# Peer-To-Peer Leasing Fairs in the Partaking Economy

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***ABSTRACT:*** ***There are two principal contributions to this Paper. First, among consumers who have heterogeneous price sensitivity, consumption rates and preference shocks, we are designing a new hybrid model of an economy with a peer-to-peer rental market for durable goods. We define the stationary balance where, in addition to the peer-to-peer rental marketplace, customers can own new goods, or can share owned properties in a (traditional) secondary marketplace. As well as heterogeneous balancing frictions that change the rate at which rental supply and demand are reached, our model involves both transaction costs and depreciation rates that differ with asset utilization. Second, we use transaction and survey data from Get around, a leading major peer-to-peer car rental marketplace, to calibrate our model and complement it with data on vehicle ownership, secondary market trading and vehicle use trends. We are designing an initial competitive equilibrium model of an economy of peer-to-peer rental markets and forward-looking customers that are heterogeneous in their price sensitivity and asset consumption rates in order to test the welfare effects of the 'sharing economy.'***

***KEYWORDS:*** ***Asset utilization, Economy, Market, Sharing.***

## INTRODUCTION

A variety of Internet-enabled peer-to-peer markets have arisen in recent years to promote the renting of durable goods in the short term. These markets vary from earlier secondary Internet-based markets such as eBay because they concentrate on promoting recurrent short-term rental or service provision rather than intermittent resale in which asset ownership is transferred; peer-to-peer rental markets therefore shift the motivations to invest in assets that are historically a source of dedicated supply for one user[1]. They are also different from long-standing short-term customer rental services (e.g. by conventional hotels or car rental companies) because the exchange they promote is primarily between people or peer-to-peer rather than between a person and a corporation established to offer rental services. In particular, marketplaces whose claimed aim is to promote the 'secondary' ad-hoc renting of properties by customers who otherwise own these items solely for their personal use are the first series of inspiring examples we highlighted[2], [3].

Will this exponential expansion of the shared economy be an increase in welfare? A variety of potentially countervailing economic consequences have been identified. By producing new benefits from trade between consumers, new rental markets can improve allocative productivity, can generate additional surplus for customers who have not previously been able to afford ownership, can transfer consumption to higher quality goods, and may also increase producer surplus by developing new 'ownership for peer-to-peer rental supply[4], [5].

Our model enables customers in conventional secondary markets to also exchange their renewable properties, including purchase costs and depreciation rates that differ with their intensity of use and allows for heterogeneous frictions matching the marketplace. We do counterfactual studies on a calibration that uses data from a leading peer-to-peer car rental marketplace and about the US automotive industry[6]-[8]. Due to the availability of the 'shared economy' marketplace, and dramatically higher gains for the below-median income group, these studies regularly indicate economically meaningful improvements in consumer welfare. If the importance and productivity of such industries increases, they often forecast reasonably drastic changes away from car ownership[9].

Both the theoretical and analytical contributions of this analysis may be strengthened by other extensions. Theoretical extensions include relating spending on car servicing, rehabilitation and insurance to usage rates; admitting ownership of several products; endogenizing the rate of use[10], [11].

## DISCUSSION

Empirically, once more evidence is accessible on peer-to-peer economies, we expect to calibrate variants of our model that are unique to some of the major metropolitan areas of the US (some of which already have reasonably large fractions of non-owners), in order to be able to create city-specific effect predictions, as well as to consider foreign impacts and cross-country differences[12].

Both the theoretical and analytical contributions of this analysis may be strengthened by other extensions. Theoretical extensions include relating spending on car repairs, rehabilitation and insurance to usage rates; admitting ownership of multiple products; endogen zing the utilization rate; facilitating non-binary rental supply decisions; increasing ownership of multiple products[13];

Range of available vintages; putting more structure on the subsequent frictions. When the income or capital is smaller, ownership is a more critical obstacle to consumption, and peer-to-peer rental markets will encourage egalitarian and higher quality consumption, motivate ownership allowed by revenues created by market supply, and facilitate a more equal distribution of consumer value. We hope that our results will reassure policy makers when they establish effective regulatory mechanisms for this rapidly growing sector of the economy[14].

What Is Economic Rent?

Economic rent is an amount of money earned that exceeds that which is economically or socially necessary. This can occur, for example, when a buyer working to attain a good or service that is considered exclusive makes an offer prior to hearing what a seller considers an acceptable price. Market imperfections thus lead to the rise of economic rents; it would not exist if markets were perfect since competitive pressures would drive down prices.

Economic rents should not be confused with normal profits or surpluses that arise in the course of competitive capitalist production. This term also differs from the traditional use of the word "rent," which applies to payments received in exchange for temporary use of a particular good or property, such as land or housing[15].

Economic rents can also occur when certain producers in a competitive market have asymmetric information or else technologically advanced systems of production that give them a competitive advantage as a low-cost producer that other firms lack or are not capable of acquiring. If a wheat farmer somehow has access to a free and unlimited supply of water while his competitors do not, he would be able to extract economic rents by selling his product at the prevailing market price. As a result, economic rents are considered to be unearned.

## CONCLUSION

Perhaps the most meaningful takeaway from our current results, one that we plan to continue with expansions and alternative calibrations, is that, by almost any metric, peer-to-peer rental markets have a predominantly beneficial impact on lower-income consumers. This group is more likely to turn from ownership to leasing, offers a higher degree of demand from the peer-to-peer marketplace, is more likely to add to the supply of the marketplace, and has considerably higher levels of surplus gains. This result is emphasized because it applies to what could potentially be the real promise of a shared economy, as an economic force that democratizes access to a better quality of living.

Sharing rather than owning makes for a convincing proposition in unpredictable times. When you can rent them, why purchase a house or car, or furniture or home appliances, or even classy clothes?

The definition also blends into the way of life of a millennial, investing more on activities, such as vacations, rather than being bound to mounting debt that one needs to repay.

The affordability problem is solved by sharing, says a venture capitalist who wishes not to be called.

There are no positions that are permanent. Why am I expected to lock myself into permanent investments that are going to be costly to sustain, and I'm definitely not going to use them for their whole lifecycle?

There are options for satisfying the need for assets and I don't want to be in a position like my parents, who spent years paying off debts and had to miss holidays.

Anurag Mathur, PwC India's pioneer in retail & consumer goods, adds: "Sharing used to be around campuses. Startups are making it more organized because they see increasing demand among them for shared assets.

A typical sharer is someone seeking affordability and flexibility and sees his or her career punctuated with short breaks- to study or to travel.

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