



Conference Ambassador Report by Simon Werner on:

Keynote Speech by Koen Frenken: “The rise of the platform economy” (20th of August 2020, 14.00-15.30)

Discussants: Matthias Weber

Currently, 7 out of the 10 companies with the highest market value are categorized as platform businesses. These leading platform businesses are based in China and the USA, while European business have not entered the market on this stage so far. In face of this uprise, Koen Frenken held the second keynote of the IST2020 and reflected on the role of the platform economies in sustainability transitions.

Platforms are defined as companies that mediate social and economic interactions online. Why have these platforms grown so fast? Platforms organize interactions, which otherwise would be organized in alternative social relations, in a new way through internet technology. Their success comes from the fact that they provide new ways of interactions despite only having a little effect on transforming the social practices of the activities involved. What is new about platforms is their ability to collect data, to match users based on algorithms from their past behavior and to exclude users based on their performance on these platforms ex post instead of ex ante. Koen Frenken’s institutionalist perspective sheds light on the role of platforms in sustainability transitions by putting the question of the legitimacy of platforms at the forefront.

Among the most relevant platforms for sustainability transitions are first, the gig-economy, where businesses and consumers organize to give access to labor, and second, the sharing economy, that connects consumers to provide each other with temporary access to underutilized goods. However, both the sharing economy and the gig-economy face a lack of legitimacy by creating institutional tensions. While having a huge effect on economic interactions, they avoid sectoral regulation and labor regulation for two reasons: first, through their legal standing as technology companies and second, through the fact that platforms treat suppliers as freelancers and not as employees. Thus, the role platforms for a sustainability transition depends on how these institutional tensions are addressed in future.

At first sight, platforms could be promising to drive sustainability by making resource use more efficient and fostering social cohesion by linking users more directly. However, the efficiency effect of platforms is limited by rebound and substitution effects. Further, social cohesion could deteriorate as platforms tend to regulate social contact. Moreover, altruistic social interactions are crowded out by marketized social interactions. A further downside is the high energy demand of platforms, especially of those with blockchain technologies.

Nonetheless, what could be the role of platforms in the governance of sustainability transitions? Many platforms are coopted by regime incumbents. For instance, private car companies take over car-sharing platforms and thereby, consumer to consumer platforms are transformed into business to consumer product-service systems. From this follows that product service systems can consolidate

fragmented markets, thus radically reducing the number of relevant actors in sustainability transitions. Frenken argues that this makes it easier for governments to regulate transitions, as less stakeholders need to find a compromise. Moreover, many big platforms have not proved to be economically profitable giving room for more localized and cooperative platforms, which have social and ecological aims instead of the goal to make profit, to thrive in future and thereby foster sustainability. Such cooperative platforms could also redistribute surpluses created and make sure that the benefits created go to those offering services.

The success of platforms in sustainability transitions also depends on the ability of public institutions to create platforms and utilize the knowledge that platforms can provide. So far, the success of platforms stems from reliable services and the scalability of solutions. Simultaneously, governments are struggling to offer alternatives. Thus, the role of platforms will also depend on the ability of governments to provide such platform services. By nationalizing the infrastructure platforms need, the necessary coordination between government and platforms could be strengthened. Furthermore, it is challenging to make independent research with the vast amount of data collected by platforms. However, Frenken argues that the data of platforms could contain valuable knowledge for understanding the preferences and social behavior of users and could help to understand more about sustainability transitions.

Given the upsides and downsides, the role of platform economies in sustainability transitions is open and depends on the acceptance in society as well the ability to coordinate platform economies within a governance framework of sustainability transitions.