

Student Essay Contest
WINNERS

REGULATING THE SHARING ECONOMY

Do the costs outweigh the benefits?



What's Inside

A Look at the Trudeau
Government's New
Housing Benefit

A Discussion about
NAFTA and the
Implications of Revoking
this Agreement

A Comparison of
Universal Health care
Systems



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Canadian Student Review
1770 Burrard Street, 4th Floor
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Tel: (604) 688-0221 ext. 538
Fax: (604) 688-8539
E-mail: ryan.hill@fraserinstitute.org

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Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being.

WELCOME!



It is hard to believe that the fall semester is over, and that the New Year is upon us.

This issue features essay winners from our 2017 contest at the high school, undergraduate, and graduate levels. We received and reviewed hundreds of entries, and I can assure you that these three winners represent the best of the best! Watch for the release of the 2018 essay contest topic— with \$9,000 in prizes awarded between the three categories it is surely worth your while to compete for some of that money by writing and submitting an essay.

This issue also includes a recent infographic, a look at the Trudeau government's new housing benefit, and a discussion of the North American Free Trade Agreement (NAFTA) and the implications of revoking this agreement.

Our *Hot Topics* section highlights two recent studies from the Fraser Institute. The first compares the cost and performance of universal health care systems in various countries and evaluates Canada's standing among them. The second investigates the age of retirement in Canada as compared with other OECD countries.

We hope that you enjoy this issue, and encourage you to stay connected with us throughout the year by liking our Education Programs Facebook page. Visit our facebook page [»»](#)

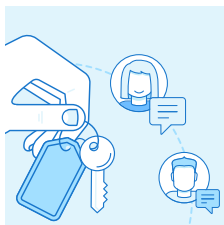
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Editor, *Canadian Student Review*



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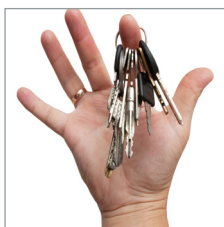


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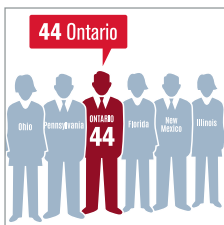


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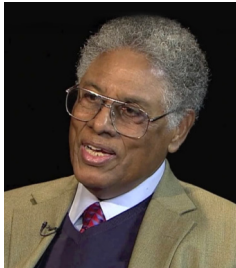
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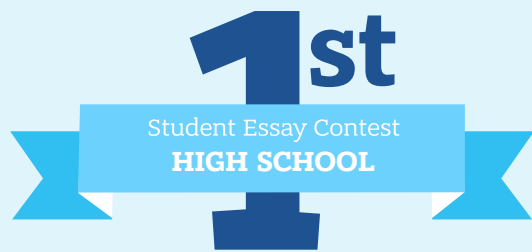
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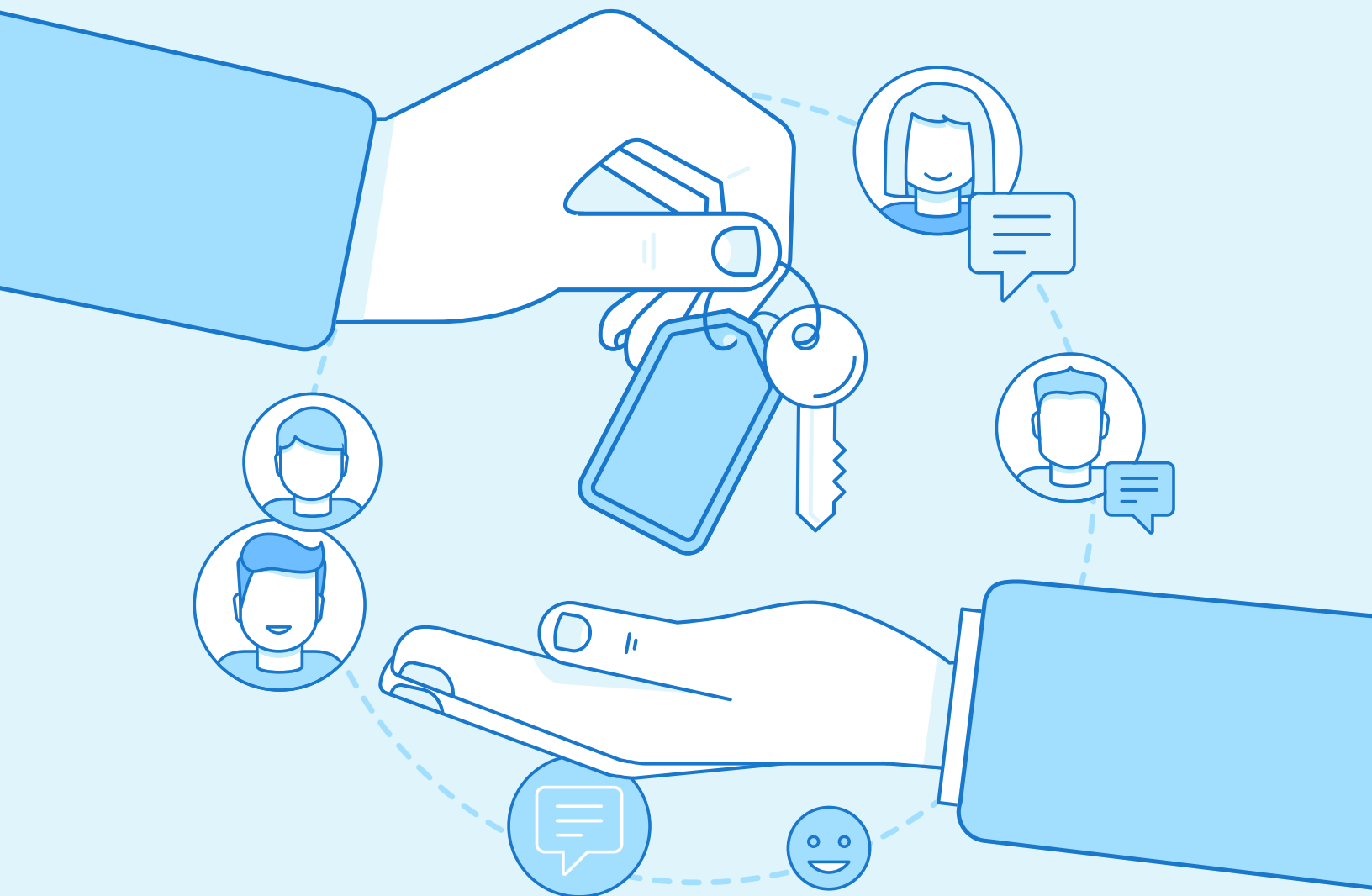
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CREATING MORE WITH LESS

How to Regulate the Sharing Economy

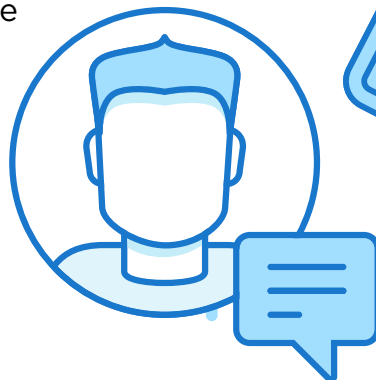
by Felix Hohne



A group of students at Simon Fraser University recently launched an app, OpenSpot, to address one of the most annoying aspects of driving in Vancouver: the city's lack of parking spaces (Azpiri, 2017, May 29). The app connects people who own parking spots with drivers looking to park their cars. While the developers expected that Vancouverites would welcome the idea, they received a lukewarm response at best: homeowners balked at undertaking the complicated process required by city bylaws to charge for more than one car on their spot (CTV 2012, August 20). Because of the city's regulation, the promising new app has so far failed to live up to its ideal of improving the lives of Vancouverites.

The sharing economy adds value to previously underused resources.

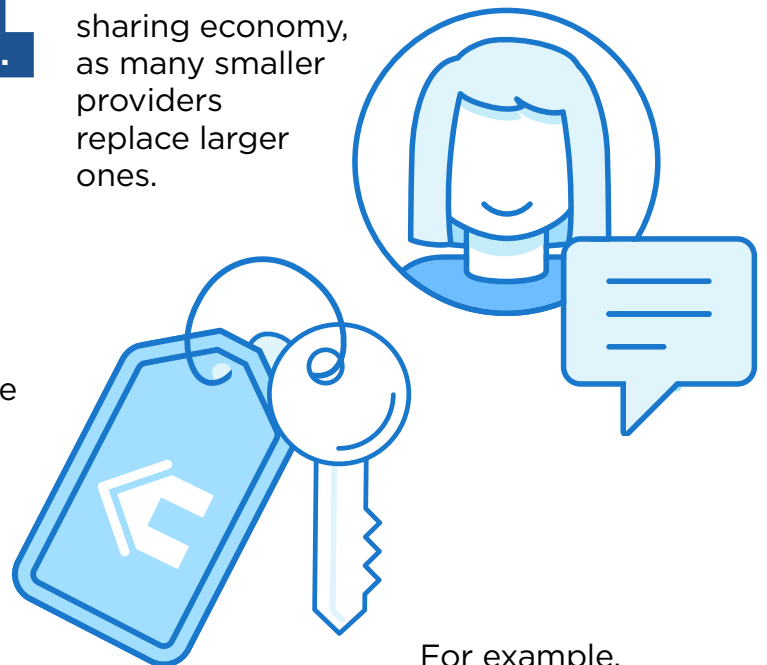
This example reveals two important aspects of the sharing economy, a system where services are provided by individual users via platforms rather than by dedicated companies. First, the sharing economy adds value to previously underused resources. For example, customers in the United States spend US\$ 1 trillion annually on cars, yet total vehicle use reaches only about 1% (Sundararajan,



2016: 115). With the sharing economy, cars worldwide can be used much more efficiently as excess capacity is rented out and fewer cars are on the streets, thereby reducing pollution, congestion, and shortening commute times. In major cities, platforms such as Uber and Lyft are already alleviating the necessity to own a car.

The sharing economy highlights the difficulty of applying traditional regulations to new circumstances.

Second, the sharing economy highlights the difficulty of applying traditional regulations to new circumstances. Traditional regulations simply fail to consider the different attributes of the sharing economy, as many smaller providers replace larger ones.



For example, a homeowner who occasionally rents out his unused driveway should not generally be regulated to the same extent as a major business with

professional staff, dedicated premises, and full-time lawyers for compliance. Furthermore, the sharing economy is still developing, so heavy-handed regulation could impede its growth. Thus, I argue that regulators should not apply traditional regulations to the sharing economy, but rather amend them in order to let this new economic sector develop according to its own merits within the free market. As long as there is fair competition, sharing economies will provide increased well-being to our communities.

Rules are created for a reason; when the reasons change, the rules should be updated. This logic also applies to the regulation of the sharing economy. Historically, there has been a strict division between business and personal lives and their respective rules. For example, as businesses, hotels are required to comply with stringent hotel laws, because a guest's stay is a purely commercial transaction and public institutions are held to a higher standard of care. On the other hand, people acting as individuals do not have to comply with hotel laws when hosting friends overnight because the act of hosting friends is a personal transaction. However, in the sharing economy, formerly personal transactions are becoming increasingly important to the economy as a whole; there is a blurring of the personal and the public. Airbnb hosts do not fit fully into either category: they are neither hosting friends for a weekend, nor are they managing a hotel. Nonetheless, many regulations treat the two as exclusive categories. As a

result, there is a clear need to amend regulation to cover the new cases that do not fit the current regulatory model.

If regulations are strictly enforced and not amended, then the innovation that will result in better services and lower prices is stymied. Take, for example, the Hong Kong taxi industry. In May 2017, Hong Kong police arrested 22 Uber drivers for transporting passengers without a car hire permit (Yau, 2017, June 11). The concept of the car hire permit in Hong Kong first originated in the 1960s when passenger transportation services were available in only a few areas and illegal drivers demanded outrageous fees. Thus, the Transportation Department issued regulations which included standards for taxi services, government regulated fees, and a licensing system with artificial regional barriers that ensured that taxi services could be offered economically across Hong Kong (Hong Kong, Transport Department, n.d.). Although these regulations may have made sense at the time they were issued, they were criticized when the government stopped issuing new taxi licenses in 1994, despite a growing population and an expanding tourist industry. Thus, the regulations effectively cemented the de facto cartel structure of the taxi industry and prevented new market entrants (Lee, 2017, June 16). A regulation that was designed to protect customers, combat asymmetric information, and ensure market efficiency (Baldwin, Cave, and Lodge, 2010) instead was co-opted by the industry, such that government regulation became an

artificial barrier to entry in the Hong Kong taxi industry.

If regulations need to be updated to accommodate the sharing economy, what should these new regulations look like? The best approach is one in which new technologies and business models are generally permitted by law unless they could cause serious harm to society (Thierer, 2016). Thus, traditional legislation should be revised so that different rules for the sharing economy and for the “regular” economy apply because of their different natures, enabling both economies to coexist and thrive.

There are now almost five times more vehicles for hire on the streets of New York than before the introduction of ride hailing services.

New York is a good example of successful regulation of the sharing economy. Its Taxi and Limousine Commission (TLC) has taken different business models, such as rides hailed on the street or by smartphone, into consideration and revised its existing regulations to specifically accommodate the needs of the ride-hailing industry (New York City TLC, 2017, May 1). While all taxi or ride hailing service drivers must meet basic common standards—such as having TLC approved cars, TLC license plates, and commercial insurance—Uber and Lyft drivers face different pick-up modes, fare rules, and vehicle equipment requirements because of their different modes of operation (Perez, 2017, May 31). This

enables both taxis and ride-hailing services to compete fairly with one another, increasing the likelihood that passengers can find a ride. As a result, there are now almost five times more vehicles for hire on the streets of New York than before the introduction of ride hailing services; the value of the city’s taxi medallions, which are required to drive a yellow cab, has slumped from over US\$1.4 million in 2013 to around US\$241,000 today (Agovino, 2017, April 14).

The effects of increased competition are already improving the quality and availability of rides in New York. Though many owners of taxi medallions are attempting to stop the spread of ride-hailing companies through litigation against the updated TLC regulations (Agovino, 2017, April 14), other taxi drivers are fully embracing innovation and technology to make taxi rides more efficient and competitive. They utilize the app “StreetSmart,” which predicts the best routes for finding the maximum number of potential customers using artificial intelligence and data mining (O’Brien, 2017, May 10). In addition, the company Via has introduced virtual stops, which reduces unnecessary detours for taxis, and carpooling, which has the potential to decrease taxi fares by up to 40 percent (O’Brien, 2017, June 6).

Because New York has updated its regulations, ride-hailing services can provide better service and improve safety, convenience, and comfort, forcing the long-stagnant taxi industry to adapt and improve (Lim, 2017). It is likely that many of the new innovations for taxis would have not been adopted or, if adopted, not as


quickly, if ride-hailing apps had not provided such stiff competition.

The sharing economy is often attacked for destroying livelihoods and reducing work security. However, if it is allowed to develop according to its own merits, it can also increase capabilities and provide new services that traditional economic systems simply could not. Consider Japan, which is experiencing an unprecedented growth in tourism. The number of visitors increased from 10.4 million in 2014 (Japan Macro Advisors, 2014, May 22) to 24 million in 2016 (Kyodo, 2017, January 17). However, this tourism boom was threatened by a scarcity of available hotel rooms, which could not be built quickly and had a fixed number of rooms despite fluctuating seasonal demand.

The traditional real estate zoning regulations restricted hotel operators from building facilities in residential areas and at the same time also prevented homeowners from renting their houses or apartments to tourists. In June 2017, however, the Japanese government formally approved a new law which established a new category for Airbnb-style rentals. Now, to rent out a room, owners must only notify the local government, register with the Tourism Agency, and ensure clean facilities (Real Estate Japan, 2017, June 10). Additionally, Airbnb-style hosts can now provide services not only in business zones but also in residential districts (Wynkoop, 2016, March 15). The Japanese government has effectively adopted new regulations to balance different interests instead of applying traditional regulations to the new economic form. With the new regulations, Japan can reap

the benefits of the new sharing economy as platforms like Airbnb supply flexible housing capacity for the massive tourism boom and give tourists more choice in accommodation than the standard hotel room.

Regulators should be flexible and willing to develop new regulatory systems for new cases that arise out of the sharing economy.

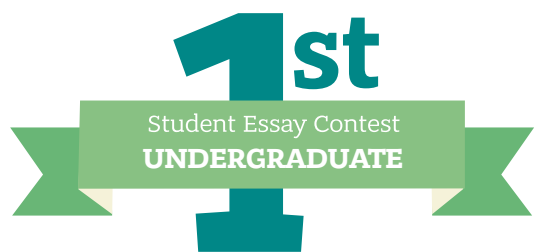
A change in the nature of our economy should lead to an alteration in its regulatory structure. We should not unthinkingly apply the rules of an old form of economic organization to the new forms available today. By updating traditional regulation, governments can enable innovation and progress, making our economies more efficient, more enjoyable, and provide more variety in services at lower prices. Regulators should be flexible and willing to develop new regulatory systems for new cases that arise out of the sharing economy. The sharing economy is still in its infancy, but it is already revolutionizing our communities for the better, thereby improving our quality of living. 



Felix Hohne is a high school student at St. George's School, Vancouver. With a keen interest in the effects of public policy and the ability of government to improve lives, he hopes to study the social sciences and public policy in university.

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UBER AND THE CASE FOR PERMISSIONLESS INNOVATION

by Heather Lynn Bone



“Many people want government to protect the consumer: A much more urgent problem is to protect the consumer from the government” –Friedman, n.d.

Though Milton Friedman was not alive to witness the rise of Uber, the controversy surrounding the ridesharing service serves as a living testimony to the phenomenon he described.

The premise of Uber is simple: Individuals sign up to be a partner with Uber, using their existing car to drive individuals to their destination, coordinating the entire exchange through a mobile app. The rise of Uber is an example of what is known as the sharing economy, that is, the marketplace formed through the sharing of otherwise underused resources.

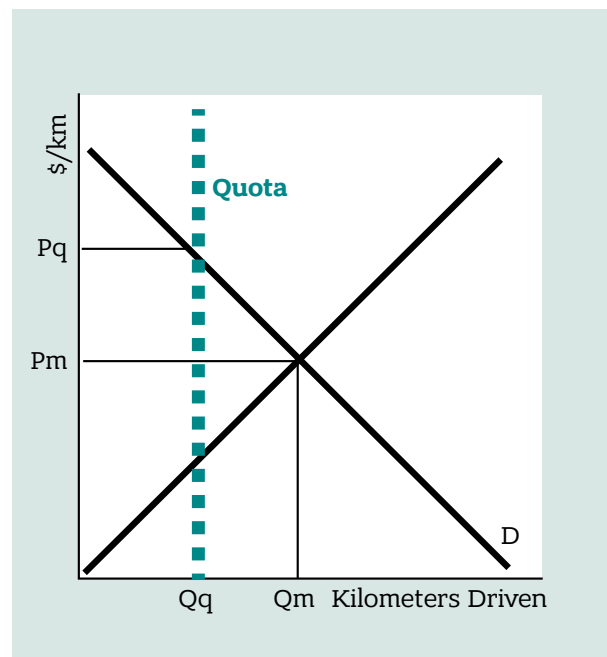
Uber has been an extremely popular service. In fact, the app is installed on 21 percent of all Android devices in the United States (Marciano, 2016, August 21). Yet many people have severe reservations with Uber. A recent poll by Angus Reid found that while the vast majority of Canadians want to see its continued existence, 63 percent believe that Uber should be regulated in a manner analogous to the taxi industry (Angus Reid Institute, 2016).

Applying current regulations to ride sharing will benefit incumbent businesses, with consumers bearing the costs. To understand why, we must consider the current regulatory framework. Most municipal

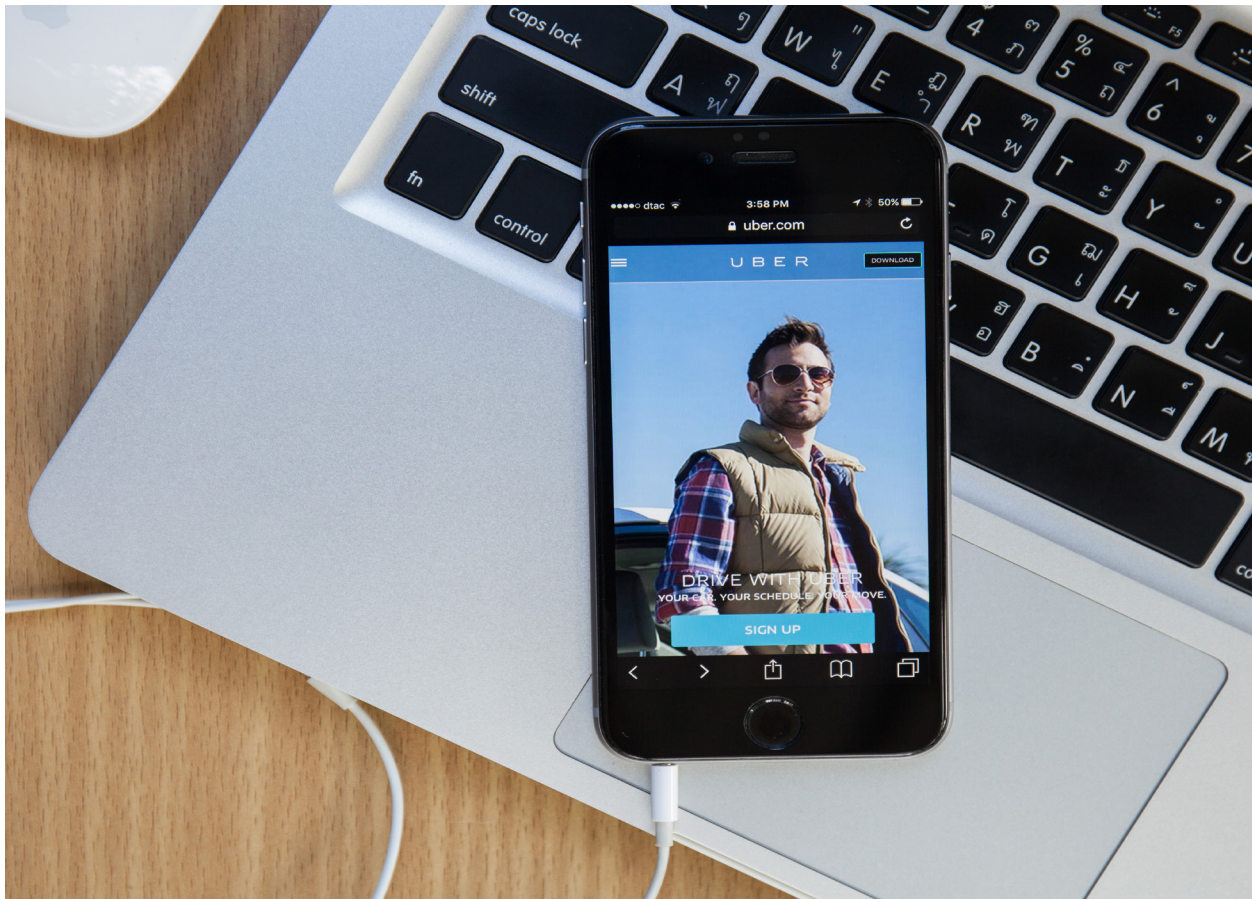
governments in Canada use licensing to regulate the taxi industry. For example, the Municipality of Waterloo issues licenses for taxi brokers, owners, and drivers, all of which are mandatory for operation (Regional Municipality of Waterloo, 2016).

The result of this approach to policy can be seen through an application of economic theory. Since municipal governments limit the number of licenses they issue, they implicitly impose a quota on the number of taxi rides available to consumers. As figure 1 shows, the consequences are obvious. Through licensing, governments set fares directly and quantity indirectly. If the government sets the fares sufficiently high as to guarantee no service shortage, consumers are left paying more money for taxi rides in what amounts to a transfer from consumers to taxi drivers. By definition, municipal governments are supporting the existence of a taxi cartel.

Figure 1: The Costs of Taxi Licensing



Source: Author



If we examine a market in which Uber is already operating (without licensing), it can be shown that subjecting Uber drivers to the same regulatory scheme as taxis without expanding the number of licenses available would leave the cost of taxi services unchanged, while destroying the cheaper ridesharing option. In effect, this policy eliminates Uber from the market entirely. The winners of this scheme would be taxi drivers, as the price of rides would be higher in the absence of competition.

Meanwhile, consumers are the clear losers of this policy. To see why, consider the City of Toronto, where the average trip taken in a taxi is 10 kilometers, with an associated cost of \$25.00 per ride (Cook,

2014). With Uber's funding formula, a trip of this distance would cost \$13.10 (Uberestimate.com, n.d.). Collectively, therefore, Uber's 17,000 daily passengers in the city save over \$200,000 by using the service (Rider, 2015, September 9). Of course, that's assuming that the passengers would even consider taking a cab in the place of Uber. If they don't, consumers lose from not purchasing a service that they otherwise would have, had it been an option for them.

Some opponents of ridesharing argue that they do not wish to regulate Uber out of existence. Instead, they simply want ridesharing to be subject to more stringent safety regulations, such as requirements for more extensive criminal background checks

than the ones Uber currently uses, or a high level of insurance coverage. While these regulations may not be strong enough to push Uber out of the market, they are not without negative effects.

The major problem of this approach is that it fails to recognize that in the interest of maximizing their profits, businesses have an incentive to satisfy the desires of their customers, including their desire for safety. Without the pressure of government regulation, Uber has created new, innovative ways to improve the safety of its service. For example, after every ride, users rate their driver and their driver rates them, and this information is made available to users every time they make a request. In addition, there is a strong case to be made that the safety of ridesharing will only improve after Uber is legalized. After all, it is impossible for insurance companies to create new, innovative packages when the service they are insuring is itself illegal.

The desire to regulate ridesharing also assumes a high degree of government competence at determining appropriate minimum standards to implement. There are many times, however, that governments have gotten this wrong in the past. For example, California's Department of Motor Vehicles introduced regulations for autonomous vehicles that would require a licensed driver to be behind the wheel at all times. This was done in the name of safety, the argument being that a licensed driver could need to intervene if something went wrong. However,

Google argues that this rule would actually make the technology less safe, citing the inability of humans to monitor the technology for long periods of time (Vekshin, 2016). Indeed, it is likely that by interfering in the market, governments will either place a ceiling on safety, stifling innovation, or they will unintentionally introduce legislation that makes the service less safe.

If the source of the problem is bad regulations, the solution is not to apply them more broadly.

Still, despite the costs of regulation to consumers, many people will assert that it is unjust for taxi drivers to be subject to burdensome regulations and Uber drivers to be subject to none. While these people have correctly diagnosed a problem, their prescription is dangerous. If the source of the problem is bad regulations, the solution is not to apply them more broadly, but to eliminate them entirely. The best example of this comes from New Zealand, which implemented sweeping reforms to its taxi industry in the 1980s.

Prior to 1989, the regulatory framework in New Zealand was similar to that of Canadian cities, with quantity, quality, and price controls in effect. Legislation was introduced to liberalize the industry, eliminating controls on the number of licenses and making them easier to obtain. Price controls were loosened, meaning that taxi companies could set their own fares,

subject to a government-imposed maximum (Gaunt, 1996). As a result, less than ten years after the reforms were introduced, the number of taxi companies in metropolitan areas had tripled, the number of taxi cabs had increased greatly, and there had been a real decline in fares. In addition, service quality also improved as a result of greater competition. Consumers experienced shorter wait times and wider geographic coverage (Morrison, 1996).

Given the obvious benefits to consumers of ridesharing, governments should eliminate unnecessary regulations to ensure that the service exists for many years to come.


New Zealand's approach to taxi deregulation was by no means perfect, nor was it free from red tape. Under the new laws, taxi cabs are required to be members of an approved taxi organization and to obtain a passenger service license (Gaunt, 1996). In fact, these laws have caused Uber some trouble. In particular, Uber has clashed with the government over both licensing requirements and the government-administered background check, arguing that the standards for their own background check are actually higher (RNZ, 2016, July 6). Still, New Zealand's approach to deregulating the taxi industry remains an improvement over the status quo in most Canadian cities, where the taxi business remains a government-protected industry.

Given the obvious benefits to consumers of ridesharing, governments should eliminate unnecessary regulations to ensure that the service exists for many years to come. Licensing requirements are the most obvious example of government overreach, but as seen in New Zealand, even well intentioned laws such as government administered background checks may be regressive. In addition, municipal governments should treat the backlash over Uber as a symptom of a broken regulatory system and deregulate the taxi industry. More specifically, as in New Zealand, the government should eliminate quantity controls and end the practice of government price setting. Only then will traditional taxis be able to compete with ridesharing companies like Uber.

A fundamental change in government's approach to regulation is needed if we wish to avoid refighting each and every battle whenever a new disruptive service like Uber emerges.

This alone is not enough, however. The emergence of Uber and the sharing economy more generally makes the case for permissionless innovation, that is, the removal of regulations that limit the entry of new firms into the market. Governments should adopt an innovation-friendly approach to regulation and react only to safety concerns after they arise. The fact that it is impossible to predict what technologies will

exist in the future should make us approach regulation with caution. By enacting unnecessary regulation, we discourage the invention of new goods and services like Uber that improve consumer welfare.

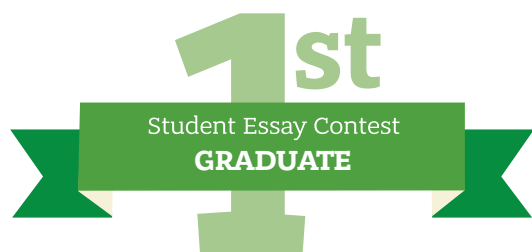
A fundamental change in government's approach to regulation is needed if we wish to avoid re-fighting each and every battle whenever a new and disruptive service like Uber emerges. 



Heather Bone is a graduate student at the University of Toronto. She recently graduated from the University of Waterloo where she majored in economics. Upon graduation, she hopes to work for a think tank and research labour economics.

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THE SUCCESS OF THE SHARING ECONOMY

Social Capital, Self-Regulatory Mechanisms and Crowd Sourced Regulation

by Andrew Klain and Avery Maloney



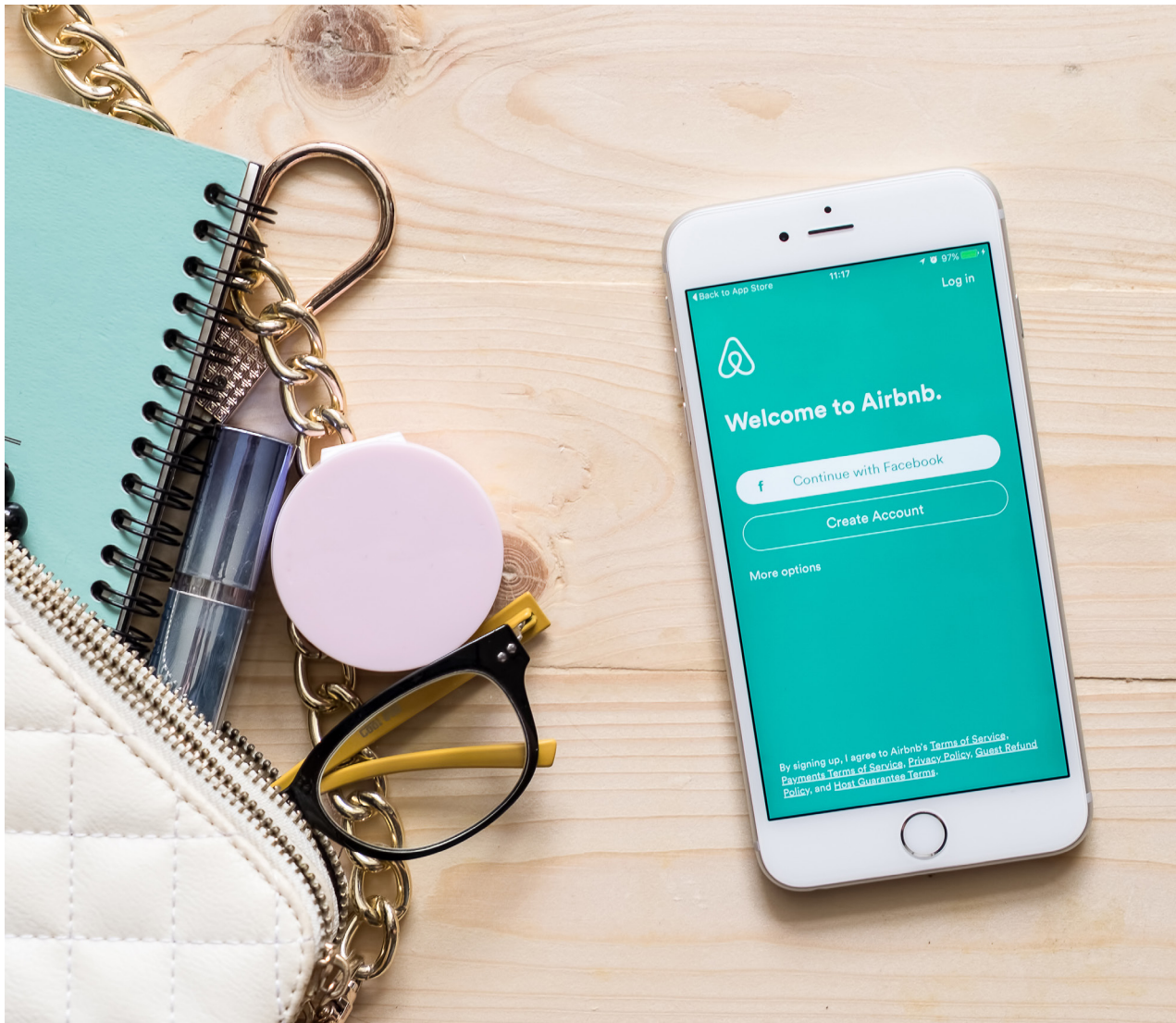
Introduction

The growth of the sharing economy has prompted all levels of government to begin to contemplate regulatory measures for this emerging market. Those most threatened by the sharing economy, largely incumbent businesses, argue that the lack of regulations for the sharing economy creates an unfair playing field between this emerging sector and the traditional economy. Additionally, many researchers, including Elvira Nica and Ana-Mădălina Potcovaru (2015), argue that the sharing economy leaves consumers unprotected. Many of those who support the idea of the sharing economy base their argument on viewing the sharing economy as a solution to issues of market failure. The sharing economy accounts for market failures by capitalizing on unused, or underused, pools of labour and capital. Mobile apps and networks connect users with excess capacity to those who have excess needs, and facilitate fluid, immediate transactions, much to the delight of the on-demand consumer (Sundararajan, 2016). The sharing economy also aims to protect consumers by eroding the information asymmetry between producers and consumers that characterizes the current traditional economy (Koopman, Mitchell and Thierer, 2015; Dittmann and Kuchinke, 2016). Additionally, advocates argue that the sharing economy has emerged in response to the 2008 financial crisis to address issues within the current

labour market; a market characterized by part-time work and a reduction in job opportunities (Bonciu, 2016).

The sharing economy offers opportunities to consumers and producers that the formal economy cannot.

Likewise, the sharing economy has always existed on some scale. One example is local farmers' markets. Where the traditional economy cannot meet the demands of the market, alternative peer-to-peer (P2P) markets have always formed. The advancement of technology has changed the dynamics of these unconventional markets. New forms of P2P and networks based on mobile apps and instant communication have fundamentally altered the consumer and producer relationship. Due to this, the sharing economy offers opportunities to consumers and producers that the formal economy cannot: lower price points; a reduction in the information asymmetry between consumer and producer; better market access; and self-regulation through online communities and reputation systems. Consequently, it is these same characteristics that have allowed the sharing economy to inadvertently develop many of the same regulations found in the traditional economy. Moreover, while the traditional economy is regulated by government, the sharing economy's inherent structure allows for self-regulation. A brief analysis of Uber and Airbnb will



demonstrate the sharing economy's perpetual self-regulation and why government intervention infringes upon the sharing economy's growth and efficiency.

Uber and Airbnb

Uber began in San Francisco in 2009 as a response to a desire for reduced costs for luxury car services and later expanded to the monopolistic taxi industry. Its business model is founded on the

concept of "ridesharing." The Uber App connects Uber drivers and riders. This connection enables Uber to capitalize on underused vehicles and transportation services. It can also offer, on average, cheaper prices than traditional taxi companies (Noulas et al., 2017). This is at least in part because Uber and its drivers have conventionally been exempt from the same licensing and regulatory standards as taxi companies. These licensing standards are also the primary point of contention between

Uber and incumbent taxi companies. Taxi licensees are traditionally limited and heavily sought-after. For example, in 2010 the value of taxi medallions in New York City rose to over \$1 million dollars (Bond, 2015). Additionally, concerns over rider protection and accountability have been raised. Subsequently these issues have given rise to demands for increased government regulation of the ridesharing market.

Taxi licensees are traditionally limited and heavily sought-after. For example, in 2010 the value of taxi medallions in New York City rose to over \$1 million dollars.

Similar to Uber, Airbnb began in 2007 in San Francisco as a response to the saturated hotel marketplace. It turns unused, or underused, properties and rooms into rental properties. It also attempts to address a saturated hotel market by providing lower price points, which it can do because it does not own the rental property. No ownership relieves Airbnb of the cost of business expenses such as the cost of room upkeep, rent costs, property taxes, and overhead. Airbnb facilitates short-term or long-term rentals between renters and consumers. It has become extremely popular for renters, as they can compete in the rental and hotel market at traditionally cheaper prices. Airbnb has experienced backlash from the hotel industry and the real estate

market. The hotel industry has argued that Airbnb hosts are not required to meet the same regulatory standards as hotels for health and food. The real estate industry and homebuyers have criticized Airbnb as responsible for inflating the housing market in many cities, as there has been an increase in purchases of properties for the sole purpose of using them for Airbnb accommodations. For example, Lee's (2016) study finds a correlation between the Los Angeles housing crisis and Airbnb's role in reducing the available living units and increasing rental prices. In seven of the most desired neighbourhoods for tourists, (Venice, Downtown, Miracle Mile, Hollywood, Hollywood Hills, Echo Park, and Silver Lake) he finds that rents rose 20% and increased 33% faster than rents city wide. Additionally, a study done by the city of Los Angeles in 2015 identified that Los Angeles had the highest percentage of renters in the United States and that there were enough Airbnb apartment listings to meet the required amount of affordable housing for the city. The city determined that it needed 5,300 affordable housing units to meet the annual housing demand, while Airbnb had over 7,300 full apartment listings (Samaan, 2015). Some cities have begun to enact policies and legislation regarding the number of days during which property owners can rent their property and where individuals can purchase property for Airbnb rental purposes (Krauss, 2014).

However, Uber and Airbnb offer the ability to not only correct market

imperfections by capitalizing on underused vehicles, transportation services, and rental properties, but to regulate themselves. This is achieved primarily through social capital, which is facilitated by built-in reputation systems and an online community, where riders and renters can share experiences with one another. Social capital is considered a set of resources available to individuals and communities because of social networks (Turcotte, 2015). Social capital creates a flow of information, trust, reciprocity, co-operation, and productivity. Since both companies have reputation systems that allow workers to benefit through collecting social capital, there is incentive for both Uber drivers and Airbnb hosts to provide optimal customer service and protect customers.

Social capital creates a flow of information, trust, reciprocity, co-operation, and productivity.

The online communities and reputation systems that both companies use, as do many of the sharing economy's service companies, also reduce the information asymmetry that typically characterizes aspects of the traditional economy. This asymmetrical relationship is typically characterized by producers having a monopoly on information about products and services. Consumers are given limited information on products and

services and must make choices based on this limited information. When this information asymmetry is reduced, consumers in the sharing economy gain more power in the marketplace. Thus, Uber and Airbnb both demonstrate, as microcosms of the system as a whole, the necessary tie between self-preservation and self-regulation in the sharing economy's revolutionary market structure.

Moving forward

The sharing economy's reduction in information asymmetry between producer and consumer along with its use of reputation systems, online communities, and P2P networks act as informal institutions (Helmke and Levitsky, 2004). These mechanisms act in the absence of state intervention—and have done well so far. In 2014, 21 percent of Americans had used a P2P market to acquire a good or a service, and companies in the sharing economy earned US\$15 billion. There are currently 10 companies in this market segment that are worth over US\$1 billion dollars (Puschmann and Alt, 2016). Furthermore, these mechanisms also address consumer protection regulation issues, customer service, and increasing market transparency. By creating a relationship between one's reputation and economic self-interest, it has become in the best interest of producers to operate in good faith (Sundararajan, 2016). This self-regulation has also allowed for lower price points. Producers in the sharing economy offer consumers

It is important that policymakers consciously not interfere with such open entry into the informal economy, as it is a defining characteristic of the sharing economy itself.

lower prices due to their lower costs of business (Koopman, Mitchell, and Thierer, 2015). The informal economy operates outside of cumbersome regulatory standards which allows for a cheaper and more efficient business model. Consumers traditionally priced out of some formal markets for certain goods and services find substitutes in the informal economy. Additionally, the availability of information for consumers has affected price points, as consumers can more efficiently compare products and prices. The sharing economy and its use of information technology have “facilitated the creation of countless reputational feedback mechanisms across the online ecosystem—such as product rating and review systems—that give consumers a more powerful voice in economic transactions” (Koopman, Mitchell, and Thierer, 2015: 451). It is important that policymakers consciously not interfere with such open entry into the informal economy, as it is a defining characteristic of the sharing economy itself. It ensures lower price points for consumers and expanded work opportunities for producers. In regulating competition in the informal economy, the government should take a reactive approach, waiting

for issues to arise, especially when existing regulatory frameworks are designed for traditional markets with larger scales of production and fewer total producers (Sassen, 1994).


If government regulation is required anywhere, it is in the area of consumer rights. Because many producers in the informal economy operate using their own capital (their own cars or their own homes), there is potential for issues of agency. For example, it is possible that someone running an Airbnb may choose not to serve an individual based on ethnicity, religion, or gender. Situations of discrimination are bound to occur in the sharing economy, and regulation in the protection of basic human rights should be proactive, rather than responsive. Recalling our case studies, companies like Airbnb and Uber are better positioned to monitor employees and ensure proper business practices in areas such as customer care and tax collection by leveraging their own data networks (Sundararajan, 2016). However, regulations on discrimination should be standard across companies, and as such, should be handled by the government. Companies can use their data systems for monitoring transactions, and governments can create standardized regulation to protect consumers across platforms. Governments may fear that companies will fail to cooperate and regulate themselves properly; however, self-

regulation provides firms with an opportunity to create credibility with consumers and government regulators (Sundararajan, 2016). Additionally, these efforts will intensify as competition between companies causes them to attempt to differentiate themselves from the market based on quality of service. Both of these aspects of the sharing economy depend heavily on social capital and reputation.

It is naïve to think that regulatory frameworks designed for businesses such as Hilton Hotels or the New York cab industry would work efficiently for companies like Airbnb and Uber.

Conclusion

The sharing economy attempts to correct market imperfections, balance supply and demand, and develop a P2P marketplace. Furthermore, the sharing economy will continue to grow, as it is estimated in the United States alone that there are \$5.35 trillion US dollars of underused or unused assets (Bonciu, 2016). However, it is naïve to think that regulatory frameworks designed for businesses such as Hilton Hotels or the New York cab industry would work efficiently for companies like Airbnb and Uber. A responsive approach should be taken to regulation. In addition, the market is experiencing a change where social

capital is becoming a fundamental component to market place success (Cohen and Sundararajan, 2016). Social capital, attained through online communities and reputation systems, also acts as a regulatory mechanism for businesses. Thus, it is of ethical and economic interest for businesses and employees in the sharing economy to conduct themselves in a professional manner. Furthermore, the sharing economy is here to stay and “we can no longer close Pandora’s box” (Katz, 2015: 1125). 



Avery Maloney is currently finishing his fifth year at Mount Allison University where he is working to complete his honors degree in economics. Avery is looking to pursue a Master of Economics after he has completed his undergraduate degree. Avery is interested in public policy, specifically in the environmental and technology domain. He hopes one day to have a hand in shaping public policy in Canada by working for government, as a consultant or as an academic.



Andrew Klain is currently in his second year of graduate studies in the Department of Political Science at the University of Calgary. He is hoping to have his thesis written and defended by September 2018. He is primarily interested in Canadian politics, public policy, and environmental policy. Andrew hopes to work for a year and then pursue a PhD in Political Science.

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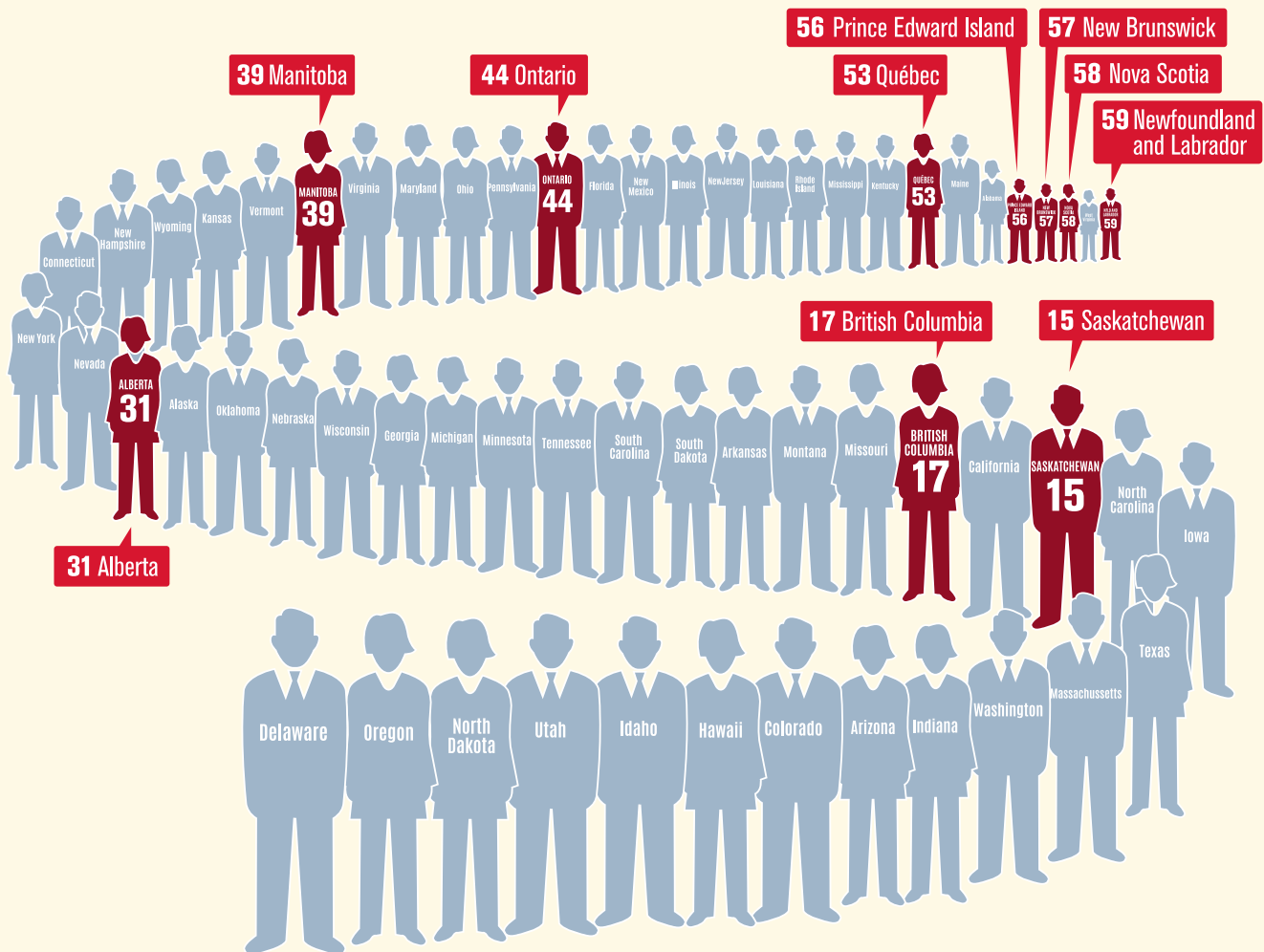
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INFOGRAPHIC

MEASURING LABOUR MARKETS IN CANADA AND THE UNITED STATES 2017 EDITION

Where the provinces stand in the ranking of Canadian and US labour markets.
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AN 1854 TREATY AND THE LESSONS FOR NAFTA

by Livio Di Matteo

With the ongoing NAFTA negotiations and the possibility that the United States is going to leave NAFTA and usher in a new protectionist era for North American trade, it may be instructive to visit the past for some guidance.

Canada's first free trade agreement with the US was actually not the 1988 FTA but the 1854 Elgin-Marcy Reciprocity Treaty, which brought in a period of free trade between the British North American colonies and the US that lasted until 1866. If you think the current negotiations are protracted, it apparently took eight years to negotiate the 1854 treaty between Britain on behalf of her North American possessions and the US.

Free trade was allowed in a rather large list of natural resource and agricultural products, with manufactured goods excluded from the agreement, so the British North American colonies got a

pretty good deal. They were able to export grain, animals, fresh smoked and salted meats, butter and cheese, timber and lumber, among other things, duty-free into the US—as were the Americans into Canada—but the smaller-scale Canadian manufacturers did not have to compete with larger and presumably more efficient American manufacturers.

In some sense, the agreement was odd in that both economies were quite natural resource-intensive at the time, but the average Canadian tariff on US imports was about 2.5 percent while the average US tariff on imports was 21 percent. So again, it appears Canadians did quite well with the ratification of the treaty.

Of course, the question is what was in it for the Americans?

It seems that then—like today—the role of specific lobbying interests was important in US politics.



It seems that then—like today—the role of specific lobbying interests was important in US politics and a driver of the US deal was east coast fishing interests. The Americans obtained some fishing rights off the Maritime provinces. And despite the retention of tariffs on manufacturing, there was a promise by the Province of Canada's finance minister that tariffs on manufactured products would not be raised. Of course, the Cayley-Galt tariff in 1857 reneged and raised Canadian tariff rates, which worsened the political relationship. Things got even worse with the US Civil War and the suspicion of British

motives in its relationship with the Union and the Confederacy.

In terms of the impact of the Reciprocity Treaty, given that there was a lot of smuggling of things such as butter, eggs, and animals from Canada into US, much of the increase in trade would probably have been the conversion of illicit to legal trade. As well, in the 1850s and early 1860s, the settlement of the US Midwest and the demands of the Civil War meant a booming US market would have existed, whether or not there had been a Reciprocity Treaty. It's difficult to say how much of a positive boost to the British North

American economy the actual treaty was, but its termination by the US in 1866 meant that other arrangements were sought. Its end was a factor in encouraging the British North American colonies to federate to create a larger internal market—with mixed results, if issues such as the transport of beer across provincial boundaries today is any indication.

So, what about some lessons for today? One is struck by how some trade issues have always been present between Canada and the US.

Any successful renegotiation of NAFTA requires finding US economic interests whose needs are more closely aligned with ours and enlisting them in our lobbying efforts.


Like today, timber, lumber, and dairy were commodities of interest in trade negotiations in the nineteenth century. And any successful renegotiation of NAFTA requires finding US economic interests whose needs are more closely aligned with ours and enlisting them in our lobbying efforts—we need the 21st century equivalent of 19th century US fishing interests.

However, more to the point—is the termination of NAFTA by the US a credible threat? Yes, it is possible. The US has exercised its right to abrogate trade treaties before, including the end of Reciprocity in 1866.

If NAFTA dies, now as then, life

will go on and there will still be trade with the US. But Canada will not generate as much wealth and activity as we're accustomed to. In the end, greater access to markets and more trade means more economic growth and opportunity. If one looks at Canada's economic performance after 1866, even with the common market created by Confederation, it was relatively slow growth until the 1890s and the start of the Prairie settlement boom.

Greater access to markets and more trade means more economic growth and opportunity.

Then, as now, the US was a large, rich, and convenient market to access, and less trade inevitably can hurt us more than them. 

Read the blog post here [»»](#)



Livio Di Matteo is a Senior Fellow at the Fraser Institute and Professor of Economics at Lakehead University in Thunder Bay, Ontario, where he specializes in public policy, health economics, public finance, and economic history.

His recent work examines health care spending and its sustainability. As well, he conducts research on the historical evolution of economic inequality. Prof. Di Matteo is a member of the CIHI National Health Expenditure Advisory Panel, the Evidence Network (EvidenceNetwork.ca), and is a contributor to the economics blog, Worthwhile Canadian Initiative. He has been listed in the Canadian Who's Who since 1995 and holds a Ph.D. from McMaster University, an M.A. from the University of Western Ontario, and a B.A. from Lakehead University.

“**QUOTE
WALL**”

**“Economics is concerned with what emerges,
not what anyone intended.”**

—Thomas Sowell
Basic Economics



Image courtesy YouTube

TRUDEAU GOVERNMENT'S NEW HOUSING BENEFIT SEEMS TO IGNORE REGIONAL DIFFERENCES

by Josef Filipowicz and Steve Lafleur

As part of its National Housing Strategy, the Trudeau government announced back in November that it would directly subsidize low-income households with an average of \$2,500 annually for housing costs. Details are pending, but the logic is simple: if making rent every month is the problem, government should provide low-income households with a top-up. The reality, however, is not so simple.

The Trudeau government announced back in November that it would directly subsidize low-income households with an average of \$2,500 annually for housing costs.

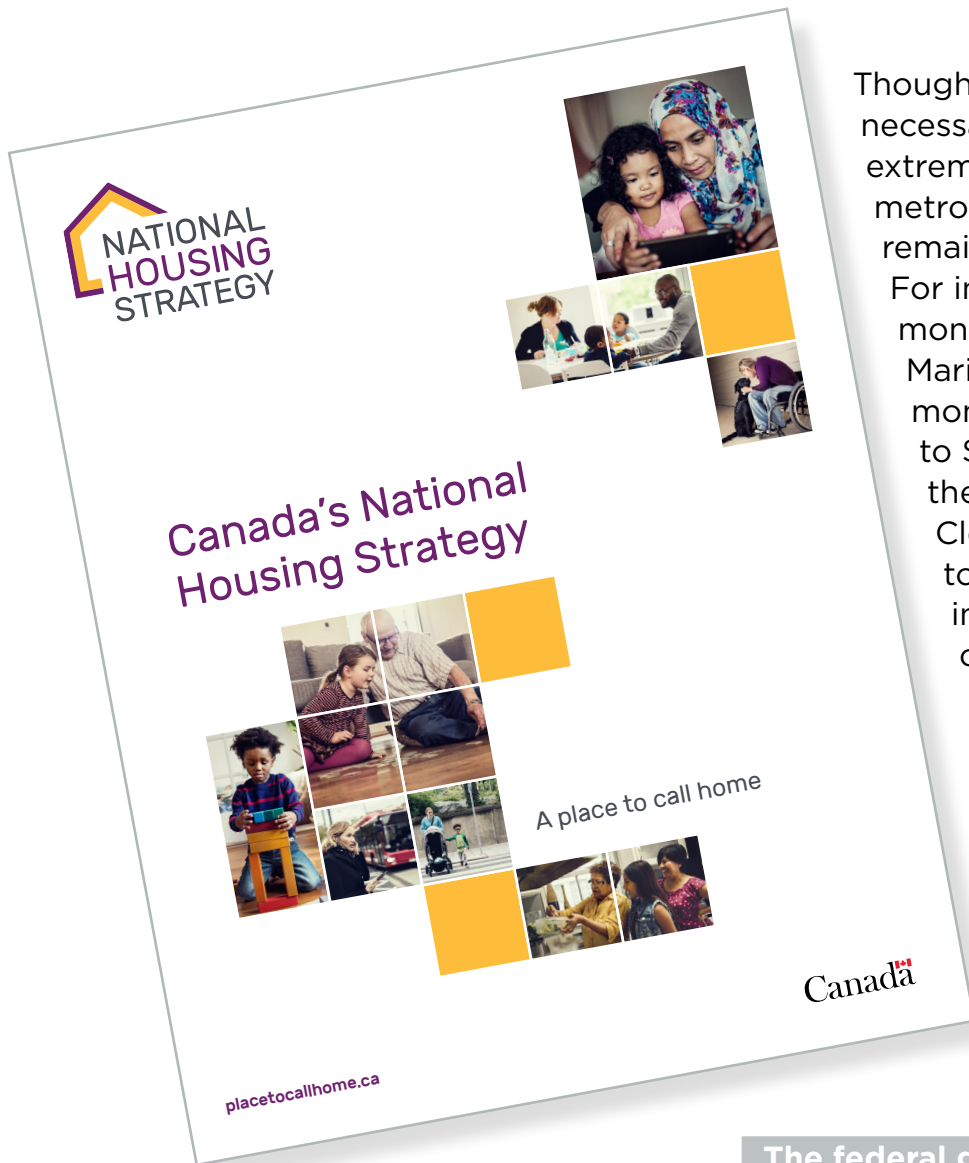
In short, it depends on where you live.

According to recent research by US economists Edward Glaeser and

Joseph Gyourko, metro area housing markets can be split into three broad categories—those where housing costs less, on average, than it costs to build (think Detroit, where there are plenty of abandoned homes); those where prices are just above building costs (such as Atlanta); and those where housing costs are far higher than the cost of construction (San Francisco). Depending on where a renter lives, Glaeser and Gyourko argue, the potential effectiveness of subsidies can vary widely.

Why? The answer boils down to supply and demand.

In a market such as the San Francisco Bay area, there's a lot of demand for housing. Yet, it's well documented that this region has an inadequate supply to match that demand, due to onerous local regulations on homebuilding. The result? Low vacancies and high rents. In Atlanta, however, jumps in housing demand



Though Canada doesn't necessarily have the same extreme divergences between metro areas as the US, there remain large differences. For instance, the average monthly rent in Sault Ste. Marie, Ontario was \$786 a month in 2016 compared to \$1,264 per month in the Greater Toronto Area. Clearly, the same housing top-up goes a lot further in one market than the other.

So what can governments in Canada do to tackle affordability issues, especially in markets in the country where demand is the highest?

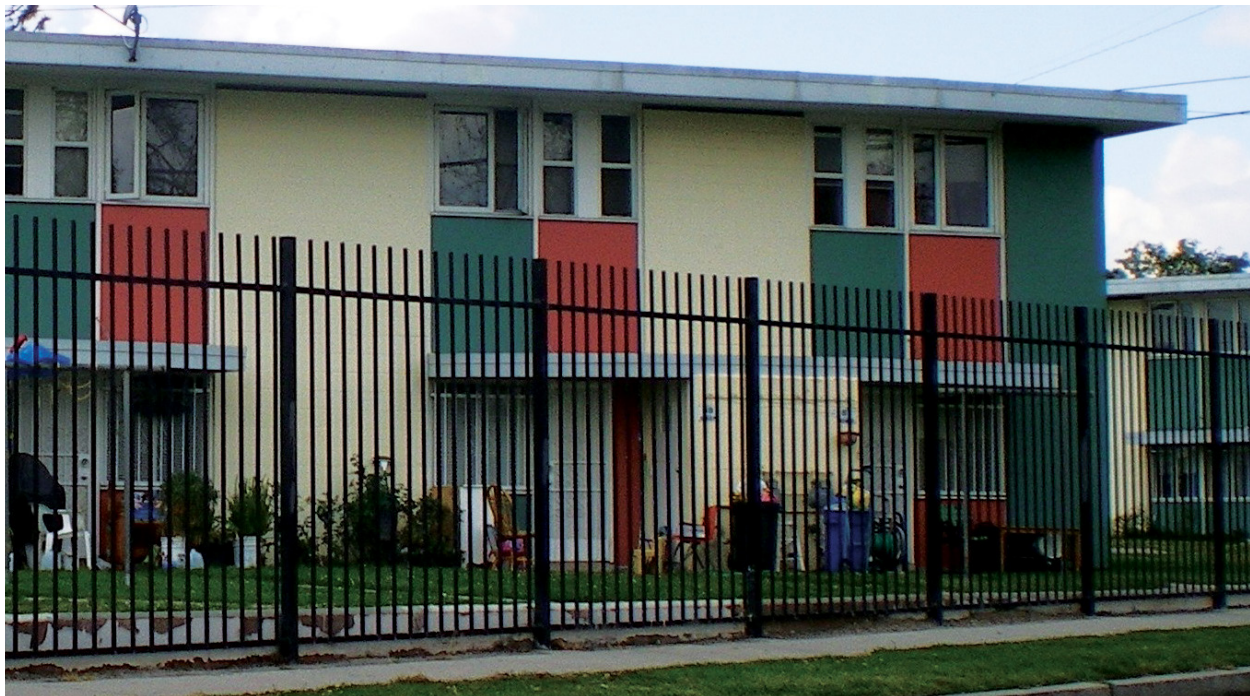
The federal government's subsidies would likely be more helpful to vulnerable families in cities such as Sault Ste. Marie than Toronto.

are met with equivalent increases in supply, keeping margins lower for homebuilders, and the cost of housing down for buyers and renters alike.

Because of these differences, the top-up required for a low-income individual or family to cover housing costs would need to be far, far larger in San Francisco than in Atlanta or Detroit.


To start, the answer is probably more local than national, or even provincial. The federal government's subsidies would likely be more helpful to vulnerable families in cities such as Sault Ste. Marie than Toronto.

Instead, Toronto and other high-demand cities should focus on getting more housing built, at a



quicker pace. Indeed, it takes a year-and-a-half, on average, for developers to obtain building permits in Toronto, and the better part of two years in Vancouver. More market housing built for middle-class Canadians in these cities means more housing freed up for low-income families, and potentially better results for subsidy programs.

More market housing built for middleclass Canadians in these cities means more housing freed up for low-income families, and potentially better results for subsidy programs.

As we wait for the finer details of Ottawa's National Housing Strategy, these recent announcements suggest insufficient consideration for the vast differences that exist between Canada's urban centres. 

Read the blog post here [»»](#)



Josef Filipowicz is a Senior Policy Analyst in the Centre for Municipal Studies at the Fraser Institute. He holds an M.A. in Political Science from Wilfrid Laurier University, and a Bachelor of Urban and Regional Planning from Ryerson University. His work

with the Fraser Institute includes the New Homes and Red Tape series focusing on the regulatory landscape surrounding home-building in Canada's municipalities, as well as analysis of the impact land-use regulation has on the housing supply in Canada's largest cities.



Steve Lafleur is Senior Policy Analyst at the Fraser Institute. He holds an M.A. in Political Science from Wilfrid Laurier University and a B.A. from Laurentian University where he studied Political Science and Economics. His past work has

focused primarily on housing, transportation, local government and inter-governmental fiscal relations. His current focus is on economic competitiveness of jurisdictions in the Prairie provinces.



COMPARING PERFORMANCE OF UNIVERSAL HEALTH CARE COUNTRIES, 2017

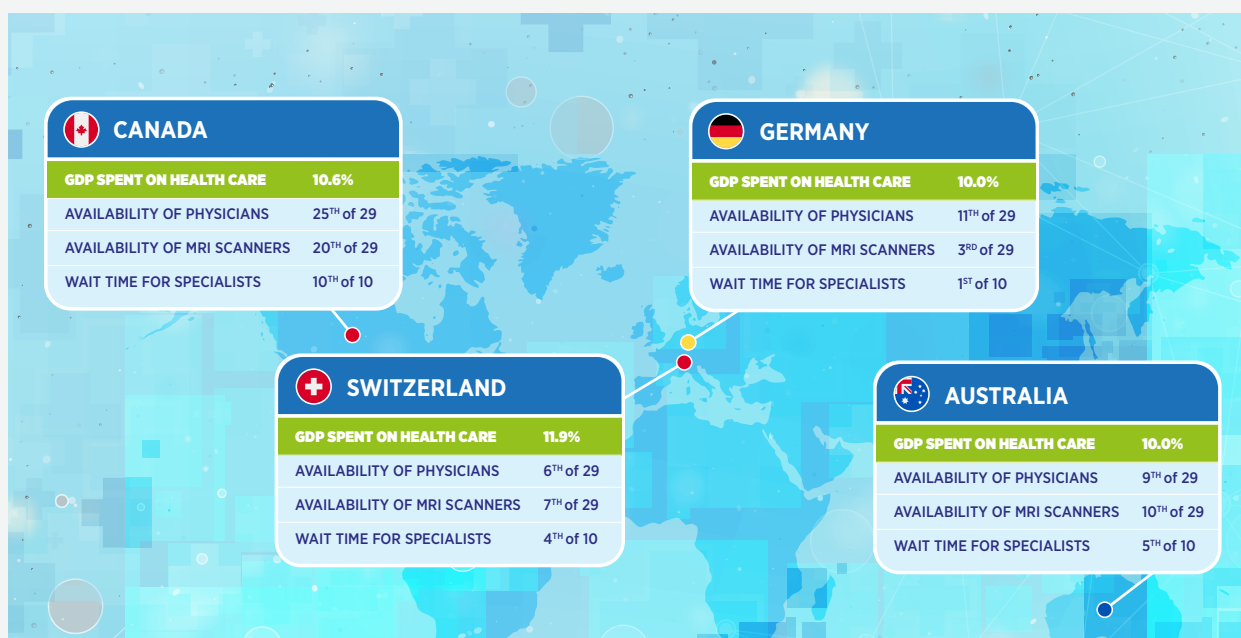
by Bacchus Barua, Sazid Hasan, and Ingrid Timmermans

Comparing Performance of Universal Health Care Countries, 2017 finds that Canada spends more on health care than almost every other comparable country with universal health care.

Despite that, it ranks near the bottom in the number of physicians and acute care beds—and suffers from the longest wait times. **C**

Read the study here [»](#)

Canada is ranked 3rd highest in spending amongst 29 developed countries with universal access, but performs poorly in comparison





THE AGE OF ELIGIBILITY FOR PUBLIC RETIREMENT PROGRAMS IN THE OECD

Jason Clemens and Sasha Parvani

The *Age of Eligibility for Public Retirement Programs in the OECD* finds that Canada is out of step with most major industrialized countries—and the other G7 nations—which are increasing the age of eligibility for public retirement programs. In fact, of the

22 high-income industrialized countries (apart from Canada) in the Organization for Economic Co-operation and Development (OECD), 18 of them—82 percent—are increasing the age of eligibility for government retirement programs. [C](#)

Read the study here [»](#)

Canada is just 1 of 5 high-income countries not raising the age of eligibility for public retirement programs

Age of eligibility for public retirement programs increased to:



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