

Regulating Online Platforms: Where, Not Whether, to Draw the Line

Panel Discussion

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Operations, Information, and Decisions
The Wharton School
June 2016

Context

Airbnb Chatham House Rules

Airbnb “At a seminar in BU I heard that ...”

Airbnb Not “Eric Clemons of Wharton said that ...”



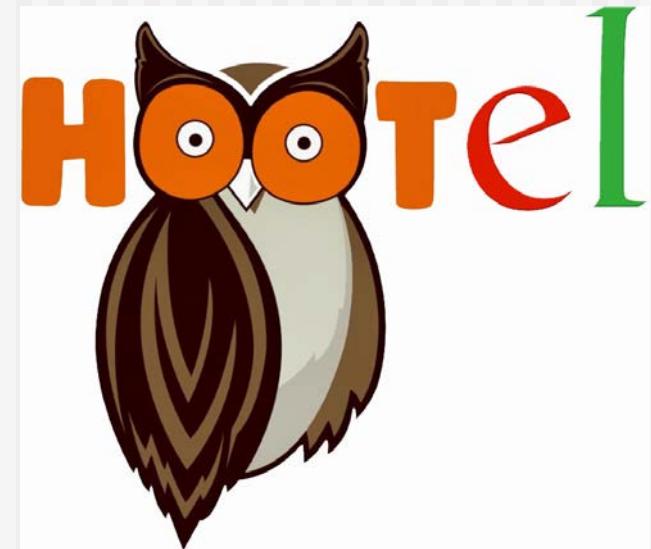
**CHATHAM
HOUSE**
The Royal Institute of
International Affairs

Context

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- Ⓐ We all want the most open, flexible, innovative, and valuable internet
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Context

- Ⓐ We all want the most open, flexible, innovative, and valuable internet
- Ⓐ And yet, we can all agree that some regulation is necessary
- Ⓐ We can agree that there is a line that platforms should not cross
- Ⓐ We cannot agree on where to draw the line



Context

- Ⓐ We all want the most open, flexible, innovative, and valuable internet
- Ⓐ We cannot agree on where to draw the line
- Ⓐ But perhaps we can agree on who should and should not make the decisions
 - ⌚ This needs innovative and creative thinking
 - ⌚ Innovative and creative lawyers can be scary
 - ⌚ And internet entrepreneurs will almost certainly draw the line in a way that maximizes their value rather than maximizing social welfare
 - ⌚ So the decisions should probably be made by us

Motivational Example

- Ⓐ Should we want Airbnb to flourish because it is economically efficient to allow the owners of properties to find their most economically valuable use?
- Ⓐ If it is more profitable for building owners to refuse to renew the leases for some apartment residents in San Francisco and to convert their properties into full-time Airbnb rentals, should we permit it?
- Ⓐ What if the residents object to being evicted from their apartments
- Ⓐ What if their neighbors object to having strangers and transients in an apartment building so that their home feels like a hotel?
- Ⓐ If hotel operators argue that owners who rent through Airbnb have an unfair advantage because they pay fewer taxes, have fewer regulations on safety, or can locate in residential neighborhoods where hotels cannot, should we impose greater restrictions on Airbnb to level the playing field?
- Ⓐ Who would really benefit from these additional laws and regulations and how do you balance competing interests?
- Ⓐ How should we decide on the appropriate guidelines for regulators to follow?

Candidate Topics for Discussion

- Ⓐ **Does the platform create value or merely exploit a regulatory loophole?** When is a platform creating value and when is it merely harvesting?
- Ⓐ **Does the platform create an environment in which market competition cannot effectively determine prices?** Mandatory participation third party payer systems do not obey the same behavioral rules as traditional markets, and may require regulation to limit their power.
- Ⓐ **Does the platform create negative externalities that might disadvantage some consumers?** An informed debate on the externalities of rental platforms is still necessary. The dark side of the sharing economy does indeed need to be understood, as well as the obvious benefits.
- Ⓐ **Does the platform create an environment in which platform envelopment provides the platform operator with unfair competitive advantage?** Google can leverage, protect, and extend its monopoly position to gain monopoly power in other areas. Consumers clearly also receive benefits. How should platform envelopment be regulated?
- Ⓐ **Can consumers really judge the benefits and rewards, costs and risks, of using a platform?** Would warning on internet software sites be sufficient, the way warning labels are supposed to be sufficient in limiting tobacco smoking? Or are stronger restrictions required?