The Power of the Crowd or the Power of the Giants?

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Thpis talk is a good opportunity for me to share with you my concerns about the exciting renewed phenomenon of **sharing Economy**. I say "renewed", because sharing aspects of social and economic life are with us not only from our time. It seems that the state of Israel was a pioneer in this field: The immigrants that came a long way from Russia and Europe to this land, at the turn of the two centuries, the 19th century and the twentieth century, built their homes and shared facilities in a unique way: The Kibbutz. The literal meaning of the notion Kibbutz is: gathering together. The immigrants gathered together and shared almost each inch of their lives: they worked together in common fields and common plants which they jointly owned as a group; the earnings from their work were put together in a shared moneybox; They shared a common budget and allocated their resources according to a wide general rule: Each one works according to his abilities and accepts according to his needs. This total way of life was influenced by a Socialist approach which characterized the Russian immigration to Israel at that time, and was derived from poor economic conditions that pushed people to join forces and to share resources. Some decades later, most of the Kibbutzim went through a process of privatization.

Today, when facing the phenomenon of sharing economy, we generally do not speak about joint ownership, but about private resources which the individuals put in the market for additional and varied uses, on top of the original private use of the resource. The basic tool that allows this to happen is mainly the **Internet platforms** who connect people, spread information, and set the infrastructure for electronic trading. This is of course different from the total eco-system of the Kibbutz, but there is a common feature -- **sharing resources**. **The sharing Economy phenomenon acts to achieve the purpose of efficient utilization of resources by sharing them, and thus allowing more people to access the resources**.

The phenomenon of the Sharing Economy reflects the power of the crowd to reach the destination of efficient, varied and multi-purpose use of private resources. By allowing additional uses for my tools, my skills, my time, or my property; by suggesting them as negotiable resources, I become a supplier myself. Therefore, I enlarge the potential dealings in the market and bring more competition to the relevant product market.

This is what the sharing economy is meant to be: the power of the people, the individuals, to trade. The well-known Scottish Philosopher **Adam Smith**, the father of the modern Economy, took the view that all people are traders: we all trade with our time, labor, property and expertise to maximize our welfare. The sharing economy is a modern expression of this basic idea. By means of sharing, we share knowledge; we open the market to more efficient trading options; therefore we may expect better results.

Sharing Economy restore the crowd's power to govern transactions. It operates as a **competition generator**: If the taxi company expropriates prices, I may use Uber or a carpool instead. Sharing Economy therefore creates a challenge for big monopolies because it brings more private trading between the consumers themselves.

And here comes the big question: What do we need for a good sharing economy? We operate this system by using the relevant Internet applications that are aimed for this purpose. **The Internet applications are the infrastructure of the modern sharing economy**: we use the Internet to trade. This is how we lend our money in a peer-to-peer transaction; this is we offer our private parking for additional uses during the time we are away from home; and this is how we contact drivers for carpools. For all these efficient activities, we are dependent on the Internet platforms which facilitate the services and allow them to operate**. It is not a secret that the Internet services are governed by "the**

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big 5 Giants": Google, Amazon, Facebook, Apple, Microsoft – These giants, the Internet technological monopolies, dominate the basic infrastructure of the sharing economy.
I am afraid that what we call "the power of the crowed" may easily turn to be **the power of the giants**. **What seems to look like competitiveness, may turn to be only an illusion of competition**.

Take for example the European Commission findings on Google practice from June 2017: Google was fined for abusing its dominant position as a search engine by giving illegal advantage to its own comparison shopping service. Google is the dominant search engine in each market throughout the European Economic Area. The European commission investigated Google's market position since 2008. This is a long dominance period. The market share is high: exceeding 90 percent. There are high **entry barriers** to this market because of **network effects**: the more consumers use a search engine, the more attractive it becomes to users and to advertisers. More advertising brings more profits that are used to attract more consumers and more advertisers. The dominance is thus strengthened even more. The European commission found that Google has systematically given prominent placement to its own shopping service: Google's comparison shopping results were displayed in a rich format at the top of the search results and sometimes in a reserved space. They were placed above the results that Google's generic search algorithms

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consider most relevant. This happens whenever the user types a query and Google wants to show comparison results. The commission concluded that Google's comparison shopping service is not subject to Google's generic search algorithm. On the other hand, rival comparison shopping services are subject to the regular search algorithms. This means that consumers rarely see rival comparison shopping services in Google's search results. This means that Google used its dominance in the market of searching engines to promote its own product. The fine was relatively high: 2.42 billion euros.

5 Google's Algorithms are of course a commercial secret. The way the algorithms work influences what we see on the Internet. **The sharing Economy is dependent on Google's platform and therefore is subject to manipulations such as the one that the European Commission addressed** in its decision from June 2017.

In December 2017, we were informed that the Chair of the National Data Protection Commission in France issued a formal notice to Whatsapp regarding its practice to transfer its users' data to Facebook - the company mother. The information included phone numbers and use habits. The consent that users give when joining the service seems to be invalid because **users are not fully informed about the potential uses of their confidential information.** And they do not have any other option but to accept the abusive conditions.

The ability of the crowd to hold its power is dependent of the ability of the crowd to restrain the power of the Internet Giants. Steps should be taken to mitigate monopoly power and to restrict the ability to abuse market dominance on the expense of the crowd. point, I will shortly suggest two legal tools for this purpose:

6 Firstly, we need to shape and strengthen **mergers' policy** in favor of the public interest and in purpose to lower entry barriers and **keep the Internet free for new entrants**. It seems that the Giants keep track of new promising initiatives and just buy them to exclude competition. Secondly, we need to develop **privacy rules** which will adjust the Internet platforms and provide answers to protect users' welfare. We must remember: **companies who have the power to use confidential information may also limit free trade**: by targeting advertisements, by manipulating search results, by discriminating prices according to the consumers' personal profiles. This undermines the power of the crowd which we strive to strengthen.

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