Books
The Sharing Economy
By Arun Sundararajan
Review by Paolo Parigi

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When Sundararajan does focus on trust, his examples of ways that the sharing economy can build it are largely technical—they focus on how platforms can verify digital identities and bolster their brand. Whereas personal interactions formed the basis of the trust behind “the informal couchsurfing of previous eras,” a user ratings system allows the 21st-century company CouchSurfing International to rely on “the possibility of a trust built through the platform rather than through a history of personal contact.” Sundararajan suggests that as the sharing economy develops, it may be able to diminish its reliance on interpersonal trust in any form by adopting blockchain technology, the crowd-based process behind Bitcoin that uses cryptography to verify transactions.

Currently, however, none of the sharing economy’s major players—Airbnb, Lyft, etc.—rely on blockchain for their daily operations. And that may in part be because trust between strangers is not the same thing as successful coordination of economic activity, a point not always clear in the book. What Sundararajan sees as a cumulative, perhaps linear process of aggregating levels of trust may actually be a process riddled with tensions. A recent Harvard University study of more than 6,000 Airbnb users across five US cities found that hosts were about 16 percent less likely to respond positively to applicants for lodging with names that sounded African-American. Findings such as these suggest that the digital sharing economy has the potential to reproduce rather than counteract real-world inequalities, or even worsen them when a lack of initial in-person interaction means that users are more likely to base whom they trust on prejudices. Technical solutions can promote coordination but not necessarily trust.

Perhaps a certain degree of tension is inevitable in a book that seeks to appeal to many audiences. Some sections are more academically oriented; others are clearly more directed at a general audience. Overall, though, the book should be successful in engaging both audiences and, hopefully, in encouraging more research on the sharing economy.