

Economists sound note of caution on flip side of the sharing economy

Despite problems, disruptive technologies are key drivers of future growth, says Minister for Trade and Industry S Iswaran

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TECHNOLOGY has enabled platforms for people to share resources more effectively – be it cars, bicycles, or even homes – but there are also consequences that come with the rise of the sharing economy, said economists at the Singapore Economic Policy Forum 2017 on Friday morning at the Regent Hotel.

The theme of the forum was “Preparing Singapore for the Future Economy”, and in the first session, Ivan Png, economics professor in the National University of Singapore, unveiled his findings on the “Airbnb effect” on Singapore, in a study said to be the first of its kind in Asia.

His research found that the home-sharing platform had an effect on residential real estate transactions; there was a correlation between the penetration of Airbnb hosts in a residential block and the resale prices of that block over time.

Prof Png said: “I found that if there’s one additional Airbnb host in the building, real estate prices for that month in that building is 0.7 per cent lower. If there were two Airbnb hosts in that building, then real estate prices will be 1.4 per cent lower.”

His research was conducted between 2010-2016, using data from the Urban Redevelopment Authority and Airbnb, focusing specifically on the resale market for condominiums and executive condominiums.

While there are certain limitations to his

study, the “Airbnb effect” is one example of the impact of the sharing economy.

Other consequences of home-sharing platforms could give rise to “negative externalities”, or costs that are borne by third parties as a result of an economic transaction, suggested Prof Png.

For example, if there are more transient people staying in a particular condominium, shared facilities such as the gym or swimming pool may become more crowded, or there could be more litter in the estate.

“These negative externalities are not properly accounted for by the Airbnb host collecting the money,” he said.

Such consequences need to be balanced out with the potential benefits of the sharing economy. Prof Png said that sharing platforms enable more effective use of resources, which is good for the economy.

“There’s no point having a car being used one hour per day or a house that is empty for half a year. Better utilisation is better for productivity, even if it’s not measured in GDP (gross domestic product) statistics,” he said.

Another speaker, Jimmy Koh, managing director, business insights and analytics, sector solutions group, UOB, said that this sharing economy can only reach such a scale with the help of data.

After all, the concept of the sharing economy is nothing new, he added.

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Mr Koh also expressed concern about the effects of the sharing economy on the current incumbents, which may struggle to keep up with the onslaught of changes.

During the panel discussion, the ownership of data was brought up as another potential problem of the sharing economy.

Panellists concur that it is a complex issue that can be hazy at times.

Alex Tan, senior research fellow at the Institute of Policy Studies, suggested: “One thought I had was to have this data as a platform that can be shared and utilised by other people or other local companies here in Singapore, to mitigate some of this monopoly power these larger companies have.”

But despite the potential problems that disruptive technologies may bring, they are the key drivers of growth in per capita incomes over time, said Minister for Trade and Industry (Industry) S Iswaran, who was guest of honour at the forum.

In his keynote address, he said that new technologies are fundamentally changing business models, even as they open up new opportunities.

The challenge for the government is to formulate a policy response that will seize these opportunities, mitigate the impact of disruption and to ensure “inclusive economic growth that can benefit all”, he said.

The Singapore Economic Policy Forum 2017 is jointly organised by the National University of Singapore department of economics and the Economic Society of Singapore.