Short-Term Rental Platforms: Home-sharing or sharewashed neoliberalism?

Törnberg, P.

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6. Short-term rental platforms: home-sharing or sharewashed neoliberalism?

Petter Törnberg

INTRODUCTION

Short-term rental is one of the most visible and impactful sectors of the growing platform-sharing economy, with companies like Airbnb, Booking.com and Vrbo having fundamentally transformed travelling and cities within the span of just a few years (Guttentag 2015). Airbnb – the first such platform, the focal point of debates and the standard-bearer of the short-term rental platforms – grew from two university graduates offering air mattresses on the floor of their San Francisco apartment in 2007, to rivalling the world’s largest hotel chains just a decade later (Guttentag 2015; Zervas, Proserpio, and Byers 2017). What distinguishes short-term rental platforms like Airbnb, 2nd address, Vrbo, FlipKey and Booking.com from regular hotel businesses is that they do not own rental real estate, but instead collect fees by acting as a broker between those with space to rent and those looking for short-term lodgings. They are in this sense online marketplaces for short-term rentals. This has motivated the companies to refer to themselves as part of a growing “movement”, using terms like “sharing” or “peer-to-peer” (see Chapter 2).

But while there is general agreement that these platforms are transforming tourism and the urban environment (Dredge and Gyimóthy 2017; Forno and Garibaldi 2015; Guttentag 2015; Tussyadiah and Pesonen 2016), there is less agreement on how the platforms should be viewed and what their impacts are for tourists, destination residents and the economy. The short-term rental platforms grew out of a group of not-for-profit services such as CouchSurfing, which were indeed based on non-monetary forms of exchange between users (Molz 2013). However, what began as seemingly revolutionary ideas of sharing assets, goods and services has shifted to increasing focus on monetization, as venture capital firms looking for profitable investments have moved into the market (Slee 2017; Srnicek 2017). CouchSurfing, for instance, was
converted to a for-profit company in 2011, raising investments and beginning to marketize the platform – despite protests from its user base.

Airbnb was never non-profit, but has quickly come to be the focal-point of a heated public and academic debate around the impact of short-term rental platforms, with residents and stakeholders pointing to perceived negative impacts and consequences of urban tourism (Colomb and Novy 2016). There are extensive media reports on conflicts between local residents and Airbnb visitors and how cities are beginning to respond through various policy measures (Gurran and Phibbs 2017). While Airbnb is not the only platform in town, it has become the symbolic battlefield over which the conflicts on how to regulate and manage these platforms are fought. Critics point to Airbnb being used as a way to bypass regulations and taxation in many regions, and highlight the negative impact of the platform on urban life.

This has created two contrasting and competing images of these platforms, begging the question: How should we understand platforms like Airbnb? Should we see them as creating a path toward a more sharing and caring economy, based on egalitarian forms of convivial exchange and solving its problems by self-regulation rather than centralized regulation? Or are they a way for corporations to bypass regulation and taxation, ushering in a new era of privatization and laissez-faire economy that Martin (2016: 149) calls “a nightmarish form of neoliberalism”? In short, is it sharing – or merely “sharewashing”? To answer this question, this chapter evaluates the costs and benefits of these platforms – and by whom they are carried. We begin, however, by looking briefly at the growth of the short-term rental economy.

THE SHORT-TERM RENTAL PHENOMENON

The short-term rental market has seen explosive growth in recent years. In less than a decade, these platforms have transformed how millions of people travel, creating a global marketplace for short-term room and apartment rentals that are posing a growing threat to the hotel industry. Focusing on Airbnb, the biggest of the short-term rental platforms, the platform claims to have seen a yearly 45% increase in bookings, having had about 150 million users world-wide, and has had a total of half a billion stays and 6 million listings (as per writing in early 2020).

While Airbnb is the most iconic example of the short-term rental platforms and remains the one in most wide-spread use, large travel companies are increasingly moving into the short-term rental business. Expedia has for instance bought itself into the market through HomeAway and Vrbo. Booking.com has expanded its services to “home sharing”, and TripAdvisor has moved into the market with FlipKey, representing around 2 million listings according to their own numbers. These platforms are increasingly competing with
Airbnb’s dominance, in particular Booking.com, which (according to its own
numbers) rivals Airbnb in terms of the number of short-term rental listings,
with 5.7 million home listings, out of a total of 28 million reported Booking.
com listings. While Airbnb remains predominately focused on short-term
rental, they have since 2020 started to expand into medium-term rentals, in
between the hotel and apartment markets, in part as these longer-term book-
ings have been less impacted by the COVID-19 pandemic.

This chapter will focus primarily on Airbnb, as this platform has been the
focus of most of the research literature, the platform sets the de facto stand-
ards for short-term rental platforms, and it has been the target for most of the
ongoing debates.

Potential Benefits with Airbnb

1. **“Airbnb gives better supply and variety for travellers”**

   A main argument of Airbnb is that it increases choice for travellers, both in
terms of type of housing and the neighbourhoods it makes available. Since
Airbnb gives access to residential areas, it in particular speaks to “new urban
tourism” – a growing type of tourism that emphasizes leaving the beaten-track
tourist attractions for the everyday and mundane activities of urban life
(Sequera and Nofre, 2018).

   The additional supply of short-term accommodations that Airbnb provides
should furthermore be expected to lower prices in this sector. There is some
research evidence that this is indeed taking place. For instance, Dogru et al.
(2019) find that hotel rooms become cheaper with growing Airbnb expansion,
in the 10 cities with most Airbnb listings. Zervas et al. (2017), focusing on
Texas, find that a 10% increase in the size of the Airbnb market results in a
0.4% decrease in hotel room revenue, which is primarily driven by declining
prices. However, since Airbnb is unlikely to result in increased numbers of
accommodations, but rather long-term rental being converted into short-term
rentals, these cost reductions are likely to be offset in other parts of the
economy.

2. **“Airbnb brings more tourism which is good for cities”**

   Another common argument employed by proponents of Airbnb is that the
platform brings increasing tourism, which is beneficial for the local economy.
Airbnb rentals bring jobs, it is claimed, both directly in the form of managing
and cleaning the rented apartments, and indirectly by rising tourism consump-
tion in, for example, restaurants (Airbnb n.d.).

   However, Guttenberg et al. (2018) found that, in a survey of Airbnb users,
only 2% state that they would not have taken the trip if Airbnb did not exist.
Other studies have reported similar findings of between 2% and 4% (Morgan
Stanley 2017). This implies that Airbnb rentals are overwhelmingly replacing existing hotel lodgings, rather than creating additional tourism.

This implies that the tax revenue created by Airbnb is largely offset by a corresponding loss in traditional hotel businesses. As we will see below, this is made worse by the fact that Airbnb hosts often do not pay their taxes, implying a loss in total tax revenue.

That Airbnb lodgings are largely replacing hotel rooms also means that the jobs associated to these lodgings are not created, but are rather moving from hotels to Airbnb listings. This likely means: (1) a transition from unionized jobs to more precarious forms of employment through independent contractors (Goldschmidt and Schmieder 2017; Dube and Kaplan 2010); (2) a move from formal forms of employment, to the informal forms of labour carried out by hosts (Gandini 2019); (3) likely an overall reduction in the number of jobs, since traditional hotels tend to be more labour-intensive than Airbnb rentals (Bivens 2019). Overall, this implies that Airbnb in fact may incur a reduction in both quantity and quality of jobs, rather than a boost in tourism-sector employment.

Note: This figure shows the Lorenz curve of host revenue for the Airbnb marketplace in New York City for 2019, showing what fraction of hosts takes what fraction of the revenue. The dotted blue line shows that half the revenue on the platform goes to roughly 12% of the hosts, implying a high level of inequality.

Figure 6.1 Lorenz curve for revenue
Table 6.1  Levels of inequality measured by the Gini coefficient

<table>
<thead>
<tr>
<th>City</th>
<th>Gini</th>
<th>City</th>
<th>Gini</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montreal</td>
<td>0.822</td>
<td>San Francisco</td>
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</tr>
<tr>
<td>Hong Kong</td>
<td>0.805</td>
<td>Mallorca</td>
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<td>Vancouver</td>
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<td>New Orleans</td>
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<tr>
<td>Brussels</td>
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<td>Antwerp</td>
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<td>Northern-Rivers,</td>
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<td>0.749</td>
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<td>Rome</td>
<td>0.728</td>
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<td>San Diego</td>
<td>0.715</td>
<td>Average</td>
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<tr>
<td>Quebec City</td>
<td>0.704</td>
<td>Median</td>
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</tr>
<tr>
<td>Geneva</td>
<td>0.699</td>
<td>Variance</td>
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</tr>
</tbody>
</table>

Note: The level of inequality can also be measured through the Gini coefficient, defined using the Lorenz curve (see Figure 6.1), as the area between the diagonal line and the curve, divided by the total area under the diagonal line. A high value implies high inequality. This table shows the Gini coefficients for several cities, with data from Törnberg and Chiappini (2020). These coefficients imply that a small number of hosts acquire most of the revenue.

3. “Airbnb gives extra income to poor families”
A central focus of Airbnb’s marketing is that it creates opportunities for low- and middle-income and minority families to make an extra income from their rental properties. This is for instance highlighted in its 2016 report “Airbnb and Economic Opportunity in New York City’s Predominantly Black Neighborhoods” (Airbnb 2016a) which uses primarily anecdotal evidence to argue that Airbnb helps middle-class African American families to make ends meet. Airbnb often points out that the platform disproportionately rents out
homes in disenfranchised residential minority neighbourhoods, which it argues brings further tourist incomes to these communities.

However, while Airbnb may indeed enable property owners to diversify the potential revenue streams from owning homes, this is unlikely to primarily benefit low-income and minority residents for three main reasons.

First, this idea of Airbnb as an equalizing economic force leans on the notion that the platform is dominated by small-scale rental. One way of examining whether this is indeed the case is to look at the distribution of revenue to hosts in the Airbnb rental market. In studying this, Törnberg and Chiappini (2020) find that a majority of the rental incomes goes to less than 10% of the hosts (see Figure 6.1 and Table 6.1). While the level of inequality varies between different cities in world, markets in all examined cities show a remarkably high level of inequality. This suggest that small-scale renters represent only a small fraction of Airbnb’s business, which is instead dominated by large-scale hosts, often with multiple designated rental properties. This contradicts the idea of the platform as dominated by small-scale sharing, or being an equalizing economic force.

Second, even participating as a host on the platform is limited to relatively privileged individuals, as residential properties that can produce rental income are concentrated among wealthy and majority-population households. For instance, in the USA in 2016, 60% of primary housing wealth (i.e. housing wealth in households’ primary residences) was held by the top 20% of households. “Nonprimary housing wealth” (i.e. households with multiple properties, which are a large share of Airbnb listings) are even more skewed, with the top 20% holding 90% of this wealth (Federal Reserve Board 2016). This means that Airbnb, by enabling homeowners to choose short-term over long-term rental, confers benefits to predominantly wealthy owners of housing wealth, rather than helping poor minority families make ends meet.

Third, in line with this, research has shown that in the United States, White hosts are overrepresented on Airbnb, in particular in Black-majority neighbourhoods (Cox 2017; Törnberg and Chiappini 2020). This suggests that Whites are using Airbnb to profit from housing investments in low-income Black-majority neighbourhoods. This implies that while the rental incomes are disproportionately accrued by housing investors belonging to a privileged majority, the negative consequences of short-term rental are disproportionately carried by minority communities. These visitors may however also bring positive externalities to these neighbourhoods, in the form of increased spending at local businesses, such as restaurants or in grocery stores.
Potential Negative Consequences

1. “Airbnb brings rent-increase”
Since Airbnb is effectively serving to convert long-term rentals into short-term rentals, one may presume that the falling prices in tourist accommodation will be matched by a corresponding rise in rents for long-term residents. Several studies have examined how Airbnb affects local housing markets, and the overall results point to this indeed being the case.

Horn and Merante (2017) examine the impact of Airbnb on the housing market in Boston, finding a 0.4% rent increase per 12 Airbnb listings per census tract. Schäfer and Braun (2016) find that increasing presence of Airbnb listings correlates with increasing rents in Berlin. However, Brauckmann (2017) does not find any such correlation for Hamburg. Sheppard and Udell (2016) look at neighbourhoods of New York City, and find that a doubling of Airbnb activity within a tight geographic zone surrounding a home sale is associated with a 6% to 11% increase in sales prices. Looking at cities from around the United States, Barron, Kung, and Proserpio (2018) similarly find that a 10% increase in the number of Airbnb listings in a ZIP code leads to a 0.42% increase in ZIP code rental prices and a 0.76% increase in house prices, with coefficient values similar to those of Sheppard and Udell (2016).

Finally, Wachsmuth and Weisler (2018) use Barron et al.’s (2018) regression results to analyse the impact of Airbnb’s expansion on the explosive growth in rents in New York City in recent years. They find that 1.4% of the increase in New York rents from 2015 to 2017 was attributable to Airbnb’s expansion. This corresponds to a US$384 annual increase in rent for the medium renter.

In summary, Airbnb’s business is to convert long-term rentals to short-term rentals. This results in exacerbated shortages in long-term housing availability, and, while findings differ depending on research methods and varying impact in different cities and areas, it seems to be associated with rent increases. The presence of rent increases, however, seems to depend on local factors, such as how rents are set and existing shortages in the housing market.

2. “Airbnb doesn’t pay its taxes”
Airbnb often claims in its reports and marketing that it helps bring in additional taxes to governments; as they put it in a 2016 release of their “policy chest”: “Working together, platforms like Airbnb can help governments collect millions of dollars in hotel and tourist tax revenue at little cost to them” (Airbnb 2016b). However, the platform’s actual fiscal track-record tells another story.

First, private Airbnb hosts are generally not registered as hotel or tourism operators, and therefore often do not pay the tourism taxes that many cities charge. Such tourism taxes, referred to as “bed taxes” or “occupancy taxes” as they are charged per night and added onto accommodation costs, have become
increasingly common in recent years. These taxes are implemented either on a national level (such as in Germany and Italy), on a state level (such as in the USA, where California and Texas employ them), or on a city level (such as in Spain, where many popular urban destinations use these forms of taxes). Airbnb is engaging in prolonged legal fights against efforts from governments to force them to collect occupancy taxes or share information about users. For instance, when the popular tourist destination Palm Beach County, in Florida, USA, passed an ordinance in 2018 to require Airbnb to collect and pay the county’s 6% occupancy tax, Airbnb sued the government (Martineau 2019). Such actions are typical of the platform’s efforts to fight regulation and taxation. In an increasing number of jurisdictions, however, Airbnb has lost these litigations, and is now forced to automatically charge these taxes from hosts (Airbnb 2020b).

Second, while rental income is subject to taxation, the literature suggests that many hosts do not correctly file this income to tax authorities (Cleveland 2016). Airbnb insists that hosts are responsible for understanding and complying with any applicable taxes, while at the same time lobbying against more stringent regulations (Gurran and Phibbs 2017; Guttentag 2015).

The platform thus uses the “sharing platform” narrative to shift the responsibility for taxation to its hosts, while the platform is simultaneously profiting from these hosts not fulfilling this responsibility as it gives the platform a competitive advantage compared to hotels, while implying significant fiscal loss for local governments.

Depending on laws and the outcome of litigations, tax agencies and governments may have varying access to tools to respond to this. For example, the Australian tax agency were in 2019 able to legally force Airbnb to share information about hosts, and use this information for a tax crack-down (Carey 2019). In other countries and regions, however, the balance of power is instead tilted in Airbnb’s favour. In the EU, for instance, local governments cannot force the platform to hand over information about hosts, as the platform is protected by EU guidelines that view Airbnb as an information platform. Many tax agencies, in Europe and the USA, have therefore had to resort to writing computer programs to scrape information about hosts from Airbnb’s website in order to identify individuals liable for taxation – to which the platform has responded by periodically tweaking the site in ways that impede tax collectors and enforcement agencies (Martineau 2019).

3. “Airbnb leads to worse and fewer jobs”

As noted, Airbnb effectively competes with traditional hotels, implying downward price pressure and reduced revenue for these businesses. This also means that jobs move from the traditional hotel sector to servicing Airbnb listings. For instance, hotel cleaning jobs are turned into third-party cleaning services.
In other cases, labour costs may be put on the bill of local residents through the use of residential neighbourhood infrastructure, as for instance garbage disposal is moved into residential areas instead of being the responsibility of hotels.

The move of jobs from traditional hotels to third-party services for Airbnb speaks to a literature on the effects of outsourcing, informalization and casualization of labour, pointing to numerous negative consequences for workers in terms of occupational stability, benefits, wages, and deunionization (Roelofsen and Minca 2018; Degryse 2016; Standing 2014; Goldschmidt and Schmieder 2017; Dube and Kaplan 2010).

In summary, while Airbnb claims to create jobs, it could instead be said that jobs are moving from the hotel industry to Airbnb services. This shift tends to make the jobs worse, with reduced salaries and job security, since it becomes harder for workers to organize to improve their work conditions.

4. “Airbnb guests make poor neighbours”
Since Airbnb turns long-term rentals into short-term rentals, this often results in an inflow of short-term renters into residential areas. When a property is used by short-term rather than long-term renters, this may have many negative consequences for neighbours. Short-term renters have less incentive to contribute to – or even keep on a good footing with – the local community, and Airbnb rentals have been associated with disturbances and nuisance behaviour.

However, despite this, resident complaints tend to focus more on a general sense of disquiet about the increasing presence of visitors in the neighbourhood, rather than tangible noise or nuisances (Gurran and Phibbs 2017). The perception that a new person or people are occupying the premises each week is a source of a feeling of unease for residents and is linked to a loss of a “sense of home” in one’s neighbourhood (Pinkster and Boterman 2017; Pinkster 2016; Colomb and Novy 2016; Richardson 2015).

While this has been the focus of many public complaints and much debate, with media documenting many conflicts between locals and tourists (Gurran and Phibbs 2017), there is, however, limited empirical research that measures the negative effects of short-term rentals on neighbours.

5. “Airbnb discriminates”
Several studies have shown that minority users are in various ways subject to discrimination on Airbnb (Morgan and Kuch 2015; Ravenelle 2016). In some Western countries, this has caught public attention through the hashtag #AirbnbWhileBlack, on which users share their experiences of racism, discrimination and biases on the platform (see Figure 6.2). These stories range from Black guests describing how they had to change their names and profile...
Two examples from users posting using the #airbnbwhileblack hashtag. The user @Danait_M posted 13 February 2019, describing having reservations declined by hosts without reason, while @thatguydream wrote on 16 July 2015 that he had modified his profile so as to conceal his racial identity to avoid discrimination.

Figure 6.2 Examples of the online discussions around Airbnb discrimination

pictures to not have their reservations declined, to being faced with racial slurs or even violence by hosts.

Edelman et al. (2017) showed that in the United States, guest profiles with distinctively African-American names are 16% more likely to be denied than potential guests with distinctively “White” names. Edelman and Luca (2014) found that listings with African-American hosts charged 12% less per night than comparable listings with non-African-American hosts. Kakar et al. (2016) similarly suggest that Hispanic and Asian hosts have an average of 9.3–9.6% lower list price than White hosts. While research on this is limited, these patterns are likely to translate also to other parts of the world, with various forms of prejudice influencing the possibility for individuals to benefit from the platform.

Airbnb has in its responses placed the blame of this on individual hosts. In response, Airbnb has asked its hosts to commit to a non-discrimination statement.

HOME-SHARING OR SHARE-WASHED NEOLIBERALISM?

Airbnb has held onto a marketing discourse of “home sharing”, purporting to promote “alternative” forms of tourism consumption, describing itself as “a vibrant, global movement” for making “belonging anywhere a solution
available everywhere” (Airbnb 2020a). The platform attempts to create an image of a social travellers’ community, like CouchSurfing before it.

There are clear benefits for Airbnb in promoting this narrative. The notion of Airbnb as a “sharing platform” rather than a hotel chain allows it to bypass the often-heavy regulation of the hotel industry in many regions. Depending on the region, Airbnb may get a free pass on everything between health, hygiene, and fire inspection standards, to taxation and zoning regulations.

Cities around the world are, however, increasingly questioning the rationale for giving these highly profitable platforms a regulatory free-pass, and are now coming down on short-term rental platforms with new limitations and regulations (Ferreri and Sanyal 2018; Dann, Teubner, and Weinhardt 2019). For instance, in 2020, the Dutch city the Hague completely banned Airbnb, and Amsterdam is similarly banning Airbnb in central areas of the city.

This form of regulatory push is fired on by rapidly growing public debate and criticism of Airbnb’s business practices, pointing to negative impacts on urban environments following from the lack of regulation. Airbnb’s response to these criticisms has focused on its “trust”-based economic function which “self-regulates” to solve issues that previously required regulation, such as discrimination and hygiene: “Our community has demonstrated that it can self-regulate”, Airbnb (2015) claims, suggesting that it has positive economic and social benefits for local communities.

This begs the question asked by this chapter: how should we think of Airbnb?

To answer the question of which of these narratives better describe the ongoing explosion of short-term rentals, this chapter has reviewed the literature on Airbnb, examining the impact of Airbnb on cities and tourism, as well as who benefits and who bears the costs. This brought a number of findings.

While Airbnb may increase availability and lower costs for tourist accommodation, it also leads to reduced availability and increasing rents for long-term residents. This is problematic, since tourists’ expenses are not a major public concern, but rising relative costs of housing have become a major economic stress for many households around the world.

Airbnb does not seem to lead to more jobs in the tourism sector, but rather moves jobs from the hotel industry to outsourced services and informalization. It may rather lead to a total reduction of jobs since Airbnb listings are less labour-intensive than hotels. The platform is furthermore contributing to a (neoliberal) trend toward insecure and low-paying informal jobs.

The economic benefits of Airbnb are disproportionately accrued by White and wealthy owners of rentable property, by giving them easy access to the short-term rental market. The rental revenue from the Airbnb market goes to a small minority of renters, suggesting that the platform is far from being char-
characterized by small-scale “home sharing”, but is dominated by a small number of highly active professional renters.

These property-owners use the platform to rent out properties in disproportionality poor and minority-dominated residential areas. These communities carry the negative consequences of short-term rental, such as rising rents, gentrification, public nuisance, and loss of community, but accrue little of the economic benefits. The minority users that do make it onto the platform will find that Airbnb discriminates against non-White users, who are less likely to be accepted as guests and paid less as hosts.

The chapter furthermore found that the narrative of “sharing” has allowed the platform to not only bypass zoning regulations under the guile of “home sharing”, but also to push responsibility for taxation and following regulation onto its users. The platform insists that hosts are responsible for understanding and complying with any applicable local controls or taxes – at the same time, the platform’s competitive edge is precisely its users failing to fulfil these responsibilities. To promote this failure, Airbnb refuses to share user information, lobbies against stringent regulations, sues governments and tax agencies, and engages in what it refers to as “community building” – but which in many ways resembles astroturfing (Guttentag 2015; Gurran and Phibbs 2017). As van Doorn (2019) shows, Airbnb is using its significant lobbying power to push local governments, organizing “self-organized” social movements in cities around the world to support its interests.

Because of this, some scholars argue that Airbnb’s primary innovation has little to do with sharing or digital technology, but rather is centred on its capacity to mobilize its user base to promote its regulatory interests (van Doorn 2019). The platform’s mantra of “self-regulation” and “self-organization” claims to be an optimistic vision for a future decentralized governance, but often sounds eerily similar to neoliberal arguments for the free market as a solution to all ills (Törnberg and Uitermark 2020).

As these points seem to imply, if our choice is between understanding Airbnb as an idealistic dream of a sharing utopia, and “a nightmarish form of neoliberalism” (Martin 2016: 149), the latter description in many ways seems more apt. Through the lens of Airbnb, the sharing economy appears less as using innovative technology to enable solving common problems through self-organized sharing, and more as a technologically supported means of policy activism. Airbnb’s business model is to use digital technology to distribute responsibility to individual hosts, while shielding them from taxation and regulation, and challenging and fighting attempts at regulation by mobilizing this user base. Rather than an innovative tech entrepreneur firm, Airbnb is in this sense better understood as a “regulatory entrepreneur” (Pollman and Barry 2016): its innovation and competitive advantage lie in its ability to bypass, fight and litigate public regulations meant to serve the common good.
REFERENCES


