

# Renting isn't lending: The 'sharing economy' fallacy

May 28 2014, by John Harvey

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We're losing sense of what it is to share. Credit: OakleyOriginals, CC BY

The "sharing economy" seems to be everywhere at the moment. [The Economist](#), [the Financial Times](#) and many others have all waxed lyrical about the social significance of using sites such as [Airbnb](#) or Uber to collaborate with other consumers.

The message from most outlets is consistently positive. The sharing economy is chic. The sharing economy is caring. The sharing economy is a threat to traditional capitalism. The sharing economy will help to reduce income inequality.

Nonsense. The sharing economy is a harmful misnomer. It conflates people who actually share with those who make money through collaborative consumption.

It is true that much of the work within the broad gamut of the sharing economy is important in terms of sustainability and worthy of further advocacy. But the disparate values that resource sharing brings to the economy should not be clumsily lumped together. Sharing in the presence of money and sharing in its absence are two entirely different forms of economic morality.

## **The meaning(s) of economy**

This is not just a debate about wordplay. The way we conceptualise the economy has profound and far-reaching political consequences.

The economy represented in the mainstream media is primarily the formal economy – the sum total of individual quid-pro-quo transactions. The informal activities in the economy rarely get a mention. They are simply not seen as important enough. To conflate the formal and informal economy is to merge two moral logics which should be recognised as separate. They exist alongside each other but they are not the same.

Depending on your preferred definition of the word "economy", the phrase "sharing economy" is either a tautology or an oxymoron. The origin of the word economy has two root words: oiko (house) and nomos (rule or law). The original definition is said to have meant the art of

household management, or in other words, how resources are shared among kin.

Various 20th century economists opposed this definition because, for them, the central aim of economics was to gain a scientific understanding of the interplay between all decision makers in society not just to analyse individual households.

Friedrich Hayek proposed the word "Catallaxy" as an alternative which derives from the Greek verb "katallatein". His definition meant not only to change or exchange but also to receive a person into favour or debt. It therefore refers to the order brought about by the mutual adjustment of many individual economies in a market. This higher level definition is the meaning that most of us already give to the word "economy".

So if we take these two opposed definitions and analyse the phrase "sharing economy" in the most basic terms it would seem to indicate either *sharing sharing* or *sharing exchange*, neither of which make any real sense.

The really important distinction between the definitions is the concept of exchange. Exchange is always presupposed by the possibility of debt. Debt is a moral position that stands in clear opposition to sharing. The tension between debt and sharing is at play in all economies. If the two are conflated, the significance of both is diminished.

Much of the activity that goes on in the informal economy occurs through generosity, as services in kind. The informal economy is therefore not always characterised as an exchange or a transaction. It is done without receipt, without quantification of value, without audit trails or records.

When we take care of children, the elderly or the infirm, when we

volunteer for charities, when people give away their belongings for free, when we do the housework that provides the material conditions which support day-to-day employment – these are truly shared activities. We contribute to the economy when we carry out these tasks, just as we do when we buy a loaf of bread from a shop, get a mortgage or use complex financial instruments to manage derivatives.

But sharing is not the activity being promoted by the slew of new companies marching under the faux-compassion banner of the sharing economy. These companies are directing attention away from actual sharing in the informal economy.

Airbnb is not accommodation sharing, it is formalised lending. Uber is not ride sharing, it is a transportation service. [Amazon's mechanical turk](#) is not task-sharing, it is a means to crowdsource a labour force that is frequently underpaid.

None of this is to say these innovative companies shouldn't be encouraged to develop further, rather they should be recognised for what they are trying to accomplish -- commerciality, not simply prosociality.

If commentators continue to conflate the two sides of the economy they will mask true generosity and run the risk of missing issues that really matter to people.

Can we really claim to be experiencing a sharing renaissance when full-time [carers](#) receive less remuneration than people on the [dole](#)? Our economy is understandably driven by an exchange policy bias, but the enormity of favourable discourse surrounding commercialised collaboration sounds like a clique. The prosocial definition of sharing should be wrestled back from the jaws of those using it to profiteer. The phrase "sharing [economy](#)" should be banished forever.

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