The global south and the sharing economy:

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Will the spread of collaborative mechanisms of the sharing economy lead to growing disparity between developing and developed countries?

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Abstract

This paper will attempt to analyze whether the increasing avenues of the sharing economy (examples include Uber, AirBnB and Careem, to name a few) that are increasingly prevalent in both developed and developing countries, are leading to greater equity or vice versa between the two types of countries. Special focus will be on European countries and the US for examples of the sharing economy in developed countries, while countries such as Pakistan, India, China and others in Africa will be considered as examples for developing nations. The general benefits the collaborative economy poses to provide might be similar in both developed and developing countries, but how these benefits and changes interact with society might differ greatly, allowing for differences to emerge. The global south might just be benefiting more considering the collaborative economy stands to bridge gaps present, where in developed countries it is only adding to the vast array of services already present. Literature on the development of these modes of production, collaboration, and service-sharing will be analyzed, alongside a comparison between numbers of the developed and developing; how many people are being hired, what business they stand to bring in both developed and developing countries and whether there are reasons for the global south (developing countries) to benefit more than developed countries due to the collaborative economy filling in the gaps of services or goods needed in the production cycle.

Keywords

Sharing Economy, Collaborative Economy, Platform Capitalism, Global South

1. Introduction

Technological development and the rise of digital mediums have led to the rise of the sharing economy across the world (Sundararajan, 2016). However, the fundamental question of whether this rise has led to greater disparity between developing and developed countries is still one that needs to be addressed. This paper will attempt to analyse whether the ever-growing avenues of the sharing economy (examples include Uber, AirBnB and Careem, to name a few) that are increasingly prevalent in both developed and developing countries are leading to greater equity or vice versa between the two types of countries.

Issues such as the development of these modes of production, collaboration, and service-sharing will be analysed across both the developed and developing world. The general benefits the collaborative economy poses to provide might be similar in both developed and developing countries, but how these benefits and changes interact with society might differ greatly, allowing for differences to emerge. The global south might just be benefiting more considering the collaborative economy stands to bridge gaps present, where in developed countries it is only adding to the vast array of services already present. Some posit that the rise of digital mediums in developing countries will lead to better job prospects, improved healthcare and increased access to education (Adhikari & Dorji, 2017).

Conversely however, the digital divides that exist between the information-rich developed countries and the information-poor countries can be a further cause of increased polarisation and stratification in the global economy (Norris, 2001).

The fundamental question that this paper will attempt to address is whether the rise of the sharing economy and collaborative mechanisms will lead to greater economic disparity, or decrease it. Economic factors such as economic growth, employment and average income per capita will be looked at, instead of other factors such as general happiness etc. The sharing economy will be looked at as a collaborative economy, with the gift economy only peripheral in this discussion due to the obvious economic exchange the sharing economy has, whereas the gift economy might or might involve the exchange of money – the ambit of what can be considered part of the gift economy is much greater than that of the sharing economy and its collaborative mechanisms.

On the first level, the rise of the sharing economy primarily in the developing world and its many benefits will be discussed, after which the benefits or risks to developing countries will be analysed, with a further section on the impact of large corporations to the equation. The conclusion will provide a summary of the arguments presented, to assess whether there is growing or decreasing disparity between the affluent countries and the global south as a result of the sharing economy.

2. The Rise of the Sharing Economy

Charting the rise of the sharing economy necessitates analysing the mechanisms and development in technology that led to this rise. But before any of this, defining the sharing economy is imperative in order to fully understand its effects on society in both the developed and developing world. According to Sundararajan (2016), there are five main characteristics of the sharing economy. It is “largely market-based”, in that it “creates markets” for the exchange of goods and services, for potentially increased levels of economic activity. It opens avenues for all sorts of capital – be it time, money or fixed assets – “to be used at levels closer to their full capacity”. It relies on the existence of crowd-based networks; with the “supply of capital and labour” coming from individuals in the ‘crowd’ rather than corporations or big businesses. It also leads to greater merging of the professional and personal – someone giving a ride on their car is now an economic activity, as is someone lending their couch for another person to stay a night, or feeding a home-cooked meal to a complete stranger. Lastly, there is less distinction between fully-employed and casual labour, in that short-term contract jobs have replaced full-time labour, with traditional workplace hierarchies such as the one between the boss and the employee to be eliminated (Sundararajan, 2016).

Peer production is growing due to more firms accepting the idea of collaborative innovation, the sharing of resources between individuals has led to the creation of a plethora of open source goods and services that anyone can access, modify and add to; it has also led to greater collaborative mechanisms with services such as Lyft, BlaBlaCar and others (Sundararajan, 2016; Tapscott & Willams, 2006).

Codagnone & Martens (2016) argue that the existence of sharing mechanisms predates the digital age; services such as car-pooling existed well before digitalisation and the Internet; the only difference was that they remained restricted to small tightly-knit communities and circles. This was due to the high cost of information sharing which decreased greatly due to the Internet and its permeation within society at large (Codagnone & Martens, 2016). This made the sharing economy possible and transformed it into what it is today; a burgeoning market structure that holds many positives for those that participate in it.

Of course, none of this would be possible were it not for the advancement of technology in the nineties. Negroponte’s (1996) predictions for many of the transformations that would come about with the growth of personal computers have come true. The most fundamental of these; that adding value, speed or technology to a personal computer will not require changing the whole set but only adding bits of hardware or software that it needs – lowering the cost for upgrading a system – has led to the advancement of technology for personal use at a rapid pace (Negroponte, 1996). What this made possible is providing access to more users, which automatically implies more chances for the sharing economy to flourish; more users on the network means more producers, suppliers and consumers in the sharing economy (Sundararajan, 2016). Increased digitalisation enables the same content to be circulated and pass through different channels and mediums, and to different sources (Jenkins, 2006), leading to a more competitive market, which is more dynamic in nature (Lessig, 2004). Passive information received is not the only endpoint of this structure, in fact, individuals are creating and sharing (information) as well, which provides new opportunities and mediums to collaborate and compete (Tapscott & Willams, 2006).

The inherent quality of the Internet; that it is decentralised, and has multiple alternative paths that form the network as a whole, makes collaboration not only possible, but necessary (Sundararajan, 2016; Tapscott & Willams, 2006). This means that it adds to the already prevalent attitude of societies and groups to collaborate and work together in providing services to one another (Codagnone & Martens, 2016). The creation of "inter-creative environments" – where users work together to develop and share informational resources to build on existing information – has also led to a greater flow of ideas and even services in the sharing economy (Bruns, 2008).

However, to merely state that it is in the nature of the Internet to foster the sharing economy would also be disingenuous. Writers such as Benkler (2006) argue that the Internet on its own is not disruptive or facilitative by nature, in fact, the context which surrounds it and the users themselves determine its nature (Benkler, 2006). Even so, it cannot be denied that the Internet is an efficient means to connect suppliers, producers and consumers (in many cases these roles may overlap in the sharing economy) and this leads to increased productivity (Curran, Fenton, & Freedman, 2016).

The Internet has also empowered companies to manage resources they do not necessarily own themselves, as in the case of Uber, which tells its drivers that their service is a mash-up between self-employment and traditional taxicab ideas, and Uber itself does not have to own any of the cars that operate on its network (Benkler, 2006; Sundararajan, 2016). There's also conjecture that the Internet, with its vast network and increasing amounts of opportunity, actually leads to decreasing scarcity, even "killing" it (Curran, Fenton, & Freedman, 2016; Jarvis, 2011).

There is an additional idea of deeper human development with the growth of communication technologies; the 'betterment' of society – individuals pondering the human condition, our shared humanity and how to better society as a whole (Wu, 2011). This can be extended to the idea of information sharing; with readily available information on any subject we choose through the internet, consumers can be more informed and hence make better choices, leading to greater satisfaction and increasing the utility of their purchase in the process.

Overall, the above factors have made the sharing economy function in a cohesive manner, and the Internet and the digitalisation of communication has led to its rapid rise.

3. Collaborative Mechanisms in the Developing World

We live in an 'informational, networked and global' economy, where activities such as production consumption and circulation are carried out on a global scale (Castells, 2010). It is no wonder that the sharing economy's rise has not gone unnoticed in the developing world. Countries such as Pakistan have seen services such as Uber and Careem replace the virtually non-existent public transport sector (Jafri, 2016). With a population of over 220 million and half of these cell phone users, there is little doubt that a market for sharing economy exists in Pakistan and other developing countries (Tarar, 2017).

Writers such as Mytelka (2000) argue that integrating the role of transnational corporations and international rules and practices with localised systems of innovations is fundamental in the global economy (Mytelka, 2000). Decentralised and peer-to-peer economic models will enable developing countries to mitigate regulatory problems and other issues, provided access to Internet and communication technologies is available (Feeney, 2014). Feeney and other writers such as Ozimek (2014) provide the example of Sub-Saharan Africa and the obvious correlation between Internet use and national income; a growth in the former has led to growth in the latter as well (Ozimek, 2014).

Some writers go even as far as to say that developing countries can leapfrog the development in developed countries as a result of the sharing economy (Rifkin, n.d.). The argument that the advent of cell phones has brought about what some call the "third industrial revolution" is also something that cannot be ignored. Theoretically, the rise of the sharing economy in developing countries can lead to many benefits, such as easy access to information, cooperation in joint ventures and potentially easy access to capital as well, through crowdfunding platforms such as Kickstarter (Hira, 2017; Sundararajan, 2016).

Not only that, but there are also the examples of newly industrialising economies (NIEs) – countries such as Korea, Taiwan and others, that have been rapidly industrialising since the 1960s and have focused on developing technology industries – that can be used as models for the developing world (Kim & Nelson, 2000).

With increasing collaboration in science and technology research between developing and developed countries (Wagner, Brahmakulam, Jackson, Wong, & Yoda, 2001), and greater access to information online, it is only natural that developing countries can bridge the gap and move towards more collaborative mechanisms and the development of platforms for the sharing economy. The increasing number of start-ups in countries like Pakistan and some African nations proves writers such as Retamal & Dominish (2017) right – the sharing economy leads to greater opportunities for entrepreneurship, enables more access to consumer goods and allows the sharing economy to work towards solving country-specific economic, social and environmental problems in low-income countries (Retamal & Dominish, 2017).

The rapidly decreasing price of smartphones, lower transaction costs, and other boons of the sharing economy however, do not imply that there are no negative externalities (Hira & Katherine, 2017). The replacement of traditional labour types, such as taxi drivers to Uber drivers and from traditional service providers can potentially upset the balance of employment in developing countries. Additionally, while start-ups that originate in developing countries do exist, large platforms such as AirBnB, Uber, Careem, Netflix and others are also expanding their operations to low-income countries. And while the exchange of money between suppliers of homes, rides and other services and the consumers of these services does take place, the profits generated by the company are not shared among others in the economy. These large platforms keep the lion's share of the profits and may even whisk them out of developing countries and take them to developed countries where their headquarters are (van Welsum, 2016).

There are even more critical views regarding the discussion on the sharing economy; increasing automation and algorithms that connect suppliers and consumers on platforms like Uber, AirBnB and even Netflix have meant that the employment opportunities that exist in these large organisations are usually either at the head offices, or down to menial tasks such as driving a car (Reich, 2015). Workers in this system work 'as they choose' but this also means that the platforms themselves have no liability; ideas like employee safety standards, social security and health insurance do not exist. This is even worse in developing countries where labour is considered cheap and the lack of regulation to protect workers is already a problem.

Given that the growth of the Internet and the digital divides in the global economy are determined by the regulatory practices and other political and sociological factors in each country (Guillen & Suarez, 2005), existing inequality can increase corruption in the governing processes as a result of dominant interests of the wealthy and privileged, to ensure that the status quo remains in place. The masses are usually deprived of complete information and prevented from proliferating their own messages or narratives through state media; the state holds monopoly over this (Bolaño, 2015). This can largely affect the shape and scope of the Internet in each country (McChesney, 2013). In any case, as Mansell (2012) argues, even if we assume that the main priority of the information society is to increase Internet and mobile access for all individuals, this does not look to solve the problem of income inequality in a specific sense; it might as an afterthought, but not always (Mansell, 2012).

4. The Impact of Large Corporations

The new economy – a mixture of start-ups and large corporations that are driving growth in the economy – has not successfully recognised the impact of large corporation in the bigger picture (Curran, Fenton, & Freedman, 2016). Powerful companies or even "empires" have emerged – Google, Facebook and Amazon are prime examples – which are managing resources that they do not even own themselves (Benkler, 2006; Wu, 2011). Some of these companies are arguably taking larger risks with higher return profits in the sharing economy (Mansell, 2012; Sundararajan, 2016). One of the business models in the new economy is operating by appropriating social labour, much like in traditional capitalism (Schiller, 2007).

But some writers believe that the Internet is establishing a sort of egalitarian competitive field between new start-ups and these giant corporations (Curran, Fenton, & Freedman, 2016). The problem is, whether start-up or corporation, all these firms are working on the profit motive, meaning producer sovereignty will continue to trump consumer sovereignty, unless the state intervenes of course (McChesney, 2013).

With the growth in the technological sectors of countries like China and India, US and European firms will soon no longer be the only innovators in the technological fields, some predict that they will be competing in a world where they produce one out of five major inventions in the world (Tapscott & Willams, 2006). What is certain is that the twenty-first century will see the rise of business webs that meld the resources and competencies of the developed and developing worlds, into some sort of workable model (Retamal & Dominish, 2017; Tapscott & Willams, 2006).

5. Conclusion

The rise of the sharing economy and technological development itself has seen changes in the way technology is disseminated in the world – between the developed and developing countries in particular. This is not like the Industrial Revolution, where advances in technology would take years or decades to reach other parts of the world. The rapid spread of information has enabled developing countries with the right impetus and access to Internet to reap the advantages of the sharing economy much like those in the developed world have.

However, this does in no way mean that the gains made are always similar. The biggest platforms still come from the west, this means that the global south is still behind on the road to making more profits out of the sharing economy; platforms such as Uber and AirBnB operate in countries all over the globe but take back the profits from there back to their home countries. There is also an argument to be made regarding poor regulatory regimes in developing countries and the loss of labour rights that the sharing economy brings with it – they are infinitely worse in developing countries where the problem is much more serious.

Ultimately however, the global south does tend to benefit more from the inclusion of the sharing economy, rather than looking to stay away from it outright. With the right regulatory mechanisms, and a mix of large corporations and local start-ups developing countries can also move towards greater investment in the sharing economy; the current lag can be bridged and existing disparities removed. Whether this will lead to increased development and work towards decreasing disparity that exists between the global south and developing countries in the west however, is still an unanswered question.

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