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BOOK REVIEW | NONFICTION

How Uber and Airbnb Became Poster Children for the Disruption Economy

By WALTER ISAACSON JUNE 19, 2017

WILD RIDE

Inside Uber's Quest for World Domination

By Adam Lashinsky

Illustrated. 228 pp. Portfolio/Penguin. $28.

THE AIRBNB STORY

How Three Ordinary Guys Disrupted an Industry, Made Billions . . . and Created Plenty of Controversy

By Leigh Gallagher

236 pp. Houghton Mifflin Harcourt. $28.

THE UPSTARTS

How Uber, Airbnb, and the Killer Companies of the New Silicon Valley Are Changing the World

By Brad Stone

Illustrated. 372 pp. Little, Brown & Company. $30.

MOVE FAST AND BREAK THINGS

How Facebook, Google, and Amazon Cornered Culture and Undermined Democracy

By Jonathan Taplin
Illustrated. 308 pp. Little, Brown & Company. $29.

During the week of Barack Obama's inauguration in January 2009, three young would-be entrepreneurs — Brian Chesky, Joe Gebbia and Nathan Blecharczyk — crashed on air mattresses in unfurnished rooms they had rented in a rundown house in Washington. They spent some of their days at a Metro station handing out fliers that urged strangers to offer rooms for rent, and in the evenings they fielded angry email complaints from a woman who had rented space in the basement. Despite the difficulties they faced that week, the huge demand for accommodations from people who had flocked to the inauguration convinced the group that the business they were hoping to create, which they called AirBed & Breakfast, would succeed if they persisted.

Also in town for the festivities were two other hustling San Francisco startup jockeys, Travis Kalanick and Garrett Camp. They had used a website to find more comfortable accommodations, but on Inauguration Day they couldn't get a cab and had to sprint miles in the wicked cold to get to the mall on time. Camp had been trying to convince Kalanick to join him in a startup that would allow people to summon a car with the push of a button on an iPhone. The cab problems they had in Washington, which were similar to what they experienced in Paris a few months earlier, helped persuade him that the company, then called UberCab, had potential.

At certain moments in history, a confluence of technological and social advances creates the opportunity for a new field of innovation. That was happening at the beginning of 2009. A few months earlier, a reluctant Steve Jobs had been persuaded by his colleagues to allow other companies to develop apps for the iPhone. That happened just as Google Maps and GPS and other tools were enabling more wondrous mobile-based services. In addition, cloud services such as Amazon's allowed startups to store and process large amounts of data without building their own infrastructure. The explosive growth of Facebook had encouraged people to create trusted identities and share things online. And as the 2008 financial crisis receded, the overcaffeinated venture capitalists of Silicon Valley became frenzied in the pursuit of new potential unicorns.

The result was the blossoming of a type of economic activity with many kludgy labels — the “sharing” or “gig” or “on-demand” economy — that do not quite capture its disruptive and transformative nature. What companies such as Airbnb and Uber have done in the past decade is take the peer-to-peer sharing of digital content that flourished online, through sites like Napster and YouTube and Facebook, and apply it to our physical world, including cars and rooms and scores of other goods, tasks and services.

Three new fast-paced narrative books written by seasoned business journalists (all of whom I have known since my days in the magazine world) detail the personal, financial and social aspects of the rise of these companies. “Wild Ride,” by Adam Lashinsky, executive editor of Fortune, is a crisp and lively look at both the good and bad aspects of the rise of Uber and its C.E.O., Kalanick. His Fortune colleague Leigh Gallagher has similarly produced a colorful account of Airbnb and its C.E.O., Brian Chesky, “The Airbnb Story.” And Brad Stone of Bloomberg News has intertwined the two tales in “The Upstarts,” a richly researched and highly readable narrative that provides additional layers of insight by weaving in contrasting stories of competing companies that failed.

In addition to these narratives, which are generally celebratory, it is also useful to read a darker counterpoint, Jonathan Taplin’s “Move Fast and Break Things,” which argues that the radical libertarian ideology and monopolistic greed of many Silicon Valley entrepreneurs helped to decimate the livelihood of musicians and is now undermining the communal idealism of the early internet. “The original mission of the internet,” he writes, “was hijacked by a small group of right-wing radicals to whom the ideas of democracy and decentralization were anathema.”

As happens on all of history’s uncharted frontiers, the pioneers of the sharing economy have displayed an energizing mix of idealism and recklessness. Airbnb’s founders came from a background of arts and design, rather than coding and engineering, which offered, contrary to the preaching of STEM education apostles, an advantage in a new economy built on connecting humans to other humans. As a child, Chesky used to visit the Norman Rockwell Museum near his home and spent hours sketching . “On a family trip to Florence one year,” Gallagher reports, “he stood in front of the statue of David for eight hours, meticulously drawing it.” Gebbia studied the violin, played jazz piano and originally planned to be a painter. They met at the Rhode Island School of Design, and they started their company when a big design conference came to San Francisco and there was a shortage of hotel rooms.

Both managed sports teams while at R.I.S.D., and their tale illustrates the importance of team formation in innovation. Each brought different skills to their collaboration: Chesky evolved into a manager and chief executive, and Gebbia focused on product design. To complete the team, they brought in Gebbia's friend Blecharczyk, a computer science geek from Harvard who had started a software company when he was an undergraduate. "No one of us alone could have done this," Gebbia said. "Two of us alone couldn't have done this. But the combination of what Nate brings, what Brian brings, what I bring, put that together, and I think that's how we've persevered through all the challenges."

That perseverance — indeed an insane persistence — was another component of their success. Having come up with a wacky marketing idea of repackaging breakfast cereal during the 2008 conventions in boxes featuring Obama or John McCain, they lived on the leftover cereal during the subsequent lean year of struggling to keep the company going. They used their scarce resources to fly to New York on weekends to watch how the early adopters were using Airbnb and offering to photograph for free the apartments that were listed on their site.

In the case of Uber, both co-founders were already somewhat successful serial entrepreneurs. The idea for an on-demand car service originated with Camp, but Kalanick shaped it. He was a maestro of collaborative brainstorming. Like Steve Jobs, he firmly believed that collaboration happened best when people got together in the flesh, and he turned his San Francisco apartment into a gathering place he called the Jam Pad. "It was a kind of entrepreneurial safe house, a place where like-minded obsessives could gather in front of a whiteboard and debate the intricacies of building internet companies," Stone writes.

At first neither he nor Camp wanted to run Uber, so they set out to add a manager to their team. Kalanick sent out a tweet, "looking 4 entrepreneurial product mgr." A 27-year-old midlevel product manager for General Electric in Chicago sent back the most lucrative Twitter reply in history: "email me :)

graves.ryan@gmail.com." Graves was hired, and the stock he got is now worth more than $1.5 billion.

Collaboration, however, can only go so far. It is also necessary to have an intense, driven leader with the visionary brilliance and obstinacy of a Steve Jobs. After finally signing up full-time as C.E.O. in 2010 and edging Ryan Graves down a notch, Kalanick became that.

Kalanick focused on beating back regulators, from San Francisco to Paris, who insisted that if Uber cars were going to function like taxis they had to adhere to the rules and licensing requirements that cabbies faced. He fought with a righteousness mixed with self-interest that caused most city officials to think of him as arrogant (or another word that begins with "a"). It was a classic case of technological disruption where there is merit to both sides: It was unfair to medallion taxi owners to allow a competitor that did not have to play by the same rules, and yet for years city officials had become so beholden to and intimidated by the taxi industry that the medallion and licensing system had become a way to protect the interests of the owners rather than of passengers.

With his scorched-earth approach to rules, Kalanick not only won battles for Uber but also for a techno-libertarianism that was contemptuous of most government attempts to regulate disruptive innovation. "Uber's lawyers and lobbyists, who had begged him, unsuccessfully, to seek compromise and testify with humility, began to whisper in reverent tones about a new political dictate that contravened all their old assumptions. Travis's Law," Stone writes. "It went something like this: Our product is so superior to the status quo that if we give people the opportunity to see it or try it, in any place in the world where government has to be at least somewhat responsive to the people, they will demand it and defend its right to exist." He was right.

Only once did Kalanick show caution. In 2012, Uber was still using only professional drivers, mainly in town cars. A competitor started a service named Lyft that allowed drivers to use their personal cars, sometimes festooned with a playful pink mustache. Kalanick, uncharacteristically, argued to regulators that this should be illegal. But when he saw Lyft gaining traction, he reversed himself and responded with a ride-sharing service called UberX that quickly became dominant.

A good litmus test to determine a person's basic ideological outlook is to ask about Uber's use of surge pricing. To some, it is a sensible way to match supply and demand by encouraging more drivers to come out and some consumers to find other transportation during periods of peak demand. Hotels and airlines use variable pricing all the time. To others it smacked of gouging, especially when there were huge spikes in prices during Superstorm Sandy and a hostage crisis in Sydney. Some of the problems could have been avoided with a bit more sensitivity — Uber would have been wise to kick in its own financial incentives for drivers during a major crisis — but that was not an instinct that came naturally to Kalanick. "Anyone who whined about surge pricing, in his eyes, was too thick to understand the laws of supply and demand," Lashinsky writes. The hard-driving testosterone-fueled culture of Uber eventually caused problems. Earlier this month, the board approved top management changes, which included having Kalanick take an indefinite leave of absence, after an independent investigation found a culture of sexism and disrespect pervaded the company.

Chesky has been more sensitive to public concerns, but the complex issues raised by Airbnb are as challenging, especially in places where the service is dominated not by easygoing millennials renting out a spare bedroom but instead by developers who buy up multiple houses and apartments to convert into short-term rentals. That can destroy residential neighborhoods and decimate the supply of affordable housing. To his credit, Chesky has tried to deal with these issues as well as the problem of racial discrimination that had infected the service. I watched in admiration earlier this year as Airbnb and my hometown, New Orleans, painstakingly negotiated a complex agreement, with enforcement and taxing mechanisms, specifying the number of days per year each type of place could be rented on Airbnb, with distinctions made by neighborhood and by whether a place was owner-occupied.

The benefits that Airbnb and Uber pioneered go beyond convenience. They allow people to make human connections in an era that has become much more institutionalized in the decades since family-run bed-and-breakfasts began being replaced by standardized hotel chains. Stepping into someone's personal car or apartment forges a bond of trust and, in Gallagher's words, "yields a little vote of confidence in our fellow humanity." A disconnected society becomes slightly more connected, not just digitally but also physically.

Stone saw this firsthand while covering Chesky on a visit to Paris in November 2015 when the terrorist attack that killed 130 people occurred. "I Ubered home that night to my Airbnb, near the Cathédrale Notre Dame de Paris," he writes. "Once back, I received a frantic phone call from my worried host, Ivan, whom I had never met in person (he was out of town and had left me the keys) but who wanted to make sure I was O.K. The next morning, he emailed: 'I was relieved to hear you yesterday on the phone. I hope you are well today despite the critical times in Paris.' He invited me to stay for as long as necessary until the travel situation in the city returned to normal."

Uber and Airbnb, as embodied by their young billionaire leaders, represent, to their supporters, a radical expansion of freedom and a liberating empowerment of individuals to supply services as they please, without government interference. They have provided workers with added flexibility and sources of income, and they have created a new economy based on trust and earned reputations. Consumers rate their drivers and hosts, and they in turn rate us. When it works well it encourages all involved to be a bit nicer and restores the bonds of trust that have been fraying in our society.

But as Stone points out, "Uber and Airbnb have also come to represent, at least to some, the overweening hubris of the techno-elite. Critics blame them for everything from destroying the basic rules of employment, exacerbating traffic and ruining peaceful neighborhoods to bringing unrestrained capitalism into liberal cities." On a deeper level, this new economy is disrupting not only old industries but also the entire concept of work. Instead of having "a job," a growing number of people will, by desire or necessity, support themselves by juggling on-demand gigs. That presents an issue that goes well beyond the need for new regulations; it will require whole new ways to think about pensions, health care, benefits, sick leave, disability and retirement savings.

What these books show is that societies must find ways to absorb these economic transformations, because it is futile to resist them. Peer-to-peer technology may be disruptive, and its effects can be messy. But it has an inexorable tendency to empower people to find — and produce — new offerings that improve our lives by reinforcing the most basic rule of entrepreneurship, which is to make something that people really want.

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