Beyond Uncertainties in the Sharing Economy: Opportunities for Social Capital

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The sharing economy phenomenon is expected to expand and grow steadily in the coming years. Yet, this sector lacks solid regulation, which raises concerns about its potential risks. However, users continue to engage in sharing economy practices, as opportunities appear to outweigh the perceived risks. This article argues that it is important to look beyond regulatory frameworks, and unravel the social embeddedness of sharing practices in order to provide complementary approaches to risk analysis. In particular, the focus of this article will be placed on the opportunities for building and deploying social capital in the sharing economy and its fundamental role in the development of new sharing economy practices.

I. Introduction

During the last decade, we have witnessed an explosive growth of sharing economy practices[1]. Platforms such as Airbnb, Couchsurfing, Uber, BlaBlaCar, TaskRabbit and Peerby have transformed a wide spectrum of profit and non-profit business sectors, ranging from accommodation, to transportation, up to services and consumer goods. These platforms have been significantly accelerated by the developments in information and communication technologies. However, the regulation of the sharing economy remains in its infancy[2]. Efforts are made to further understand and regulate the implications that these practices have in society, in terms of stakeholders' rights and safety, while, at the same time, trying not to hinder entrepreneurship and innovation. At the same time, the number of sharing economy platforms, different services, and participants can only be expected to increase in the coming years[3], despite the regulatory blurry zones and potential risks. Therefore, the question on how to manage the risks of a sector that is growing with unforeseeable outcomes comes to the fore.

Interestingly, in the absence of a solid risk regulation framework, sharing economy transactions appear to be based on the idea that strangers trust each other. Nevertheless, the idea of risk comes here hand in hand with that of trust. Some authors claim that it is not possible to speak of trust with regards to online relations since basic conditions for trust – such as knowledge about past performance and about the other person's motivation as well as the belonging to a known community—might be missing[4]. Others claim that risk and uncertainty are necessary for trust to be deployed[5], since otherwise, coercion—in this case through regulation—would be driving behavior. So, how do we explain the growth and expansion of sharing economy platforms despite regulatory concerns and ongoing discussions on trust?

This article seeks to shed some light on the social interactions in which the sharing economy is embedded, beyond traditional regulation, by focusing on the social dimensions of the phenomenon. The aim of this article is to unravel the social dynamics of reciprocity, trust, and cooperation, which makes networks stick together despite possible risks. In other words, this article unravels the dynamics of social capital in the context of the sharing economy.

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1 For an in-depth analysis of these sectors, see PWC, *The Sharing Economy* (Consumer Intelligence Series, 2015). In addition, see Pierre Goudin, *The Cost of Non-Europe in the Sharing Economy: Economic, Social and Legal Challenges and Opportunities*, 2016).

2 Sofia Ranchordás, 'Does Sharing Mean Caring? Regulating Innovation in the Sharing Economy' (2015) 16 *Minnesota Journal of Law, Science & Technology* 414.

3 See Goudin, supra, note 1; PWC, supra, note 1; and European Commission, *A European agenda for the collaborative economy* (2016).

4 Philip Pettit, 'Trust, Reliance and the Internet' (2004) 26 *Analyse & Kritik* 108 ; Russell Hardin, 'Internet Capital' (2004) 26 *Analyse & Kritik* 108 .

5 Diego Gambetta, 'Can We Trust Trust?' in Diego Gambetta (ed), *Trust: Making and breaking Cooperative Relations* (Basil Blackwell 1988).

Online networks bring about a "revolutionary rise of social capital"[6]. The regulatory uncertainties in sharing economy practices allow for the development of complementary frameworks for connecting, committing and collaborating with others, even if these are strangers. As it will be discussed in the following sections, the sharing economy provides the ground for building, deploying and strengthening social capital. Thus, the social capital is proposed as a driving force that can transform risks in opportunities for growth, outweighing possible threats. To this end, the role and opportunities for social capital in the sharing economy will be addressed.

This article is structured as follows. An introduction to the sharing economy will be first provided (section 2), followed by a brief account of the main regulatory concerns (section 3). Afterwards, I will delve into the social dimensions of the sharing economy, focusing first on the notions of risk and trust in order to lead the discussion to the notion of social capital (section 4). The role and opportunities for social capital in the sharing economy platforms will be explored in section 5.

II. The Sharing Economy

The sharing economy can be defined as "an economic system of decentralized networks and marketplaces that unlocks the value of underused assets by matching needs and haves, in ways that bypass traditional middlemen"[7]. Thanks to technological developments, the sharing economy allows interactions based on "social relations, rather than through markets or hierarchies"[8]. The term is generally used interchangeably[9] with other collaborative practices[10], such as collaborative consumption, peer economy and collaborative economy[11]. For instance, the EU adopts the term "collaborative economy" to define "business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals"[12]. Throughout the following sections, the terms collaborative and sharing will be used interchangeably, without delving into the discussion of the definition. This article focuses on the common motivation of sharing, that is, making available under-used assets to peers[13], without transfer of ownership[14], within "distributed marketplaces and decentralized networks"[15].

Thanks to the additional boost given by electronic platforms[16], the sharing economy can only be expected to grow, and initiatives within this sector, to proliferate[17]. This responds to economic, technological and societal factors[18]. On one hand, financial and economic crises have forced individuals to look for alternatives to the economic practices offered by traditional markets[19] in order to recover and foster economic growth[20]. In addition, unemployment and lack of opportunities have brought about public disappointment and mistrust in businesses and in macro-systems. Citizens have found themselves looking for innovative ways to be economically better off[21]. Furthermore, demographic growth and the expected scarcity of resources have risen environmen-

6 Nan Lin, *Social Capital. A theory of Social Structure and Action* (Cambridge University Press 2001) 214.

7 Rachel Botsman, *Defining The Sharing Economy: What Is Collaborative Consumption—And What Isn't?* (2015).

8 Yochai Benkler, 'Sharing Nicely: On Shareable Goods and the Emergence of Sharing as a Modality of Economic Production' (2004) 114 *Yale Law Journal* 278.

9 Botsman, supra, note 7.

10 Ranchordás, supra, note 2.

11 Rachel Botsman, *The Sharing Economy Lacks A Shared Definition* (2013); Ranchordás, supra, note 2.

12 European Commission, supra, note 1, p. 3. See also footnote n.7 of the same document, in which the EC explains that "the term collaborative economy is often interchangeably used with the term 'sharing economy'. Collaborative economy is a rapid evolving phenomenon and its definition may evolve accordingly".

13 Botsman, supra, note 7.

14 Ibid; European Commission, supra, note 1.

15 Botsman, supra, note 7.

16 Ranchordás, supra, note 2; Benkler, supra, note 8.

17 see for instance Deputy Ministers' Committee on Policy Innovation, *Back to the Future - the Sharing Economy*, 2015), p. 8PWC 2014) <http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharingeconomy-sizing-the-revenue-opportunity.html> accessed 25 July 2016.

18 See Katie Finley, 'Trust in the Sharing Economy: An Exploratory Study' (MA, The University of Warwick 2013); Ranchordás, supra, note 2.

19 See James A. Phills Jr., Kriss Deiglmeier and Dale T. Miller, 'Rediscovering Social Innovation' (2008) 6 Stanford Social Innovation Review .

20 See for instance José Manuel Durão Barroso, *Speech by President Barroso at the Second Innovation Convention* (2014) and European Union, *Innovation Union. A pocket guide on a Europe 2020 initiative* (Publications Office of the European Union 2013).

21 See Goudin, supra, note 1 at 7.

tal and sustainability concerns, which have led to the exploration of alternative ways to traditional consumption. In this sense, online platforms have offered the possibility of accessing resources more easily and at lower costs[22].

In an era of "enhanced individualism", the sharing economy responds also to social needs[23]. Before, individuals would share among people within their known community. Today, detachment and fragmentation of modern social life has triggered the desire of feeling part of a community, again. That demand finds ground, for instance, in sharing economy platforms, in which individuals seek connection to peers, "bypassing faceless brands"[24], and even on the development of a "sharing mentality"[25].

III. Regulating the Sharing Economy

As with any phenomenon still in an explorative phase and in continuous growth, the regulation of the sharing economy is challenging. The different social interactions brought about by these innovative practices are subjected to changes and transformations[26], not only in terms of the social contexts in which they are embedded, but also with regards to the type of platform, which vary, in turn, in terms of space, values pursued, motivations, nature, and activity-specific requirements.

The most general concerns relate to market access requirements, liability issues[27], consumer protection[28], employment conditions[29], taxation[30], safety and security[31]. In this sense, for instance, clarifications are needed in relation to the extent in which sharing economy platforms can be subjected to typical requirements for accessing traditional markets (e.g., obtaining authorizations and licenses, quality standards). Most of these concerns raise similar questions: how do we approach the risks of an ever-growing phenomenon, embedded in an uncertain regulatory and legal framework[32], without hindering innovation and entrepreneurship[33] in the meantime. The fragmented regulation makes it an even more complex task[34]. The discussion on risk regulation can go even deeper than regulatory reform and delve into the constitutional foundations of national polities[35]. Moreover, even if international organizations might tend to push for a harmonization and convergence of risk governance approaches, these might diverge in practice[36].

It is in this context that the European Commission presented in June 2016 "A European agenda for the collaborative economy" to offer "guidance aimed at supporting consumers, businesses and public authorities to engage confidently in the collaborative economy"[37]. The EU recognizes the potentiality and opportunities of the development of sharing economy platforms, in terms of jobs and economic growth, but understands the need to provide the correct framework for a responsible development. According to the report "The Cost of Non-Europe in the Sharing Economy: Economic, Social and Legal Challenges and Opportunities"[38] the economic potentiality of the sharing economy still suffers limitations, in terms of implementation of legislation and issues that have been insufficiently addressed. For instance, the report explains that sharing economy platforms could create a new form of social exclusion. Exclusion could be based on low reputation ratings of users, who might later face difficulties to re-enter the platforms due to their reputation history, or even be based on arbitrarily reasons[39]. The report concludes that further action needs to be taken in Europe to achieve the full potential of the sharing economy.

22 Ibid; Finley, supra, note 18.

23 Ranchordás, supra, note 2 at 417.

24 Finley, supra, note 18 at 6.

25 Goudin, supra, note 1, p. 8.

26 Kristofer Erickson and Inge Sørensen, 'Regulating the sharing economy' (2016) 5 Internet Policy Review

27 For further information see point (42) and section 4 of European Commission, *Directive 2000/31/EC* (2000);

28 Goudin, supra, note 1, p.I133-135.

29 Adrián Todolí Signes, 'El impacto de la "Uber economy"en las relaciones laborales: los efectos de las plataformas virtuales en el contrato de trabajo' (2015) IUSLabor .

30 European Commission, supra, note 13; Ranchordás, supra, note 2; Goudin, supra, note 1.

31 Goudin, supra, note 1 at I133-135.

32 Goudin, supra, note 1, p.I-133.

33 Ranchordás, supra, note 2.

34 Todolí Signes, supra, note 29.

35 Henry Rothstein, Olivier Borraz and Michael Huber, 'Risk and the limits of governance: Exploring varied patterns of risk-based governance across Europe' (2013) *Regulation & Governance* 215.

36 Ibid., supra, note 42.

37 See European Commission, supra, note 13 and its supporting analysis which can be downloaded at http://ec.europa.eu/DocsRoom/documents/16881 (last accessed 12 July 2016).

38 Goudin, supra, note 1.

39 For further explanation on this and others risks, see ibid. at 26-27.

Though fascinating as it is, this article will not delve into the efforts and struggles of risk regulation, but rather will explore the role that social capital plays in making the sharing economy continue to flourish and grow within this context of challenges and uncertainties.

IV. Thinking outside the "Regulation"-box: the Power Within the Social Dimension

Sharing economy practices continue to proliferate[40], which means that for the active parties involved, the perceived opportunities for growth outweigh the potential risks. Users will continue to engage in these practices, and hence, policy makers will find themselves, every time more, deciding on how to regulate and foster investment and entrepreneurship in this sector. As former EC President Barroso expressed, innovation is "something that has to be a mainstream policy"[41].

The complexity and "dynamic uncertainty"[42] in the sharing economy calls for an analysis of the social dimensions in which underlying relationships are embedded[43]. Trust steps in "allowing individuals to navigate the environmental complexity of modern society and act on expectations despite extant risks"[44]. Trust plays an essential role in encouraging innovation in the sharing economy and sustaining it over time[45]. Though trust should be a starting point, individuals seek rules to provide a safety net to avoid disappointments[46]. Given the fact that these external rules in the sharing economy are still in an early development stage, it is worth giving a step back and focus on the motivations of sharing. These are embedded in a context of social norms and networks that foster interactions, or in other words, the social capital.

1. Taking Risks and Trust

Considering that in sharing economy platforms we are constantly dealing with a growing number of strangers, the notion of trust comes to the fore. Most of the empirical surveys on trust include the famous World Values Survey question: "Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?" [47] Nowadays, this question would require some revisiting since the "most people" of today represents a much larger category than that of a couple of decades ago[48].

Trust means different things to different people. For instance, Fukuyama defines trust as "the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the other members of the community"[49]. Other authors include elements of risk[50], defining trust as "a bet about the future contingent actions of others"[51].Trust might be based on shared norms which guide the way people "should behave"[52], but also might be based on the knowledge about the

40 Deputy Ministers' Committee on Policy Innovation, supra, note 17, and PWC, supra, note 17.

41 Barroso, supra, note 20.

42 Lucy Firth and David Mellor, 'The Impact of Regulation on Innovation' (1999) *European Journal of Law and Economics* 199, 203.

43 Ibid, pp. 203-204; Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press 1990). For further discussion on the importance of the context of motivations see Juho Hamari, Mimmi Sjöklint and Antti Ukkonen, 'The Sharing Economy: Why People Participate in Collaborative Consumption' (2015) Journal of the Association for Information Science and Technology .

44 Finley, supra, note 18, p. 12.

45 Goudin, supra, note 1, p. 171.

46 Ranchordás, supra, note 2.

47 See World Values Survey, http://gss.norc.org/Documents/quex/1998%20GSS-ISSP.pdf, European Social Survey, OECD, 'Society at a Glance 2011. OECD Social Indicators' 2011) <http://www.oecd-ilibrary.org/sites/soc_glance-2011-en/00/01/index.html?contentType=%2fns%2fOECDBook%2c%2fns%2fBook%2c%2fns%2fStatisticalPublication&itemId=%2fcontent%2fbook%2fsoc_glance-2011-en&mimeType=text%2fhtml&containerItemId=%2fcontent%2fserial%2f19991290&accessItemIds=&option6=imprint&value6=http%3a%2f%2foecd.metastore.ingenta.com%2fcontent%2fimprint%2foecd> accessed 4 August 2016. This question was asked in the Special Eurobarometer 223/ Wave 62.2 on Social Capital and 58% of the people replied that you can't be too careful. The curious observation is that while offline trust is declining, apparently, guided by the growth of sharing economy platforms and the number of users, online trust is not, TNS Opinion & Social, *Special Eurobarometer 223/ Wave 62.2*, 2005).

48 Russell Hardin, *Trust* (Polity 2006) 37s.

49 Francis Fukuyama, *Trust* (Free Press Paperbacks 1995) 26.

50 Eric M. Uslaner, 'Trust as a Moral Value' in Dario Castiglione, Jan W. Van Deth and Guglielmo Wolleb (eds), *The Hanbook of Social Capital* (Oxford University Press 2008).

51 Piotr Sztompka, *Trust, A Sociological Theory* (Cambridge University Press 1999) 25.

52 Uslaner, supra, note 50 at 103.

others[53] and on the assessment on how they "will behave"[54]. In this context, trust has been also described as an "encapsulated interest"[55], which means that it is in person-B's interest to fulfill person-A's interest[56]. These descriptions can explain the strategic decision to cooperate based on knowledge about each other, and the motivation to act as if the others were trustworthy[57]. Although it might be widely accepted that trust refers to a rational decision[58], the last decades have witnessed a turn towards a "soft"[59] approach to human behavior, which considers certain factors, such as culture, social bonds and solidarity, pivotal in human interaction, challenging traditional views.

Trust refers to a willingness to be vulnerable towards the other and his performance of expected behaviors[60], which necessarily incorporates the idea of risk into the relationship[61]. According to Gambetta, "for trust to be relevant, there must be the possibility of exit, betrayal, defection"[62], there needs to be certain degree of uncertainty[63]. Otherwise, if the outcome of the future action is unquestionable – such as natural events- or does not affect our decisions, the role of trust would just be limited or of no relevance[64]. The risk is handled according to the level of trust that the trustor eventually decides to place on the trustee. If the level of trust is lower than the perceived risk, the trustor will not place any expectation on the other. If the trust is greater than the perceived risk, the trustor will accept the risk. He will have the confidence that the trustee will perform and deliver according to the expected standards.

In order to enforce expected cooperation and behavior, parties seek the support of third parties, in particular institutional support. In the past, an additional back up would be community norms and the community itself would be the enforcement agency. Nowadays, "our lives have long since transcended such community"[65], constantly challenging expectations. New opportunities imply new risks[66], and in turn, new risks imply new concerns and assessments. Traditional systems provided certainty which was associated with a sort of closure given by trust, alignment and knowledge[67] about the others and the environment. Today, these elements can no longer be taken for granted. However, if risks are handled effectively, the benefits are enormous: "we virtually become the risks we are willing to take, for better or for worse"[68].

Concerns with trust in sharing economy platforms can be overcome overtime with the establishment of different mechanisms to build trust[69], such as insurance policies, prior scrutiny of members and rating and review systems[70]. In addition, trust can be further built through the setting up of reputational systems, testimonials, and even uploading other media resources such as pictures and videos[71].These strategies mitigate the possible risks appertaining to participating in sharing economy platforms.

However, the discussion around trust rises again. On one hand, there are those who point out whether it is possible to speak of trust when addressing on-

53 Ibid; in addition, see Russell Hardin, 'The Street-Level Epistemology of Trust' (1992) 14 *Analyse & Kritik* 152 .

54 Uslaner, supra, note 50 at103.

55 Russell Hardin, *Trust and Trustworthiness* (Russell Sage Foundation 2002), p. 1; Hardin, supra, note 53.

56 Ibid; Hardin, supra, note 4; Hardin, supra, note 53.

57 Uslaner, supra, note 50 at 102.

58 Hardin, supra, note 53.

59 Sztompka, supra, note 51, ch1. See also North, supra, note 43.

60 Darryl Stickel, Roger C. Mayer and Sim B. Sitkin, 'Understanding Social Capital: in Whom do we Trust?' in Ona Viva Bartkus and James H. Davis (eds), *Social capital Reaching Out, reaching In* (Edward Elgar 2009); Gambetta, supra, note 5; Philip Pettit, 'The Cunning of Trust' (1995) 24 *Philosophy and Public Affairs* 202.

61 See Hardin, supra, note 60.

62 Gambetta, supra, note 5 at 218-219.

63 Ibid.

64 Ibid; see also Hardin, supra, note 4.

65 Hardin, supra, note 55, p. 37.

66 Ulrich Beck, Risk *Society: towards a new modernity* (Sage Publications 1992); Ulrich Beck, *World Risk Society* (Polity Press 1999); Barbara Adam, Ulrich Beck and Joost Van Loon (eds), *The Risk Society and Beyond* (Sage Publications 2000); Raffaelle De Giorgi, 'The risk of risk society and the limits of law' (2009) *Sociologia del Diritto* 59 ; Alberto Febbrajo, 'For a socio-legal theory of risk' (2009) XXXVI *Sociologia del Diritto* 2 .

67 Ronald S. Burt, 'Network duality of social capital ' in Viva Ona Bartkus and James H. Davis (eds), *Social capital Reaching Out, reaching In* (Edward Elgar 2009) 39-40.

68 Hardin, supra, note 55 at 37.

69 Goudin, supra, note 1, p.I91.

70 In this sense, for instance the EU underlines the importance of these building online trust mechanisms and encourages their improvement to foster a more "confident participation in the collaborative economy", European Commission, supra, note 13, pp. 10-11.

71 Russell Belk, "You are what you can access: Sharing and collaborative consumption online" (2014) *Journal of Business Research* at 1598.

line relationships[72], since it is not possible to have the necessary information about the others in order to make a choice, nor is there an intention to maintain relationships over time[73]. And on the other hand, as previously exposed, when solid institutional safeguards are put in place, they will most likely act as a substitute for trust. Therefore, it is worth focusing on the breeding ground for trustworthy interactions to be developed: the social capital.

2. Social Capital

"Social capital" refers to the group of informal institutions, networks and relationships, based on norms, attitudes and values that determine and structure social interactions, both in quantity and quality[74]. It is "that glue that holds societies together"[75], which facilitates the coordination and cooperation processes in the horizontal and vertical associations between individuals.

During the last decades, the concept of social capital has been attracting the attention of academics and experts coming from various fields, ranging from economics, sociology and political science to psychology and education[76]. Hence, the exploration of the implications of the social capital theory for the sharing economy should not be underestimated. Before submerging into this discussion, however, it is worth devoting some time to briefly introduce the social capital theory and its main features.

Most scholars agree that social capital is an important phenomenon for development and growth[77] since it reduces transaction costs and facilitates trade and the creation of wealth[78]. High levels of social capital have also seemed to correlate with more efficient and effective organizations, communities and governments[79]. However, the conflict comes to the lack of agreement on its definition.

Bourdieu treats social capital as the group of actual or potential resources linked to the possession of a durable social network.[80] Coleman goes a step further and defines social capital according to its function: "it is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors — whether persons or corporate actors — within the structure"[81]. Putnam extends its function to the community and defines social capital as "features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated action"[82].

Social capital can be expressed in "cognitive" or "structural" forms[83]. Cognitive expressions refer to intangible elements such as perceptions, attitudes, values, norms of behavior, reciprocity and trustworthiness. Structural social capital, instead, refers to externally observable social structures, such as networks, associations and institutions. These forms are not mutually exclusive. For instance, Grootaert and van Bastelaer provide on one hand, the examples of structural social capital in institutions of the state in which the cognitive aspects are not present, and on the other, cognitive social capital in norms and values, which are not institutionalized in a formal structure[84].

72 Pettit, supra, note 4; Hardin, supra, note 4.; see also Mariarosaria Taddeo and Luciano Floridi, 'The case for e-trust' (2011) 13 Ethics and Information Technology which also introduces a special issue on e-trust.

73 Hardin, supra, note 4.

74 Mariana Zuleta Ferrari, *Trust in Legal Institutions: An Empirical Approach from a Social Capital Perspective* (forthcoming 2016).

75 Ismail Serageldin, 'Sustainability as Opportunity and the Problem of Social Capital' (1996) 3 *Brown Journal of World Affairs* 196.

76 See for instance Partha Dasgupta and Ismail Serageldin (eds), *Social Capital. A Multifaceted Perspective* (The World Bank 2000); Viva Ona Bartkus and James H. Davis, *Social Capital: Reaching Out, Reaching in* (Edward Elgar 2009).

77 High levels of social capital have been associated with the improvement of children's welfare, education, safety, economic prosperity, public health, individual well-being, confidence on institutions and democracy.

78 Thora Margareta Bertilsson and Christian Hjorth-Andersen, 'The Nordic welfare state' in Gert Tinggaard Svendsen and Gunnar Lind Haase Svendsen (eds), *Handbook of Social Capital The Troika of Sociology, Political Science and Economics* (Edward Elgar 2009), p. 220.

79 Stickel, Mayer and Sitkin, supra, note 60 at 304.

80 Pierre Bourdieu, 'The forms of social capital' in John G. Richardson (ed), *Handbook of Theory and Research for the Sociology of Education* (Greenwood Press 1986).

81 James S. Coleman, *Foundations of Social Theory* (The Belknap Press of Harvard University Press 1990) 302.

82 Robert D. Putnam, Robert Leonardi and Rafaella Y. Nanetti, *Making democracy work. Civic traditions in modern Italy* (Princeton University Press 1993), p. 167.

83 Christiaan Grootaert and Thierry van Bastelaer, 'Social Capital: From Definition to Measurement' in Christiaan Grootaert and Thierry van Bastelaer (eds), *Understanding and Measuring Social Capital A Multidisciplinary Tool for Practitioners* (World Bank 2002) 3-4.

84 Ibid, p. 4.

The social capital theory suggests that beneath cooperation underlies a belief about the others' intrinsic motivation, challenging rational choice theories[85]. Furthermore, the networks and norms in which social interactions are embedded strengthen cooperative actions by changing the pay-offs for certain actions. These are important social assets that allow individuals, and groups of individuals, to obtain certain benefits that would be difficult to obtain on their own, or would only be possible with an extra cost. It is this function that makes such features valuable, since they allow individuals to pursue their interests[86].

a. The Strength of Social Connections and Networks: Bridging and Bonding Social Capital

Social connections are inherent to humankind interactions. Individuals are born in a social network (family), and they are constantly and simultaneously entering, belonging and exiting different networks. Throughout these connections, ties are built, some stronger than others. These interactions are triggered by different motivations –a shared value, a shared interest, a shared identity—that will facilitate cooperation now or in the future. The density of networks defines the strength of reciprocity[87], trustworthiness[88] and knowledge about the others.

Any social organization will constitute some sort of social capital. It is due to the connections and networks created that the goal, for which the community was first organized, will be achieved[89]. The social capital will provide internal social order, a sense of belonging and shared behavioral norms[90].

Social capital, however, is a double-edged sword. On one hand, it can provide the breeding ground for building trust and shared values, reducing monitoring and transaction costs. However, on the other, it can create the occasion for exclusion, for instance, due to the scope of the network or due to membership requirements. This distinction can be reflected in the characterization of bonding and bridging social capital and it relates to the roles that networks may play in shaping the community[91].

Bonding (or exclusive) social capital strengthens specific identities within a homogenous group of people (e.g., ethnic fraternal organizations, church-based women's reading groups)[92]. Bridging (or inclusive) social capital groups people coming from different background and social groups (e.g., civil rights movements, ecumenical religious organizations)[93]. These two types of social capital do not exclude each other; they meet different needs. Bonding social capital is good for getting by, whilst bridging social capital is essential for getting ahead[94]. Bonding social capital relates to thick networks between homogenous groups of people that constraint their members within the group boundaries. Bridging networks are constructed on weak ties, connecting people who belong to different backgrounds[95], facilitating the access to external resources and the dissemination of information[96]. Bridging social capital can generate broader identities and reciprocities, generating trustworthy relations among individuals and groups that may not have face-to-face relations. Contrarily, bonding social capital narrows these possibilities.

In addition, bonding social capital generally relates to closure in social networks. Closure means that ties are strong enough to guarantee the enforcement of internal rules and reduce transactions costs and risks. This closure ensures trustworthiness, and

85 See for instance North, supra, note 43. The author explains that individuals are not only moved by an utilitarian or wealth-maximizing behavior, but also out of altruism and internal norms. In addition, the choices are made based on subjective cognitive aspects based on incomplete information on the environment.

86 Coleman, supra, note 81, p. 305.

87 Cfr. Elinor Ostrom and T. K. Ahn, 'The meaning of social capital and its link to collective action' in Gert Tinggaard Svendsen and Gunnar Lind Haase Svendsen (eds), *Handbook of Social Capital: The Troika of Sociology, Political Science and Economics* (Edward Elgar 2009) 27.

88 Ibid. at 28.

89 Coleman, supra, note 81 at 304.

90 Ismail Serageldin and Christiaan Grootaert, 'Defining Social Capital: An Integrating View' in Partha Dasgupta and Ismail Serageldin (eds), *Social Capital A Multifaceted Perspective* (The World Bank 2000) 40-44.

91 Fabio Sabatini, 'The labour market' in Gert Tinggaard Svendsen and Gunnar Lind Haase Svendsen (eds), *Handbook of Social Capital The Troika of Sociology* (Edward Elgar 2009) 272-275.

92 Robert D. Putnam, *Bowling alone. The collapse and revival of American Community* (Simon & Schuster 2000) 22.

93 Ibid. He attributes coining these labels to Ross Gittel and Avis Vidal in *Community Organizing: Building Social Capital as a Development Strategy* (Thousand Oaks, Calif.: Sage, 1998), 8.

94 Xavier De Souza Briggs, 'Social Capital and the Cities: Advice to Change Agents' (International Workshop on Community Building).

95 Sabatini, supra, note 91 at 272-275.

96 John Field, *Social Capital* (Routledge 2003) 32.

makes norms and sanctions effective in order to cope with externalities[97]. Nevertheless, closure can be advantageous in some occasions (e.g., trustful relationships and exchanges), but also hinder building bridges with other groups (e.g., favoritisms).

b. Social Capital and the Sharing Economy: Discussion

It has been said that social capital is "what makes the collaborative world go round"[98]. The sharing economy, and in particular sharing economy platforms, are about connecting with other people "over space and time"[99]. The sharing economy facilitates the building and use of social capital, contributing not only to economic growth but also to social empowerment[100] and welfare[101] within a "global context"[102]. On one hand, it is the social capital in the sharing economy, in terms of networks, norms and shared values that facilitates the access to resources that otherwise would not be possible, or if so, at a higher cost. On the other, technology promotes social capital because it connects strangers that otherwise would have never met.

Associations, networks, social norms and shared values provide the informal framework for producing diverse positive effects despite regulatory uncertainties.[103] However, what does this mean for the sharing economy?

Social capital is about building social connections for a future benefit, direct or indirect[104]. Though initially social capital remains an asset within the network in which it is originated, with time, an individual can make use of that social capital to bridge to other networks, putting the social capital into action.

Inclusion. Sharing economy platforms provide the opportunity for individuals to reach out to their inner circle and connect with strangers, hence, creating bridging social capital. Participants with different backgrounds interact with the same motivation to "broaden each other's perspectives as they engage in sharing"[105]. In addition, sharing economy platforms make certain resources and services accessible to consumers who might be excluded from traditional markets. For instance, good ratings can facilitate the access to private accommodation in a hot spot summer location, which would not be possible if one had to think of booking hotel rooms only.

Exclusion. Strong closure, or strong bonding social capital, in sharing economy platforms is good for strengthening trust and reinforcing social control. However, this feature can also provide the opportunity for exclusion, due to the platform's membership requirements, or because users might decide to filter and limit their services based on gender, class, and even racial biases[106]. The Report on "The Cost of Non-Europe in the Sharing Economy" specifically expresses that rating systems could easily establish a new form of social exclusion[107]. Some degree of social exclusion might be accepted in cases in which it is the closure that makes the system develop and grow - for instance, sharing economy platforms in which having a minimum number of personal connections already in the network becomes an exclusive entry requirement[108]. It is the exclusiveness of the group what strengthens the interactions among the members.

Social control. Social capital has also been addressed as a means for rule enforcement[109]. This role generally takes place in communities characterized by closure, in which the tightness of bonds enforces solidarity and trust in such ways that "render formal or overt controls unnecessary"[110]. The social control

97 *James S. Coleman, 'Social Capital in the Creation of Human Capital' (1988) 94 The American Journal of Sociology* 106 ; Coleman, supra, note 81 at 318.

98 Sara Muchnick, *The Social Benefits of Renting Out a Room on Airbnb* (2015). Other expressions refer to social capital as "the glue that holds societies together" Serageldin, supra, note 75, p. 196, or "the grease that makes different areas of life work well", De Souza Briggs, supra, note 101 at 1.

99 Lin, supra, note 6, p. 217.

100 Ibid.

101 Bill Jordan, 'Social Capital and Welfare Policy' in Dario Castiglione, Jan W. Van Deth and Guglielmo Wolleb (eds), *The Handbook of Social Capital* (Oxford University Press 2008) 656.

102 Lin, supra, note 6 at 217.

103 Serageldin and Grootaert, supra, note 90 at 46.

104 Alistair Anderson, John Park and Sarah Jack, 'Entrepeneurial Social Capital' (2007) 25 *International Small Business Journal* 245.

105 Pia A. Albinsson and B. Yasanthi Perera, 'Alternative marketplaces in the 21st century: Building community through sharing events' (2012) 11 *Journal of Consumer Behavior* 309.

106 Juliet Schor, 'Debating the Sharing Economy' <http://www.greattransition.org/publication/debating-the-sharing economy> accessed 24 July 2016, p. 8.

107 See Goudin, supra, note 1, pp.I76-77 and Molly Cohen and Corey Zehngebot, 'Heads up' (2014) 58 Boston Bar Journal .

108 This could be the case of local closed facebook groups, such as "CHEAP 2 CHEAP (reloaded)", "CHEAP 2 CHEAP TIPS" and "CHEAP 2 CHEAP 2 ZN".

109 Alejandro Portes, 'Social Capital: its origins and applications in Modern Sociology' (1998) 24 Annual Review Sociology, p. 10.

110 See ibid for examples.

is not executed by the community but by the strong bonding social capital present in these type of ties. Sharing economy practices and the consequent involvement with others "increases security by sowing seeds of reciprocal obligations"[111]. In the same way, sharing economy platforms can specifically promote certain shared values, respect and trust building whilst establishing strict social sanctions for no compliance. The interaction with strangers leads, in effect, to a certain *involvement* with strangers. In fact, the idea of risking in dealing with strangers triggers a stronger motivation and commitment from users to behave as expected than if these joined with an efficient risk management system[112].

Law would step in if expectations are not met[113]. However, being the legal framework in this field still blurry, the deployment of social capital presents itself as an asset worth to be strengthened. The provision of peer review, ratings and comments, creates a virtual bonding among the users, which might be strong enough to make opportunistic or deceiving users to be excluded from the platform.

Collective action. Social capital allows individuals to come together to solve collective problems more easily. According to Putnam, the institutional mechanism created by social norms and networks can ensure compliance with the collective will and mitigate the "prisoners' dilemma", "the free-rider problem", and "the tragedy of the commons"[114]. Then, "social capital greases the wheels that allow communities to advance smoothly"[115] and achieve results that would otherwise be more difficult or impossible. Sharing economy practices provide the perfect ground for this thriving force to expand. By the repetition of trustworthy interactions, not only transaction costs are reduced, but also businesses and social interactions flourish, bringing about benefits now and in the future for the whole community.

Reaching out. The popularity of social capital, however, relies on the fact that it allows access to "network-mediated benefits beyond the immediate family"[116]. This refers to the role of social networks in providing access to certain benefits that otherwise would be difficult or more onerous to be obtained. It is about the value of ties outside the inner circle, that is to say, the "strength of weak ties"[117] that can generate opportunities such as community credits, employment endorsement and participation in the market. In this sense, bridging social capital facilitates also connections among strangers that have in common the motivation of sharing. Successful interactions and experiences will encourage further involved in similar practices. Satisfied users would not only continue to make use of well-known platforms, but would most likely venture in exploring new ones.

Life improvement. In the end, social capital is about improving people's lives. Putnam provides measured and well-documented information to suggest that social capital does have an important impact in people's lives. He does so by analyzing childcare and education, healthy and productive neighborhoods, economic prosperity, health and happiness, and democratic citizenship and government performance[118]. People who have active and trustworthy relations with others are a positive asset to the community. The motivation of sharing is an expression of the quest of being better off oneself and the other, making participants happier[119].

Building a sense of community. With the development of internet platforms, sharing becomes easier. In addition to the economic aspect, internet platforms foster building the sense of belonging to a community[120]. Positive experiences will foster further participation, and the willingness of the satisfied users to sustain this over time, by, for instance, delivering as expected, or by making sure that expected standards are kept through rating systems.

The value of social capital relies not only on the goods and services exchanged, but also on the interaction among individuals who participate in the operations[121]. In the sharing economy, the expectation

111 Russell Belk, 'Sharing' (2010) 36 *Journal of Consumer Research* 715.

112 Schor, supra, note 106, p. 8.

113 De Giorgi, supra, note 66.

114 Putnam, supra, note 92, p. 288.

115 Ibid.

116 Portes, supra, note 109, p. 12.

117 Ibid, p13. Portes atributes the coining of this term to Mark Granovetter in Mark Granovetter, *1974* (Harvard University Press Getting a Job: A Study of Contacts and Careers).

118 Putnam, supra, note 92.

119 See for instance Muchnick, supra, note 98: the author describes how interaction with strangers renting through Airbnb makes participants happier. First, due to the fact that when meeting a stranger one tends to smile and make eye contact at the first encounter. Secondly, sometimes, sharing accommodation provides the opportunity to share more than this and give space for forging relationships.

120 Belk, supra, note 71, p. 1597.

121 Albinsson and Perera, supra, note 105, p. 308.

is of generalized reciprocity[122]: you will be paid back by the benefits of belonging and being a solid member of a community. In addition, it allows you to make use, in the future, of the underused resources of another member. The underlying idea of the sharing economy that "you are now what you can access, and not what you can have"[123], reflects the paradigm shift in which rather than accumulating for ownership, there is an opportunity to opening to others, making a better deal not only for the consumer, but also for the environment and the society[124]. Solidarity[125], trust, social bonds[126], and the other benefits "grow exponentially as more people share"[127].

c. Building Social Capital

Creating social capital requires time. Expectations, trustworthiness, norms and values cannot be "seeded"[128]; they need to "take roots"[129]. Behavioral rules are the first step for creating structural social capital, which will be followed by acceptance and voluntary compliance to make them beneficial for the members of the network. This process is supported by experience and expectations about future behavior. Investing in social capital requires both focusing on the structural aspects, such as the network in itself, but also on more cognitive aspects, such as the articulation of norms of reciprocity, solidarity, trustworthiness, and the confidence that the other members will uphold to these, too. Therefore, it is worth stressing the motivation to share.

Sharing responds to a need to connect with others, build together and benefit from what each party can contribute to the situation. Traditionally, one would think of sharing with people from inner circles. Belk makes the distinction between "sharing in" and "sharing out"[130]. When someone shares "in", he performs an inclusive act, which allows others to be part of the "extended self"[131]. When sharing "out", which generally takes place among strangers, there are little perspectives of continuum over time or expectations of being paid back for the favor[132]. In any case, the idea of sharing, of putting at disposal of others, speaks about the motivation to connect and include others in the use of personal belongings and resources, whatever these might be.

Some scholars criticize the fact that sharing economy platforms have, with time, lost their "genuine" motivation of sharing, giving space, increasingly, to a more commercial goal[133]. Even if this might be case, there is still, in sharing economy platforms, powerful social assets for building social capital, cooperation and "genuine practices"[134]. Shared values, expectations, norms of reciprocity and networks are elements that will form social capital. In turn, these help to build a sense of community, even if one might not know the other individuals involved. This motion converges with the longing for a community[135], and the desire, in modern times, to connect with others, expressed through the sharing[136]. Eventually, some users will still decide to believe that the other parties will behave in the expected way and take the risks inherent to sharing economy transactions.

V. (Not so) Final Words

This article explored the social dimensions of the sharing economy beyond the regulation of the risks posed by these online transactions. This paper focused in particular on the study of the social capital, that is, the social resources in which sharing economy platforms are embedded.

The sharing economy has long stopped to be a temporary reaction to different financial and social crises. The sharing economy creates a virtuous circle of opportunities[137], of sharing outside the personal boundaries, and overcomes the difference between

122 Belk, supra, note 111, p. 717.

123 Ranchordás, supra, note 2 at 416.

124 Belk, supra, note 71 at 1599.

125 Belk, supra, note 111 at 717.

126 Ibid, p. 717.

127 Ibid, p. 727.

128 Norman Uphoff, 'Understanding Social Capital: Learning from the Analysis and Experience of Participation' in Partha Dasgupta and Ismail Serageldin (eds), *Social Capital A Multifaceted Perspective* (World Bank 2000) 219-221.

129 Ibid.

130 Belk, supra, note 71.

131 Ibid. at 1596.

132 Ibid, p. 1596.

133 Ranchordás, supra, note 2.

134 Schor, supra, note 106.

135 For instance, see Muchnick, supra, note 98.

136 Belk, supra, note 111 at 716.

137 See the administrative and preparatory documents for transforming Milan into a sharing city: "Milano Comune di Milano, 'Milano Smart City' <http://www.milanosmartcity.org/> accessed 12 October 2016.

"us and them"[138]. There is much potential in sharing economy platforms to "bring together people in new ways"[139]. In this way, the sharing economy can reestablish the sense of community, generating social capital, economic growth[140], and hopefully, build a more caring and sustainable world[141].

The complexity of the sharing economy transcends time and space and requires an innovative mindset, which is met by the framework offered by the concept of social capital. This highlights, in addition, the need to build a dialogue that involves both consumers, providers, and policy makers[142]. The need for community building comes to the fore, in terms of shared vision, striving for transparency and trustful relationships. The connections among peers, sometimes exclusive (bonding social capital), other times more inclusive (bridging social capital), are the means to get access to resources and needs. It is the building and strengthening of social capital that will make them stick together and motivate growth despite the uncertainties and risks. "Perhaps the disruption happening now is not about technology; it is how it enables a shift in trust, from institutions to individuals"[143].

138 Belk, supra, note 111 at 730.

139 Schor, supra, note 106, p. 11.

140 See Lin, supra, note 6.

141 See for instance Schor, supra, note 105.

142 Albinsson and Perera, supra, note 113 at 312.

143 Rachel Botsman, 'The Changing Rules of Trust in the Digital Age' *Harvard Business Review* https://hbr.org/2015/10/the-changing-rules-of-trust-in-the-digital-age, accessed October 20, 2015. *See also* Botsman, supra, note 11 and Rachel Botsman, 'The currency of the new economy is trust' June 2012) <https://www.ted.com/talks/rachel_botsman_the_currency_of_the_new_economy_is_trust?language=en> accessed 10 October 2016.