

A Sharing Economy Comes With a Price

Our economy is spawning a new sector of micro-entrepreneurs and, while the current overall economic impact has still remained minor (not unlike that of Amazon in 2000), this exciting new sector is expected to explode in the next decade. According to a December 2016 research study by the Brookings Institution, the "sharing economy is expected to grow from \$14 billion in 2014 to \$335 billion in 2025."

You might ask, how is this sharing economy related to financial advising and planning for one's future? While economically helpful for consumers, this trend (not dissimilar to Amazon), has the potential to be massively deflationary. Throughout history, deflationary environments have caused lower returns on investment, the worsening of debtors' financial positions, and the decrease of economic growth and stability. With debts rising even during prosperous times, and public obligations struggling to fulfill their liabilities, deflationary headwinds caused by the rise of the sharing economy have the potential to create a "perfect storm."

By any measure, the emergence of the so-called "sharing economy" is one of the most dynamic and little understood economic earthquakes of the still-young 21st Century. This is, in part, is because the term sharing economy (also known as the gig economy or collaborative economy) is mostly opaque. The sharing economy is described as "an economic model often defined as a peer-to-peer based activity of acquiring, providing or sharing access to goods and services that are facilitated by a community-based on-line platform."

The ongoing technological transformation of our economy – evidenced by the slow but steady corrosion of the brick and mortar retail sector – is altering the way we buy, sell and attempt to maximize dollar value to collective degrees we possibly haven't seen since the Great Depression. It's telling that Uber calls itself a global taxi technology company, a far cry from the pay phone and whistle-for-a-cab eras of our parents and grandparents. It is also telling that Uber does not own one vehicle in their fleet. The same can be said for Soothe, a new service that brings massage to your home. Airbnb turns houses and apartments into often sporadic rental properties, while the Poshmark online marketplace application turns us into clothes consignment dealers.

This new era is in many respects opposite to the 80's, 90's and early 2000's - the good old days of double digit returns, stable careers and rising incomes. In short, the sharing economy is a disruptive force that is conspiring with other work and income-altering forces in the transformation of our habits of spending, saving and consumption. Not unlike Uber, this emerging economic paradigm is the antithesis of the more secure and stable workplaces of past generations.

New York University business professor Arun Sundararajan, author of the book The Sharing Economy: The End of Employment and the Rise of Crowd-Based Capitalism, claims "a key potential downside" of the sharing economy "is the loss of the social

Deleted: By Tom Sedoric & Casey Snyder

Commented [NF1]: Briefly describe what occurred with Amazon?

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Commented [NF2]: Hi. A transformation can't explode. Do you see what I mean? A transformation is a progression. I've changed the sentence accordingly. Also, I think you need to explain right off the bat what a micro-entrepreneur is please? Also, you don't explain what has caused this growth, or what a sharing economy is here. Although you explain it later, I think it's important to define these terms asap?

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Commented [NF5]: I would give some examples of previous [3]

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Commented [NF6]: Which debts? Please be more specific? [5]

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Commented [NF7]: Is it possible to fulfill a liability? Does it [6]

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Commented [NF8]: I would not quote it here since you have [8]

Commented [NF9]: Great, but how so? Elaborate just a little [9]

Commented [NF10]: Give source please? [10]

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Commented [NF11]: Good, but how is it telling exactly, you [11]

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Commented [NF12]: The same meaning what? That it's [12]

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Commented [NF13]: What do you mean by other exactly? [14]

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Commented [NF14]: Give examples of these forces please? [15]

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Commented [NF15]: But Uber is PART of this paradigm, no? [16]

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safety net – the insurance, income stability, paid vacations and other fringe benefits that are critical to the well-being of workers...but the old funding model – the employer funds benefits in exchange for a commitment of full-time work – doesn't transition well to the sharing economy."

Traditions are changing before our very eyes and the generational, economic and digital divides are startling. According to a 2016 Pew Research study, those who are college educated, live in urban-suburban areas, have relatively high incomes and broadband access, and are under the age of 45, are the main economic drivers of this new economy.

Ironically, while we might love the benefits of the sharing economy, as consumers we may not be as enthusiastic as investors or economic participants. The main quandary: is this economic activity reflective of a bigger economy or merely squeezing profit margins while creating more deflationary pressures and zero-sum game outcomes?

Without knowing which of the aforementioned scenarios will prevail, or how this complex global web of economic trends will influence personal balance sheets, planning for the future requires a modicum of caution. Thankfully, prudence and pragmatism as they relate to the financial planning process are within our control.

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Commented [NF17]: Divides between which things? This sentence is flawed?

Commented [NF18]: Great, but I think you need to at least briefly list the benefits?

Commented [NF19]: Which bigger economy? Again, this sentence is vague?

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Commented [NF20]: Or I would think MORE than a modicum, no?

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Explain why it's expected to explode? Need more info?

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I would give some examples of previous deflationary environments please?

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been associated with

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Is it possible to fulfill a liability? Doesn't make sense?

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I would not quote it here since you have not in other places in your article?

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Great, but how so? Elaborate just a little on this here?

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Good, but how is it telling exactly, you need to explain exactly how?

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The same meaning what? That it's telling?

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What do you mean by other exactly? This word seems too vague here?

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that are

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that are

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I changed this phrase because you had already used "parents and grandparents," I don't want your brilliant essay to sound at all repetitive?

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