

Navigating Racial Bias in the Sharing Economy: Heterogeneity and Mechanisms

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How can racial-minority entrepreneurs close the performance gap in the sharing economy? While recent studies reveal discrimination against racial-minority customers, less attention has been paid to the disparities faced by racial-minority suppliers. More evidence is needed to identify the conditions and mechanisms that exacerbate or mitigate the biases these micro-entrepreneurs face in different markets. Analyzing all Airbnb listings across the United States from May 2015 to April 2023, I show that Black, Hispanic, and Asian entrepreneurs experience reduced consumer demand for similar offerings compared to White entrepreneurs, especially in more-conservative ZIP Code Tabulation Areas, leading to heightened exit rates. I also assess more than 90 million Airbnb reviews, identifying specific feedback that exacerbates or attenuates biases in the sharing economy. Good numerical ratings fail to bolster the relative performance of racial-minority hosts. To help mitigate these disparities, platforms should design mechanisms that encourage customers to leave more frequent and detailed text reviews.