

# RESEARCHES ON REGULATION

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# RESEARCHES ON REGULATION

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## Abstracts

Shelly Kreiczer-Levy, *Institutional Models in the Sharing Economy: Mapping the Phenomenon in Israel*

The sharing economy phenomenon includes a variety of consumption patterns based on consumer collaboration or the creation of alternative markets of disaggregated consumer activity. Despite its diversity, most of the literature on regulation focuses on Airbnb and Uber to the exclusion of many other examples. This article takes a much broader approach. It examines 55 case studies and offers an institutional mapping of the sharing economy phenomenon in Israel.

The article proposes five institutional models for the activity: for-profit peer to peer markets, nonprofit peer to peer markets, commercial companies, communal projects and governmental involvement. The article then discusses the regulatory, legal and policy implications of each category.

Avner Beirach Barak & Yifat Holzman-Gazit, *A Guest Overnight: Airbnb's Impact on Housing Markets in Israel and a Recommended Regulatory Framework*

This paper assesses Airbnb's activities in Tel Aviv and Jerusalem, the two largest cities in Israel. The goal is to establish an empirically sound framework for discussion of short-term rental regulations in Israel. For this purpose, the study first analyzes data about Airbnb listings and evaluates their impact on housing markets in both cities, and then turns to a comparative analysis of the regulatory approach to short-term rentals in three European cities. The paper concludes that while in some neighborhoods Airbnb's activities do remove units from the housing market, the nature of those activities is dynamic and enforcing related legislation is challenging, mainly due to information gaps and Airbnb's regulatory entrepreneurship. Any regulation of short-term rentals in Israel would have to take these challenges into account.

Roei Davidson, *The Structure and Institutional Practices of Crowdfunding Platforms in Israel and the United States*

Crowdfunding is an online distributed financing mechanism that connects entrepreneurs and the public. This study examines the role of two factors in influencing the success of crowdfunding projects. I examine the role physical location may play in determining the likelihood that a project will succeed in raising sufficient from the public, as well as the importance of intermediaries – the platform itself, social media and mass media – for this funding approach. To explore these questions, I collected online data on crowdfunding projects in both countries and subjected them to a statistical analysis. In the United States, the crowdfunding platform tends to promote projects located in urban hubs and these promoted projects are more financially successful. In Israel, we find that the crowdfunding of civic and commercial projects is easier for entrepreneurs located in urban hubs than those located in the periphery. In other words, distance – even in a small country like Israel – is an important factor. Furthermore, projects promoted by the Israeli crowdfunding platform tend to be more successful. In contrast to the American case, the Israeli crowdfunding platform tends to promote projects based in the periphery more than those in the center suggesting that platforms can play a role in making crowdfunding a more even playing field.

Galit Klein, Zeev Shtudiner & Moti Zwilling, *Regarding Peer-to-Peer (P2P) Lending Platforms in Israel*

With the new millennium, a transformation occurred in the economy, reflected in an ideological shift from a conservative economy to Collaborative Consumption (CC) or a Sharing Economy. These changes also became evident in the financial sector, with the establishment of a new lending instrument known as Peer-to-Peer (P2P) lending platforms. While these platforms have attracted considerable interest, their share in the private lending sector is minor. In this study, we present a comprehensive overview of the active companies in the industry in Israel and the characteristics of lenders and borrowers, in an attempt to identify the problems, failures and opportunities inherent in peer lending. The study commences with a review, a review of the characteristics of the loan industry between peers and the active companies in Israel. The review is based on an analysis of interviews conducted with managers and senior executives in the industry, alongside a literary analysis and a judgment analysis. Subsequently, we present the findings of three studies that explored the characteristics of the industry and its activists from different points of reference. The first study presents the findings of a

survey conducted on a representative sample of 1,180 Israelis. In this survey, respondents' attitudes towards activity on peer lending platforms were examined, as well as the relationship between respondents' attitudes and their individual variables. The second study examined the effects of borrowers' demographic and loan characteristics (i.e. the purpose of the loan, the amount of the loan and the duration of the loan) on the level of interest, paid by the borrowers. The analysis was conducted on a representative sample of 500 loans given by one of the active companies in the field. The third study examined the variables that influence lenders' decision-making, using conjoint analysis. The results of the studies indicate the duality of the public with regard to the P2P lending industry. On one hand, most respondents claim that the ability to lend privately without the involvement of banks is important, necessary and appropriate for modern life. On the other hand, many of the respondents define the use of the platform as high risk and very complex. Also, looking at lender preferences (third study) indicates that the lenders' need for risk is mitigating the readiness to use the platform. Lenders cite the need for a security fund to repay unpaid loans, obtaining information about the borrower, and granting non-debt repayment loans, as variables that influence their decision. In contrast, when loan characteristics were examined (the second study), it was found that most loans were intended to assist debt repayment. In addition, the interest rate is related to the amount of money lent and the duration of the loan, and low interest rates have been granted for higher-amount loans and short-term loans. This finding indicates a positive orientation towards borrowers and a desire to encourage high-amount loans. The findings of the study shed light on the weaknesses of the industry and the reasons for the partial success of the field in Israel. At the end of the study, we present several recommendations for the P2P companies, hoping that the industry will grow in the future and provide a strong alternative to the institutionalized Israeli banking system.

### Michal S. Gal, *The Power of the Crowd in the Sharing Economy*

Much has been written on the ability of sharing platforms to affect market conditions. In this research we focus on another piece of the puzzle, one which is often overlooked but can play a significant role in shaping market structure and conduct: the users of the platform – whether suppliers or consumers (hereinafter jointly or severally: “the crowd”). As will be shown, the power of the crowd can both positively and negatively affect social welfare. Accordingly, this paper seeks to recognize the effects of crowd power and identify both market-based as well as regulatory solutions capable of increasing its welfare-enhancing qualities, while reducing its negative impact.

To do so, the study develops in three stages. The first part explores the welfare effects of the sharing economy on the crowd. This serves as a basis for the second part, which focuses on the role of the crowd in shaping sharing platform markets. The third part then explores the potential role, as well as the limitations, of regulation in ensuring that crowd actions increase welfare. As will be shown, the current legal framework which regulates crowd actions may limit the realization of some of the potential positive effects of social platforms. In particular, new thinking may be needed with regard to rules regulating the use of crowd power to counteract a dominant sharing platform's market power.