabilizing flow is identifiable by looking at a multitude of dimensions: the economic one, first of all. Only eight years after its foundation, Uber became the global start-up with the highest stock value, reaching \$ 69 billion.

A second dimension concerns the geographic penetration of the on-demand rubber transport multinational. UberCab was the original name and it debuted only in San Francisco. After the word "Cab" has been removed, following a trial by the Californian Court, which recognized in the name an inconsistency of traditional cabs, UberCab turns into Uber. The rest is well-known. Uber's service is ensured in almost all the continents (North and South America, Europe, the Middle East, Asia and Australia). Cities involved in the service are more than 580 and there are major metropolises including Mexico City, New York, Los Angeles, London, Istanbul and New Delhi.

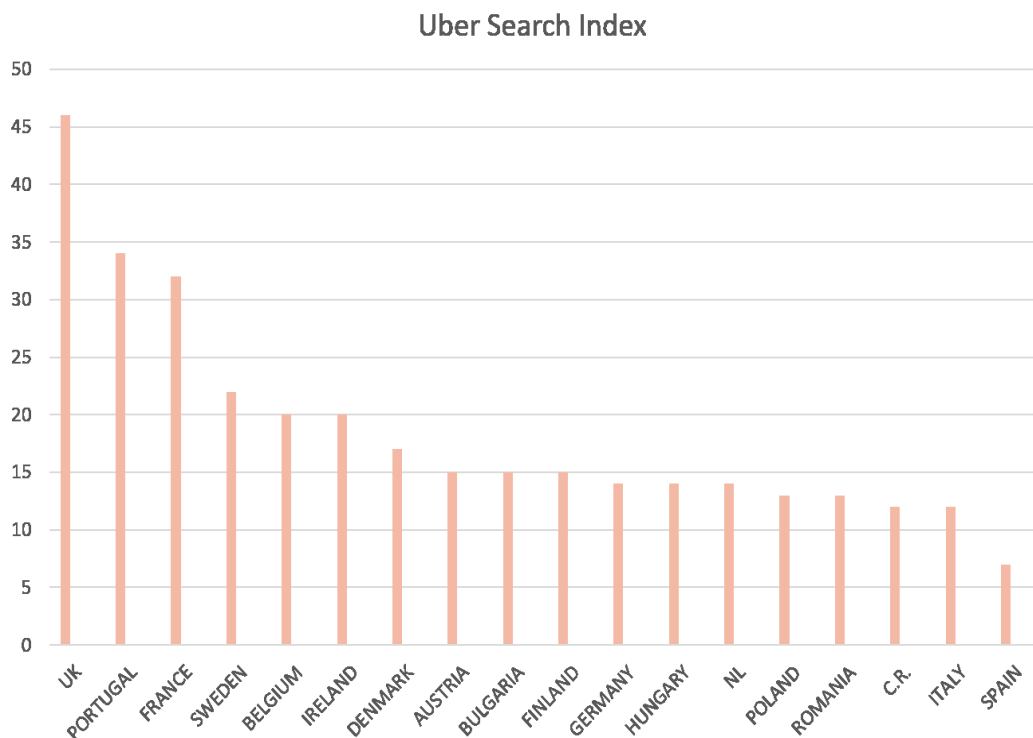


Figure 7 Source: CEPS (2015)

### 3.3 Users or investigators?

The conversation between my mother and I about my journey in Belgium is not written with the purpose of boring the reader with my family situation, but it tries to bring out a new factor: generation gap.

Sharing Economy actors are between 18 and 34 years old, with an average of 28. <sup>16</sup> Different profiles with a good educational level and a lower-middle-income in common.

We can define users as investigators, because they explore a new economic reality and they can be described in the following way:

- individual is digital: he is familiar with technology. If someone is not like this, on-line services become difficult to track down.
- Individual is realistic: he knows that the economic crisis will not end by the divine intervention; so, he prefers reacts and faces problems. He does not believe in politics or in the power of the organizations. He just relies on himself to change the status-quo.
- Individual is autonomous: he plans his life path. “Unlocking free-time” is one the Airbnb’s aims.
- Individual is responsible: he seeks information so he can understand where benefits and risks hide.
- Individual is polymath: he does not preclude traditional purchases and he alternates the two different methods of purchasing.
- Individual is genuine: he looks for the experience rather than a new product. He chooses Airbnb not because he wants to save money, but to live tourism in an intimate form.

Discussion about trust and rely on other people, it is always an interesting topic, especially in a country like Italy. The common and worldwide stereotype describes us as “Spaghetti, Mafia and mandolin”.

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<sup>16</sup> Rachel Griffiths, “The great Sharing Economy”, Co-opertives UK New Insight, page 7.

Leaving our passion for food apart, if we are blamed with the moniker of “*Mafiosi*”, there must be a reason. We certainly cannot avoid the blame throughout victimhood, as this cliché was born from the image that the Italians gave themselves abroad from early emigrations, in the early 1900's (it is precisely when the idea of gesticulating, cheerful, whispering, frivolity and no seriousness came out).

What really may sound weird is that, even if the rest of the planet should not trust us because of our background, Italians do not give confidence to other people first. I believe that our excessive prudence and being overcautious slow the Italian evolution down: progression and innovation seem to be unusual in our peninsula and we often have the perception of being the sharp end of the stick, especially if compared to the rest of the European countries. Sometimes it is absolutely truth.

### 3.4 Feedback systems: unwanted consequences

More closely related to the peculiarities of platform operation is the theme of reputation and the feedback. One of the issues that has been raised was linked to the using systems: rating and review can be distorted by discriminatory judgements, through unrealistic evaluations.

Negative evaluations have a strong impact on job opportunities. The effects depend on how the platform operates and on its policies: the consequence could be a decrease in demand (customers will move towards other platform participants) and in some cases (Uber, Lyft) a low level of rating even eliminates the employee's account.

It has also been observed that this system may impede certain behaviors that do not respond to the person's being able to obtain a better rating (emotional labor). Moreover, this imposes a burden of greater weight for persons belonging to minorities with implications on the identity level. The distorted uses of rating systems within a market system do not, however, diminish the discriminatory behavior.

Some platforms have been developed to reduce the problems of discriminatory attitudes and behaviors that may hinder the smooth functioning of feedback systems. On the one hand, it should be noted that such systems can be a major obstacle for new entrants and for those who are occasionally devoted to this kind of work in creating a position in the market, especially for people who have gained a reputation based on a large number of feedbacks.

On the other hand, it must be recognized that the difficulties of acting in a competition based on reputational systems also affect all those subjects

who, due to subjective conditions (handicap, illness, seniority but also education and training) fail to reach qualitative standards of performance. The performance should be satisfactory to the client from all points of view, both closely related to the outcome and relational ones (the emotional labor).

The arising problem is to include those people in a labor market which is characterized by strong competitiveness, even beyond the dynamics of on-demand economics.

Although there have been pre-formulated forms of intervention that could affect the accessibility and inclusiveness of platforms, even in this case, it does not appear to be possible to recognize obligations for platform managers to intervene on the phenomenon, turning the issue to an ethical plan more than regulatory

### 3.5 Is feedback always truth? The Airbnb's example

Airbnb was born in 2008 and has quickly reached a worldwide level of popularity with thousands of users and listings. The site focuses on finding some homes or flats for rent for holidays, allowing home-owners to rent their homes for a short period. Renters can find the right lodging at low prices.

Reviews come from a personal judgement, so they are very personal and hardly reprehensible. However, sometimes, they are completely distorted.

For instance, most of the reviews on Airbnb are trendy (or at least they were until the company noticed something strange). Indeed, Airbnb has recently noticed how users' reviews were, oddly, too positive. What is surprising is that the little objectivity of these opinions had a very clear direction: they were too positive.

The problem with Airbnb lies in the fact that the reputation of the same system is the basis for its reputation: the company has no interest in offering its users an apartment with a bath that "knows how to mold" or a crumbling bed, just because previous guests provided little accurate reviews (or, worse, they did not give it at all). So how does the prejudice of "excessive positivity" infiltrate the review system? Everything is in psychology.

First, it's important to find out how the old review system worked.

Before July 2014, the owner wrote a guest opinion about his own flat/room/house and it was immediately published: At that point, the guest read the review and decided whether to leave the feedback about the structure.



Airbnb has therefore introduced two changes to make sure these two factors did not adversely affect the integrity of the system:

- Simultaneous Review Process: neither the owner nor the guest can read a review on their account without first writing one;
- Delivering a \$ 25 coupons to encourage guests to write feedback on the accommodation.

Airbnb has identified the three major psychological factors that, from the prior system to the introduction of the changes, led to unbiased opinions:

- a) Afraid of retaliation: the owner is afraid that the guest may respond to a bad review with an equally bad review;
- b) Inducing reciprocity: the owner writes a "positive" opinion with the hope that the host feels compelled to reciprocate;
- c) Embarrassment: a disagreement with criticism often causes the parties involved to avoid using the review tool altogether.

Feedbacks and reviews are part of the so-called word of mouth. The word of mouth comes to life when a consumer gives information to another consumer. "Word marketing" is based on the motivations to give people to talk about a product / service and to encourage that kind of conversation.

It is one of the most powerful promotional items, which builds on trust and earned customer satisfaction, on the actual quality of a product or service, on the sincere desire of people to communicate to others an experience that has satisfied them.

This increases the sense of crucial social community. Moreover, thanks to the reviews and thanks to the various media (paid media, earned media and owned media) it is able to create the competitive edge that distinguishes itself from its competitors.

### 3.5.1 E – commerce in Italy

Data about E-commerce's development in Italy are clear: more than 16% compared to the past year. Of course, the total value of online purchases, equal to 16.6 billion euros, is still low compared to the major Western markets, such as France or United States<sup>17</sup>.

However, growth in our country is constant and the number of product areas interested in electronic commerce is increasing.

Electronic commerce in Italy is slowing down in all product segments, but some obstacles delay its consolidation. The fear of buyers, for instance, to incur fraud and mischief, such as late deliveries and defective merchandise. This often pushes them to purchase in physical stores rather than in online shopping, because human contact is reassuring.

Analyzing in detail the Nielsen and Censis statistics for Italians who have access to the Internet, it turns out that 77% explore Internet to compare prices, 81% search for specific product information, 66% search on the web but then buy in shop and 60% read reviews before buying. Internet is therefore an increasingly important tool in the buying process, but this impact does not directly affect online sales.

How much do we buy in Italy and how many products are from Italy? The value of sales from Italian e-commerce sites reached 14.9 billion euros. Part of this turnover is considered to be export, as it results from sales made abroad. We talk about 21%, just over 3 billion euros.

The rest consists of sales from Italian sites to Italian customers. The most relevant detail is that the total of purchases made by Italians in foreign markets exceeds our exports and reaches about 4.7 billion.

63.5% of Italians, in fact, are worried about the scams they may incur and, consequently, 24.4% completely renounces internet purchases because of this fear. The data undoubtedly demonstrates how indispensable the opinion of others is to be reassured before an online purchase.

In this scenario, ShoppingVerify is included: it tries to break the buyer's barrier down to lesser-known sellers. Social proof is the way to do so.

ShoppingVerify, who created the infographic to showcase the e-commerce situation in Italy, allows to review online stores across all sectors. Vendors respond to comments received and monitor their online reputation to improve their services. Unlike many similar initiatives, the project is no profit and it is managed by the "Casa del Consumatore", a national consumer

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<sup>17</sup> Osservatorio E-Commerce B2C del Politecnico di Milano

association that does not have business relations with companies and therefore does not promote sales.

Another interesting data is about food market. Indeed, Italians are no longer buying smartphones and shoes online, but also food products. The food and grocery, which has been growing strongly in recent times, is already worth 2% of the market, with 377 million euros and 14% of this volume of purchases is represented by wine. Foodstuffs is a market that the world's largest grocery makers consider emerging, although it is set to grow rapidly.

Amazon has recently started selling also dried food on its site. eBay is no less: with its eBay Taste, it is about selling the best of foodstuffs directly from its platform.

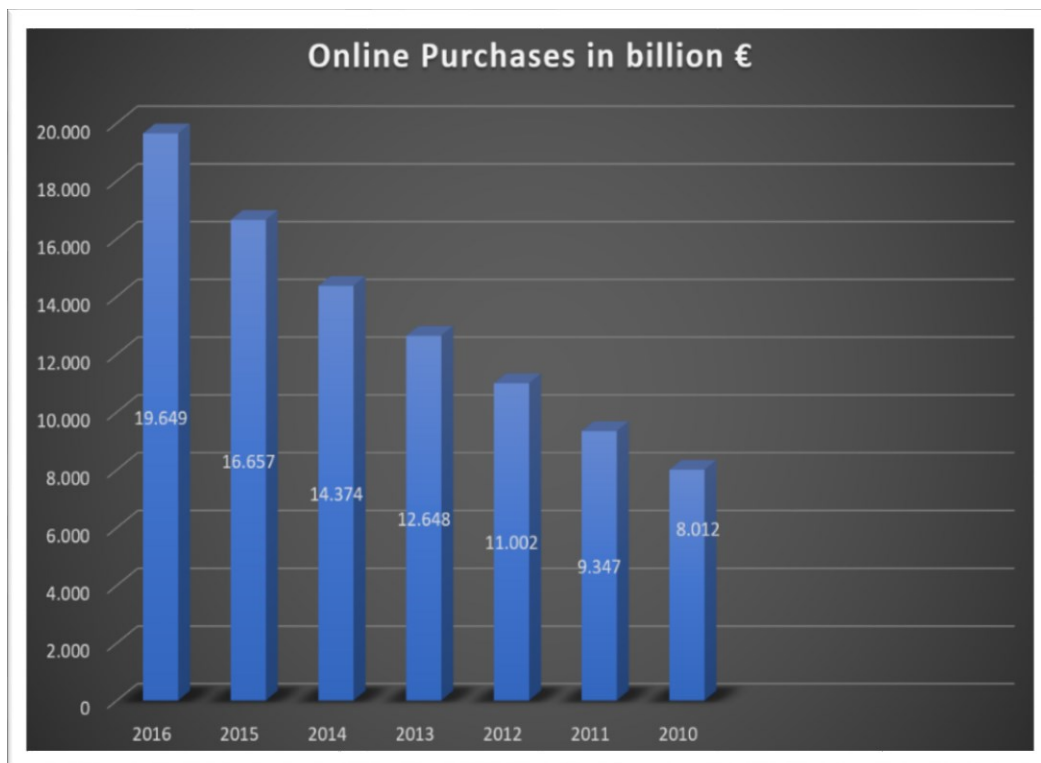


Figura 8 Source: Osservatori.net Politecnico Milan

### 3.5.2 Misbehaviour: Airbnb and Uber

As we have already written several times by now, Airbnb offers the possibility to rent someone else's home or room or flat for holidays. We have already claimed different times that Sharing Economy could not exist without trust and without mutual confidence.

What happens if, for some reasons, some guests are not so polite and kind as they should be?

What happens if a host leaves the dirty kitchen with cigarette butts in the sink, or if he damages the parquet, or if he pours liqueurs on the ground, or if he throws the trash out?

In Canada, for instance, a family found the home in these conditions after renting it through Airbnb. The same situation repeated in San Francisco by another lessee. The gentle guests stole the camera, the iPod, the notebook and the hard disk where he had stored all his photos and the healthcare card with his copier. The kitchen then was a disaster and the detergent even covered the printer.

These are just a couple of examples among the many of the less well-known side of the popular service. What has Airbnb done to protect and guarantee its members?

It has decided to adopt a home protection insurance program for apartments' owners. Most of the hosts belong to the middle class and use Airbnb to earn something more at the end of the month. That is why they look for a simple way to accommodate people with no stress. Last January the insurance was launched in the USA and now it is available in Italy too. The solution covers damages up to one million dollars for the US and 800,000 euros in the Italian version to the owners, if a guest is victim of an accident at home or in the vicinity. The program protects the host even in the event of damage caused by its guests near the accommodation (if, for instance, a water loss harms another apartment).

Airbnb Italian portal warns, however, that this is not "an insurance policy and should not be considered as a surrogate or as an insurance for owners". In addition, the Host Guarantee does not cover cash, securities, animals, common or shared areas, while jewels, collectibles and artworks have limited coverage.

Owners access directly to the new program for which they do not have to pay anything and the startup is about to raise tariffs or, at least, those reserved for people who book through Google's advertising.

Airbnb is also testing a feature that will charge 10-15% more to customers who will book through search engine-sponsored ads. The decision is justified by the greater visibility that Google's advertising offers to the portal, even if owners will be left out of this kind of advertising and give reservations up through Google.

A highly sensitive matter relates Uber.

Contradictions generated by Uber strongly emerge, looking at the relationship the platform has with its drivers working through it. There are many disputes, especially in the United States and in the United Kingdom, about the San Francisco's company and its drivers as protagonists. Gaining adequate remuneration seems possible only at the price of massive working rhythms. Behind the multiplication of labor causes, however, one can see a further stretch of nobody's land within which Uber operates and this is not the only misbehavior. We have talked a bit about Airbnb's ravages, so now we can examine what usually occurs with Uber.

In San Francisco a car of the private transport service has invested and killed a child: who is to blame? Is the driver's or the company's responsibility?

On New Year's Eve, in San Francisco, a little girl was shot and killed by one Uber car. The driver, Syed Muzzaraf, was arrested for vehicular manslaughter. Uber's officers claimed that, at the time of the accident, the car was not carrying any passenger (Uber cars also run when they are empty instead of stopping in the car parks to ensure more hedging in the territory they operate) and so the insurance would not be borne by the damage caused by the accident. This response did not convince the public opinion.

A debate around what Uber really is and how it should be defined has come out: is it a taxi company and therefore subject to all its constraints? Or is it just a technology platform that helps you to transact business with private individuals, such as eBay, for example, which means less responsibility for the company itself?

Traditional taxi companies argue that Uber is a masked taxi company to circumvent the rules; Uber's managers argue that the service cannot be compared to the traditional taxi one and, therefore, does not have to comply to the same regulations and restrictions. Uber's drivers, in fact, do not have a traditional license and they often use cars of their own, operating from a professional position that looks more like freelance.

Drivers are completely free to manage their participation in the platform and, therefore, to independently organize their times and ways of doing business. One of Uber's most controversial features, rising tariffs in rush hours or in case of adverse weather conditions, is a good example to understand the relationship between Uber and its drivers: the increase in tariffs helps Uber to incentivize the registered drivers to work in those hours while maintaining the availability of cars anyway high. Drivers also receive feedback and judgments directly from users, who can then decide whether accept drivers responding to their calls.

Indeed, Uber does not function as a traditional taxi company, which directly controls the number of vehicles running in the streets: Uber's vehicles point out that the service works like an auction site, which is limited to link a buyer and a seller and it is not responsible for what is happening to each other. Even on the Italian version of the Uber site, in the section dedicated to becoming drivers, short biographies insist that drivers are freelance professionals using Uber's services.

Misbehaviors do not concern only physical damages but also the emotional aspects. This is the typical case of Uber, which has recently launched a broad-based research program in behavioral economics and decision theory. Accused of harassing practices by "disconnected" drivers forced by the platform due to their poor productivity<sup>18</sup>, Uber is now attempting the path of psychology and incentives to maximize the efficiency of drivers.

As Noam Scheiber tells in the New York Times, the fundamental aim of the experiments conducted by a large group of psychologists, economists and data scientists is to draw a set of capable incentives: drivers are supposed to work in time, so that Uber can maximize its profits. Based on "games" normally used in behavioral economy experiments, Uber tested the reaction of fake drivers undergoing working conditions. In particular, the hired scientists from the company have calibrated the most effective incentives to make drivers coming off from the platform to stimulate further work by covering the entire available demand. The kind of incentives that are most effective are "negative": on a driver's smartphone that might be willing to finish working on a day, there are a couple of messages like "... if you lose now you could lose \$ 100 ...".

The psychological pressure implied is obvious. There is a pressure to meet full demand and to maximize profit, which could also have serious consequences for travelers' safety if the driver who received the incentive was to choose between rest and additional races.

By the end of 2014, without Airbnb ever planting a brick, the number of available rooms reached one million units, bringing the app to over six years in groups like Hilton, Marriot and InterContinental, each with approximately 700,000 rooms in Offer in the world.

The number of bookings is still at substantially lower levels, as many of the rooms are not available all year round, but Airbnb's exponential growth path has prompted analysts from Barclay's investment bank to predict that the bid will triple Size here in 2016, to reach 129 million rooms-night per year. Airbnb already accounts for 17.2% of all New York accommodation, 11.9% of Paris and 10.4% of London.

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<sup>18</sup> All is documented by Sarah O'Connor on the Financial Times of September 8, 2016.

A condition that poses no irrelevant regulatory problems: in a hard editorial titled "The Dark Side of the Sharing Economy", the New York Times argued that the continued rise in rents and stagnation of wages, "the city cannot afford to have even more apartments converted into illegal hotels, pointing out that there are good reasons why the government regulates housing: they need to separate hotel and residential development, so that tourists do not invade cities by reducing the space for residents and to ensure that the poorest tenants have places to live and are not expelled from the increase in rents".

Even Uber found himself undergoing regulatory pressures. Reportedly illegal in Germany, recently in Italy, the Uber-Pop app has been blocked. Unfair competition to taxi drivers - even such as non-public enthusiasts - says the ruling because these, unlike Uber's drivers (occasionally, for Uber-pop, non-Ncc professionals like Uber black), must Subject to a series of laws to protect the quality of service and user safety. How many hours can you drive, for example, who sells passes to Uber-pop?

Regulators and governments have begun to question the long-term impact of sharing economics on historic operators and communities, also highlighting some bitterness by some players in taxing and respecting the law. Several courts in Belgium, France, Germany, Italy and the Netherlands, just to give an example, have declared illegal UberPOP service using non-professional drivers.

Faced with these challenges, sharing economics players have so far reacted by following one or the other of these approaches: continue to work as long as there are no good complaints to which they are then responding to the courts or educate the different stakeholders about the benefits of Sharing Economy until they are recognized. But rising disputes and widespread resentment show that both approaches are no longer effective.

# 4 BLOCKCHAIN TECHNOLOGY

Blockchain is a trustless technology. It means that there is a transnational private system allowing a certain data to be downloaded in a digital form. This data could be controlled, monitorable, unmodified by the all operators, with or without the rules of law, and beyond codes of conduct. There is no contribution or control made by a third public authority. This technology is based on the bitcoin, a virtual currency that should modify the financial markets by changing the current perception and sensitivity about every type of economic operation.

Few have pointed out that such revolutionary IT technology, the potential of which is Facebook, Uber, Airbnb and many others usually base their core business on a common activity: users' contribution is the key to create value within their platforms. Today we are facing a new model of decentralized organizations, where large operators are aggregating the resources of many people in order to provide a service to a group of active users.

How the blockchain technology is linked to the Sharing Economy?

Blockchain technology is about to revolutionize the relationship between public and private sectors for economic reasons. It concerns industrial policy, economic investment, country modernization and competition. Blockchain technology is a revolution in action because it affects the way in which services are produced. Bitcoin itself contains some adaptability that could revolutionize not only the economic-industrial world, with consequences on organizing work, but also many other aspects of each citizen-user's life.

This revolution is based on various facts and events that will most likely lead the blockchain technology to settle in the most diverse aspects of the economic life of industries and countries. The blockchain will be the basis for any future legal relationship between two or more subjects or exchange of information between PA and citizen. In order to see the potential of the blockchain, it is extremely useful to analyze the case of bitcoin, the first true real and operational product that relies on this technology for its operation.

The main difference compared to the past 20 years is the dematerialisation: this change marks the advent of a new generation of "dematerialized" organizations that do not require any physical service, goods and even employee.



Everything could sound very good up to this point. We can easily read between the lines few positive aspects, such as a major cost savings, a greater flexibility, a new rapid way to communicate.

What is more difficult to understand is where issues hide. Indeed, one of the biggest problem of this model is that in most cases people's value is not equally redistributed among all those who have contributed to the production of it.

Profits are gained by the large brokers with their own platforms.

That is where Blockchain comes in.

It seems to have been invented by Satoshi Nakamoto (pseudonym of the inventor of the blockchain and its source code), and made famous by its most well-known protocol, the virtual Bitcoin coin.

Blockchain is a communication protocol that identifies a distributed database logic technology (a database in which data are not stored on a single computer but on multiple linked machines called nodes). This database stores recent valid transaction blocks, correlated by a timestamp. Each block includes the hash (a non-invertible algorithmic function that maps an arbitrary length string to a predefined length string) of the previous block, linking the blocks together.

The linked blocks form a chain, with each additional block that reinforces the previous ones.

Blockchain could modify this imbalance: it could facilitate the exchange of value in a secure manner, without the need for an intermediary. Indeed, every performed operation must be automatically confirmed by all nodes through encryption software that verifies a private key or seed data package that is used to sign transactions. The digital identity of those who have authorized them is guaranteed.

This technology also allows you to open peer-to-peer and without intermediaries. You can imagine decentralized autonomous organizations and virtual societies which consist essentially of a set of rules for peer-to-peer transactions. Who can we ask if something goes wrong? Blockchain-based programming is also used as a "consensus mechanism" for platforms / tools that facilitate democratic decision-making processes within co-operatives. With Blockchain, social statutes, memberships, quotas, and voter registers could be irrevocably recorded.

On the other hand, the idea behind Blockchain is to move trust beyond centralized institutions such as the state, but also beyond social institutions. The ability to record data securely offers a certification tool that is applicable in fields ranging from digital identity registration to intellectual property protection, from property passages to machine-to-machine

communications that are the basis of the Internet of things. For this reason, companies working on blockchain are attracting a lot of investment for a business that has already reached the billion dollars.

Tourism could also benefit from this technology in a number of areas, and here is a jumble of online travel like Airbnb. In a recent interview, co-founder of Nathan Blecharczyk has suggested the possibility of integrating blockchain technology into search engine and website booking engine to ensure the identity and reputation of those who are participating in the transaction, as CRYPTOCOINNEWS reports. One of Airbnb's problems is to allow transactions that are essentially among the perfect strangers until they are completed: only at that time the platform reveals the identity and contacts of the two contractors.

To solve this problem so far, social proofing tools such as social networking and reputation using social network commentary have been used. According to Blecharczyk in business like that of Airbnb, reputation is everything and using technology as the blockchain could help to ensure more reliability and anonymity for transactions.

The interesting thing is that if a 20 billion dollars' giant like Airbnb opted to implement blockchain technology would raise it to industry standards to confirm its digital identity and then spread to all other reputation-based platforms of their participants, from sharing economics to review sites, providing an alternative solution to verify the identity of those who want to keep anonymity on the web.

Not only Airbnb, but other start-ups are offering tokens as a way to raise money upfront in so-called initial coin offerings (ICOs), a nod to traditional initial public offerings of securities. 63 sales have raised \$521 million this year, according to blockchain research firm Smith + Crown. That has already far surpassed the \$260 million raised in 2016, says Emma Channing, general counsel at Argon Group, a year digital finance investment bank in Los Angeles.

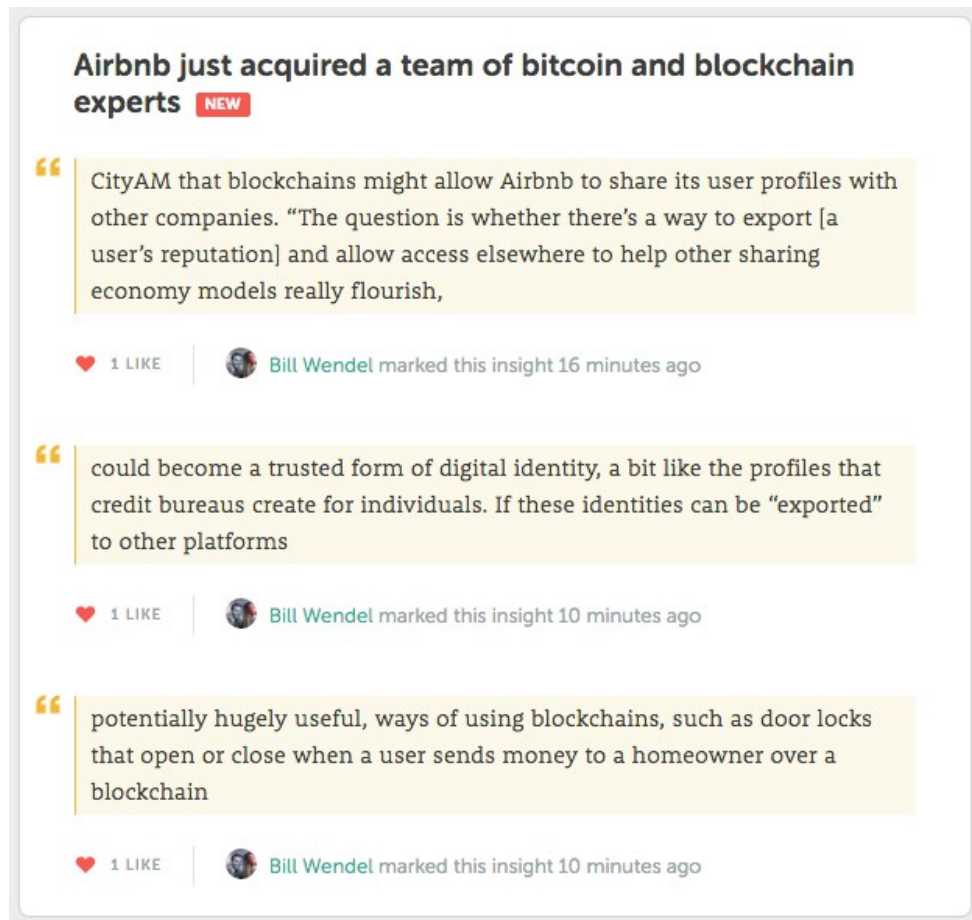


Figure 9 Source: qz.com

The Universal Sharing Network (USN) is based on the decentralized Ethereum computing platform and creates a smart contract for each single transaction. This contract is automatically registered and cannot be modified without any correction.

The USN allows users to search for objects they are looking for, locate and loan them, while owners can use it to manage the resources they offer within the network. Third party providers will also have the opportunity to connect to the network and to offer their services or products.

How does this circular economy mechanism and Sharing Economy work in practice? Let's take a concrete example: you want to rent your home while you're on vacation. Your smart lock already allows you to simplify the operation because you just need to give temporary tenants a code to enter the home without having to meet them for keys.

The tenant will be able to enter your home even at the end of his lease with a normal smart lock. Slock.it solved this problem, as the new tenant has paid for the rent of the house; indeed, he receives a code that allows the door to open. A code that works only for the period specified in the lease and is regenerated in the case of new tenants.

# 5 CONCLUSION

This research aim has been focused on the analysis of the main topics which can describe Sharing Economy as well as possible, but it has also tried to point out that Collaborative Economy means everything and nothing at the same time. Indeed, it concerns a huge topic, which is firstly very difficult to regulate, precisely because of its range's matters and secondly, because it is a worldwide phenomenon, that has literally penetrated all the countries and all the domains.

It is an economic revolution, which will maybe destroy the normal definition of Capitalism (I personally do not agree with this idea, because I think that man does not change attitude: he is a cognitive saver and he will always try to pursue its goals as quickly and as costly as possible. However, there are so many lines of thoughts, which deeply believe in it).

What is perhaps interesting to note, however, is how the notion of "expensive" has changed, because this has a significant impact on social performances. From this short thesis, some details have emerged: people share good and services only if they trust in service and in people who provide it. Trust and security are the most human feeling. Without these two criteria, sharing could not work and go on. Thanks to the feedback and the use of photo and authentic profiles people have more confidence.

A possible community must be created only in this way. Users do not look for a service customer service; they are customers themselves. In fact, the performance rating offers a great technique to keep the quality of service high while providing more added value and quality at a lower price. Rules in the Sharing Economy are not clear and there is no real regulation in this regard. Many start-ups can have a competitive advantage over other providers offering a similar service by paying far more taxes and respecting many more rules.

Maybe Collaborative Economy must be "as free as possible", in order to freely act and to provide service at a lower price. The general idea is that, by doing so, it will allow the economy to grow, succeeding in innovating without being suffocated by very often oppressive legislation. However, a secondary effect cannot be hidden due to the fact that with the growth of the phenomenon there is a need for regulation, to define its limits and to allow the coexistence of services in the market. Next generations will have more awareness of what we have and how precious all the resources are, from those already used to those that are still to be used. The technology has allowed this evolution and new frontiers will be created with the

advancement of it. Each of the three chapters has attempted to capture both socio-economic and governmental aspects. The question that seems to underline all the arguments is always the same: which path will the Sharing Economy seek?

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