

A. Economic systems

Match each economic system on the left with a description on the right.

- | | |
|-------------------------------|---|
| 1. Traditional economy | a. In this system people prefer not to purchase goods but instead hire or rent them. |
| 2. Market economy | b. In this economy, the government controls all economic activity. |
| 3. Command economy | c. In this economic system each new generation retains the economic position of its parents and grandparents. |
| 4. Mixed economy | d. This economic model is based on sharing, bartering, trading, renting, and swapping access to products as opposed to ownership, redefined through technology and peer communities. |
| 5. Peer-to-Peer (P2P) Economy | e. These economies are based on consumers and their buying decisions rather than under government control. They do not utilize price controls or subsidies and prefer less regulation of industry and production. Economic decisions rely on supply and demand for pricing. Government's role is to create a stable economy for the market to operate properly. |
| 6. Collaborative consumption | f. This economic system lacks a commonly accepted currency, so all exchanges must be made with goods and services because money does not exist in these economies. |
| 7. Pay-as-you-live lifestyle | g. This system is a decentralized model whereby two individuals interact to buy or sell goods and services directly with each other, without intermediation by a third-party, or without the use of a company of business. Because of this, the producer owns both the tools (or means of production) and the finished product. |
| 8. Barter economy | h. This economy system combines qualities of market and command systems into one. In many countries where neither the government nor the business entities can maintain the economy alone, both sectors are integral to economic success. |

B. New businesses

1. Choose the best synonym for the underlined word.

- | | |
|---|---|
| 1. When you <u>bid</u> for something, you | 2. Your company's <u>headquarters</u> are |
| a. compete with others to obtain it by offering a price; | a. all the locations where the company has offices; |
| b. choose not to participate in it; | b. the main offices of the company; |
| c. agree to deliver it on a specific date. | c. the first set of offices that the company had. |
| 3. A <u>retiree</u> is a person who | 4. If you require <u>lodging</u> , you need |
| a. is shy and withdrawn. | a. a place to stay. |
| b. officially no longer has a working or professional career. | b. transport from one place to another. |
| c. fires people from their jobs. | c. a haircut. |

5. A task is
- something you have to do;
 - something you want to do;
 - something difficult and time consuming.
7. With gamification techniques
- workers are assigned randomly to a task.
 - workers are evaluated and ranked.
 - workers compete to be chosen to do something.
9. When you found a business, you
- are working or worked in the financial sector.
 - bought it in a takeover bid.
 - create it.
11. When prices surge, they
- decrease suddenly and steeply.
 - reach a plateau.
 - increase sharply and rapidly.
2. Explain a SWOT analysis.

	Positive Factors	Negative factors
Internal	Strengths	Weaknesses
External	Opportunities	Threats

3. Consider the examples of new businesses. Perform a SWOT analysis on each one.
- a. **TaskRabbit** is an online and mobile marketplace that allows users to outsource small jobs and tasks to others in their neighborhood. Users name the task they need done and the price they are willing to pay, and a network of pre-approved contractors bid to complete the job. The user then selects the TaskRabbit who is the best match for the task. TaskRabbit was founded by Leah Busque in 2008 and has received \$37.5 million in funding. Busque founded TaskRabbit when she had no time to buy dog food, basing it on the idea of “neighbors helping neighbors.”
- People wishing to become a TaskRabbit must apply online, go through background checks, and pass an online quiz based on the company's manual, previously having to also submit a video interview. The firm says that its workforce is composed of students, unemployed workers, retirees, and stay-at-home moms, with ages ranging from 21 to 72. The firm generates revenue by taking on average a 20% cut of each task, previously on a sliding 12-20% scale depending on total price.
- TaskRabbit employs gamification techniques. A leaderboard ranks the top workers, displaying their levels and average customer reviews.

Source: <https://en.wikipedia.org/wiki/TaskRabbit>

b. Can you tell us a little about [girlmeetsdress.com](http://www.girlmeetsdress.com) and your reasons for founding it?

Girl Meets Dress is a disruptive e-commerce business with a mission to democratise luxury – believing that everybody deserves a Cinderella experience. We provide millions of women with the ability to rent designer dresses and accessories for a fraction of the retail price.

The Girl Meets Dress story began in 2009 when I was working as UK PR manager for French luxury brand Hermes – and like my previous roles in the fashion industry, it involved lending the collection of dresses and accessories out on a daily basis to fashion magazines, shoots, celebrities and journalists. I thought to myself "wouldn't it be amazing if we could all borrow dresses for just one event, and wear a different designer for every event in our calendar?" When my co-founder Xavier and I looked into the market we saw that no one was doing it.

When we launched back in 2009, the recession mindset dominated. It meant that "cost per use" was a huge driver, as being smart with money and where to spend it was highly regarded. But it was also clear that people have since realised that experience and time are the most precious commodities we have, and that consequently ownership is becoming more irrelevant than ever before.

Source: <http://www.theguardian.com/media-network/media-network-blog/2014/jun/11/girl-meets-dress-anna-bance>

c. Uber Technologies Inc. (stylized as U B E R) is an American international transportation network company headquartered in San Francisco, California. Founded in 2009, the company develops, markets and operates the Uber mobile app, which allows consumers with smartphones to submit a trip request which is then routed to Uber drivers who use their own cars. By May 28, 2015, the service was available in 58 countries and 300 cities worldwide. Since Uber's launch, several other companies have copied its business model, a trend that has come to be referred to as "Uberification".

The legality of Uber has been challenged by governments and taxi companies, who allege that its use of drivers who are not licensed to drive taxicabs is unsafe and illegal. Uber's pricing is similar to that of metered taxis, although all hiring and payment is handled exclusively through Uber and not with the driver personally. At the end of a ride, the complete fare is automatically billed to the customer's credit card.

Uber uses an automated algorithm to increase prices to "surge" price levels, responding rapidly to changes of supply and demand in the market, and to attract more drivers during times of increased rider demand, but also to reduce demand. Customers receive notice when making an Uber reservation that prices have increased. The practice has often caused passengers to become upset and invited criticism when it has happened as a result of holidays, inclement weather, or natural disasters. Uber has said its prices are the premium that the customers pay for a cab service that is not only reliable, but also punctual and comfortable.

Source: [https://en.wikipedia.org/wiki/Uber_\(company\)](https://en.wikipedia.org/wiki/Uber_(company))

d. Airbnb is an online marketplace for people to list, find, and rent lodging. It has over 1,500,000 listings in 34,000 cities and 190 countries. Founded in August 2008 and headquartered in San Francisco, California, the company is privately owned and operated by Airbnb, Inc.

Airbnb's primary source of revenue comes from service fees from bookings. Fees range between 6% and 12% depending on the price of the booking. Airbnb also charges the host 3% from each guest booking for credit card processing.

On the Airbnb website users are categorized as "Hosts" and "Guests," both of whom must register with Airbnb using a variety of means. A valid email address and valid telephone were initially the only requirements to build a unique user profile on the website, however as of April 2013, a scan of a government issued ID is now required.

Profiles include details such as user reviews and shared social connections to build a reputation and trust among users of the marketplace. Other elements of the Airbnb profile include user recommendations and a private messaging system.

Source: <https://en.wikipedia.org/wiki/Airbnb>

- e. **Craigslist** (styled **craigslist**) is a classified advertisements website with sections devoted to jobs, housing, personals, for sale, items wanted, services, community, gigs, résumés, and discussion forums.

Craig Newmark began the service in 1995 as an email distribution list to friends, featuring local events in the San Francisco Bay Area. It became a web-based service in 1996 and expanded into other classified categories. It started expanding to other U.S. cities in 2000, and now covers 70 countries.

In December 2006, at the UBS Global Media Conference in New York, Craigslist CEO Jim Buckmaster told Wall Street analysts that Craigslist had little interest in maximizing profit, and instead preferred to help users find cars, apartments, jobs and dates. Craigslist's main source of revenue is paid job ads in select cities in the US and paid broker apartment listings in New York City. The company does not formally disclose financial or ownership information. Analysts and commentators have reported varying figures for its annual revenue, ranging from \$10 million in 2004, \$20 million in 2005, and \$25 million in 2006 to possibly \$150 million in 2007.

Over the years Craigslist has become a very popular online destination for arranging for dates and sex. The personals section allows for postings that are for "strictly platonic", "dating/romance", and "casual encounters". Advertisements for "adult" (previously "erotic") services were initially given special treatment, then closed entirely on September 4, 2010, following a controversy over claims by state attorneys general that the advertisements promoted prostitution.

Source: <https://en.wikipedia.org/wiki/Craigslist>

C. Rachel Botsman

1. Watch the video <https://www.youtube.com/watch?v=TPfARbM8RVY> and complete the gaps in the text.

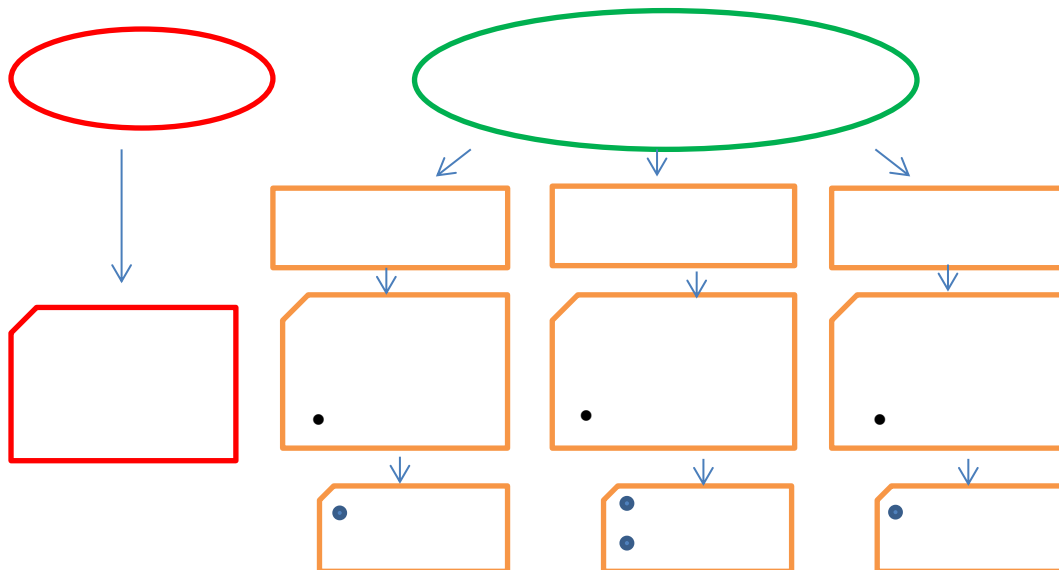
Today I'm going to talk to you about something that I'm really passionate about, which is _____ . What the likes of Facebook and Flickr actually started to show was _____ in ways and on a scale that has never been possible before. We're at the start of a transformation in our consumer economy that I believe is _____. It's about how technologies are enabling the sharing and exchange of all kinds of assets from cars to money to knowledge in ways that are starting _____. What's actually happening here for users is this important shift where _____ ; _____ .

Now what technology does is create this _____ to match millions of haves with millions of wants whatever they may be. The other thing it does is _____ over the virtual and real world fence. Now these two ingredients – _____ – are actually the basis of the sharing evolution or sharing revolution. Now I think it's interesting that we talk a lot about tactics and channels and, you know, the latest gadgets, and we make it very complicated, but when you zoom out, there are actually four very clear phases around the _____.

2. Using information from the video, order the four phases of the sharing revolution.
 - a. Technology enables people to connect or reconnect with each other.
 - b. Technology enables people to share multimedia with each other.
 - c. Technology enables people to share information with each other.
 - d. Technology enables people to share all kinds of assets.

3. Use the words and expressions in the box to complete the flowchart.

redistribution markets	Collaborative consumption systems	pay to use product
collaborative lifestyle	Hyper-consumption system	
share & exchange non-product assets	Ebay	Airbnb
	e.g. video cassette	
reallocate resources from where something is not needed to where it is		
product service system	pay to own product	e.g. time, money, skills
TaskRabbit	e.g. not the video cassette but the movie	girlmeetsdress.com



4. Summarise Rachel Botsman's argument in a short paragraph.

5. Further videos on collaborative consumption by Rachel Botsman

https://www.ted.com/talks/rachel_botsman_the_case_for_collaborative_consumption?language=en

16 min TED talk from Sydney, 2010

<https://www.youtube.com/watch?v=hzKNQRq1qQs>

28 mins on reputation as capital, 2013

D. The sharing economy

1. Choose the best answer to illustrate the meaning of the underlined expression (p 6, 7).
2. From each of the texts that follow on pages 8-11, 2 sentences have been swapped with sentences from 2 other texts. The group's first task will be to recreate the original articles by replacing the alien sentences with those that belong.
 - a. Read your article to identify the 2 sentences that do not belong.
 - b. Reread your article and take notes on the content of the article. Ignore the alien sentences.
 - c. Explain your article to the other students in your group so that they can identify if yours is the text from which their alien sentences were taken.
 - d. As you listen to your group members' explanations, identify the texts from which your alien sentences were taken.
 - e. Reassign the alien sentences to their original texts.
 - f. As a group, synthesise the information from the 4 articles into a graphic form, e.g. a diagram, flowchart or table. To do this you will need to decide on a conceptual analysis that classifies the all the main information from the 4 texts.
 - g. Present your results to the class.

1. Vocabulary

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. What can you <u>fall foul</u> of? <ol style="list-style-type: none"> a. The law, when you break it without meaning to. b. A person, when you have a disagreement with them. c. A job, when you commit a misdemeanour. | <ol style="list-style-type: none"> 2. Who lives in a <u>kennel</u>? <ol style="list-style-type: none"> a. A bird. b. A horse. c. A dog. |
|--|--|

Vocabulary

3. Someone who is a rentier
 - a. rents or leases the house in which he/she lives.
 - b. lives on income from property or investments.
 - c. outsources the production processes to another company.
4. Incentivize
 - a. is a verb meaning to motivate or encourage (someone) to do something.
 - b. is a noun meaning the thing that motivates someone to do something.
 - c. is an adjective meaning encouraging.
5. In which country did serfdom exist in the 19th century?
 - a. U.S.A.
 - b. Ireland.
 - c. Russia.
6. Burden
 - a. is a verb meaning to give someone a heavy load.
 - b. is a noun meaning a heavy load.
 - c. is an adjective meaning heavy.
7. Turnaround costs are the costs a company incurs when
 - a. it takes successful steps to correct a period of deteriorating financial performance.
 - b. its sales reach a peak.
 - c. it files for bankruptcy in an effort to reduce/restructure heavy debt loads.
8. When you pay through the nose, you
 - a. pay a lot, possibly more than the product is worth.
 - b. pay for a service before you receive it.
 - c. pay using a credit card.
9. In what situation would you trump someone or something?
 - a. When you're playing cards.
 - b. When you're surfing the internet.
 - c. When you're at work.
10. Snags are
 - a. Sausages.
 - b. Obstacles or hurdles.
 - c. Tangles in hair or a fishing line for example.
11. Who would be more likely to scrape a living?
 - a. A bank manager.
 - b. A trader.
 - c. An artist.
12. When you sweat existing assets,
 - a. you make money out of something you already own, without further investment.
 - b. you need to service or repair something that you already own because it is run down from use.
 - c. work very hard and physically.
13. Something that is shabby
 - a. is in poor condition.
 - b. is dark and gloomy.
 - c. is highly sought after.
- Hassle
 - a. is a verb meaning to give someone a hard time.
 - b. is a noun meaning a nuisance.
 - c. is an adjective meaning difficult.
15. Handy
 - a. is a verb meaning to help someone do something.
 - b. is an uncountable noun meaning clarity or transparency.
 - c. is an adjective meaning useful.
16. Something that is discrete
 - a. is low-key, doesn't draw attention to itself.
 - b. is separate or distinct.
 - c. is law-abiding and correct.
17. If you clamp down on something, you
 - a. are more vigilant and punish wrong-doers.
 - b. tighten the legislation governing the activity in question.
 - c. open up opportunities for newcomers.
18. When something is daunting,
 - a. it is intimidating.
 - b. It seems difficult to deal with in prospect.
 - c. it makes you nervous.

Student A

Do the economics of self-driving taxis actually make sense? (Part 1)

Izabella Kaminska

The Financial Times, 20 October 2015

Financial blogger Frances Coppola runs through how and why the “sharing economy” is grossly mis-representing itself to consumers by daring to suggest it’s anything but a traditional for-profit — or more pertinently rentier — enterprise.

Coppola states:

Indeed the whole idea of the “sharing economy” seems to be based not on the idea of working together to produce something for mutual benefit (the cooperative principle) but on millions of people scraping a living by selling services and renting assets to each other. **How does this add value to the economy over the longer term? There is no production.** It is entirely consumption. Recycling is all very well — and we do need secondary markets — but we cannot build an economy solely on sweating existing assets. The best-known example is Airbnb, based in San Francisco, which has helped 4m people find places to stay since it was founded in 2008—2.5m of them during 2012 alone.

This of course fits perfectly into the bigger productivity puzzle striking economies everywhere.

As we’ve argued before, one of the reasons you can see the computer age everywhere but in the productivity statistics is arguably because rather than incentivising real growth and the creation of new wealth — you know, the sort which helps more people get exclusive access to the sort of stuff the one per cent takes for granted — information technology may only be redistributing existing stuff “more efficiently”. Except that this sort of efficiency isn’t costless. Similarly, before welcoming strangers into your home it is reassuring to read reviews from other hosts they have stayed with.

But we digress.

Student B**Do the economics of self-driving taxis actually make sense? (Part 2)**

Izabella Kaminska

The Financial Times, 20 October 2015

The most under appreciated cost [of the sharing economy] may in fact be the disappearance of professionals and highly-skilled labourers from the economy, and their replacement with shabby generalists. As Coppola notes, such a loss inevitably leads to a “shabby economy”, where the frugal generalist “makes do and mends” and where no-one buys anything unless they absolutely have to and everyone is running down existing assets instead: “The sharing technology may be innovative, but the economic vision underlying it is stagnation, not prosperity.”

We argued back in July for example that the way Airbnb actually differentiates itself in the hospitality market is largely by throwing amateurs at the professional hospitality market. This is fine, if you don’t care much for professional hospitality. It may also have environmental benefits, by making more efficient use of resources.

That’s not to say that Airbnb doesn’t provide established hoteliers, short-term renters and B&B professionals with a competing advertising portal to market their services. That it certainly does. But that’s not the aspect of the business considered to be innovative or game changing — since online marketing hubs have existed for a long time and this, at best, is just another attempt to create a competing network effect. No, the supposedly game-changing element of Airbnb’s model is providing amateur hospitality hosts with the impression they too can make steady profits from renting rooms like professionals. Hosts, who by and large, want to have their cake and eat it: namely, rent rooms at premium short-term let rates without any of the hospitality burden or hassle.

Except, as any professional holiday short-term lettings business will tell you, there’s more to short-term letting than just handing over keys on changeover day. Profits don’t come easy. That is the principle behind a range of online services that enable people to share cars, accommodation, bicycles, household appliances and other items, connecting owners of underused assets with others willing to pay to use them. Location can also make a huge difference to profitability. And that’s without accounting for tax, licensing and other regulatory burdens. Hence why after a few months of ‘disrupting’ traditional hospitality, many Airbnb hosts realise it can be much more economical to go for longer-term rentals with fewer turnaround costs (especially if their buildings or neighbours frown upon short-term rentals).

Student C

The sharing economy (Part 1)

The Economist, Mar 9th 2013

All eyes on the sharing economy

Collaborative consumption: Technology makes it easier for people to rent items to each other. But as it grows, the “sharing economy” is hitting roadblocks

WHY pay through the nose for something when you can rent it more cheaply from a stranger online? An economy that exists solely on consumption has no long-term future. Dozens of firms such as Airbnb, which lets people rent out their spare rooms, or RelayRides, which allows other people to rent your car, act as matchmakers, allocating resources where they are needed and taking a small cut in return.

Such peer-to-peer rental schemes provide handy extra income for owners and can be less costly and more convenient for borrowers. Occasional renting is cheaper than buying something outright or renting from a traditional provider such as a hotel or car-rental firm. The internet makes it cheaper and easier than ever to aggregate supply and demand. Smartphones with maps and satellite positioning can find a nearby room to rent or car to borrow. Online social networks and recommendation systems help establish trust; internet payment systems can handle the billing. All this lets millions of total strangers rent things to each other. The result is known variously as “collaborative consumption”, the “asset-light lifestyle”, the “collaborative economy”, “peer economy”, “access economy” or “sharing economy”.

It is surely no coincidence that many peer-to-peer rental firms were founded between 2008 and 2010, in the aftermath of the global financial crisis. Some see sharing, with its mantra that “access trumps ownership”, as a post-crisis antidote to materialism and overconsumption. There are a lot of costs to be accounted for ranging from cleaning, laundry, maintenance, damage, supervision and insurance to personal touches like fresh flowers to the sharing of local knowledge. But whatever the motivation, the trend is clear. “People are looking to buy services discretely when they need them, instead of owning an asset,” says Jeff Miller, the boss of Wheelz, a peer-to-peer car-rental service that operates in California. ...

Student D

The sharing economy (Part 2)

The Economist, Mar 9th 2013

... As they become more numerous and more popular, however, sharing services have started to run up against snags. There are questions around insurance and legal liability. Some services are falling foul of industry-specific regulations. Landlords are clamping down on tenants who sub-let their properties in violation of the terms of their leases. Tax collectors are asking whether all the income from sharing schemes is being declared. Meanwhile, the big boys are moving in, as large companies that face disruption from sharing schemes start to embrace the model themselves. As the sharing economy expands, it is experiencing growing pains.

By far the most prominent sharing services are those based around accommodation and cars. The hidden costs include potential data serfdom, the need to forecast one's behaviours ever earlier to the "information system" so it can pre-emptively account for you in the style of an HFT algorithm, and/or increased dependency on marketing and reactance techniques to ensure you simply won't want the stuff that the system can't afford to give you. People can list anything from a spare bed to an entire mansion on the site, setting rental rates and specifying house rules (such as no smoking or pets). Anyone looking for somewhere to stay in a particular city can enter their dates and browse matching offers from Airbnb's 300,000 listings in 192 countries; Airbnb takes a cut of 9-15% of the rental fee. Others offering similar services include Roomorama, Wimdu and BedyCasa.

Car-sharing schemes divide into peer-to-peer car-rental services in which you pay to borrow someone else's car (Buzcar, Getaround, RelayRides, Tamyca, Wheelz, WhipCar) and taxi-like services (Lyft, SideCar, Uber, Weeels) in which people use their cars to ferry paying passengers. Some peer-rental schemes focus on particular types of customer, such as students, or particular types of vehicle, such as high-performance cars. Peer-to-peer taxi services use location-aware smartphone apps, coupled with a central dispatcher, to bring drivers and passengers together.

Variations on these models include DogVacay and Rover, both of which are dog-kennel services (like Airbnb for dogs), and Boatbound, which offers short-term, peer-to-peer boat rental. There are also peer-rental sites for car-parking spaces (Airbnb for cars, in effect), bicycles, photographic kit, musical instruments, garden equipment, outdoor gear, kitchen appliances, and so on. These sites generally start off serving a particular city or region, as Airbnb did in San Francisco. But the more successful ones have expanded to cover multiple cities and entire countries.

All these services rely on ratings and reciprocal reviews to build trust among their users. Staying in a stranger's apartment in another city seems much less daunting when you can read testimonials from previous guests. But it's not so great if you do, because the service certainly doesn't augment the availability of professional hospitality services. Many platforms also carry out background checks, looking into their users' driving and credit histories and checking for criminal records. In addition, some peer-rental services (including Airbnb, RelayRides and Lyft) integrate with Facebook to let owners and renters check to see whether they have friends (or friends of friends) in common.