Why Uber and Lyft Will Have a Short Lifespan

If you're a taxi driver, or if you own a taxi company, your business is now on the brink of extinction. In cities around the world, taxis are being supplanted by Uber, Lyft, and other ride sharing services. In New York City, the cost of a taxi medallion has plunged from $1 million to around $500,000 in the last two years or so, and many fleet operators and individual taxi owners now owe more than they are ever likely to recover.

We could blame Uber or Lyft for this catastrophe, but that would be like blaming United Airlines for the demise of passenger railroads, or holding FedEx accountable for the decimation of the postal system.

It isn't the ride sharing services themselves that signed the taxi industry's death warrant, but the technological developments that made these kinds of new services practical in the first place - specifically the internet and the smartphone. And ride sharing services, of course, are just one minor manifestation of what these technologies allow companies to do.

The ultimate benefit of any new technology - indeed, the only reason that innovation ever makes any money for the innovator - is that it reduces some kind of friction in our lives. And this is a simple way to understand the compelling consumer benefits of a ride sharing service, when compared to traditional taxis. Just think about it:

1. You don't have to stand on the side of the road in order to spot an available cab.

2. If you travel a lot, you don't have to decode whatever local signals indicate that a particular taxi is available (light on, light off, flag up, driver winking).

3. You can pay without cash, without swiping a card, without a meter.

4. And if you're a driver, you can start and stop work on your own terms, with your own car.

But Uber and Lyft and all the other newly robust ride sharing services will themselves be subject to the same forces of creative destruction that are now overturning the century-old taxicab business. None of these new companies and business models will be around for a century. Most will be extinct themselves in less than a generation.

On the one hand, within just a few years, self-driving cars will soon be capable and reliable enough to obviate the need for hired drivers at all. Think of a future in which driverless cars roam the roads and can be summoned with smartphone apps. This would mean that you no longer have to own a personal car at all in order to enjoy all the benefits of personal car transport. Instead, most cars will be "in the cloud," in the same way that most software is today.

And who will own the actual, physical car you summon? Who will collect the profit from your ride? Perhaps Uber. Or perhaps not. It might be one or more of the big auto companies. After all, driverless cars represent both a threat and an opportunity for car makers. The threat, obviously, is that far fewer people will need to own their own cars. But the opportunity is that the auto companies themselves have the capital necessary to deploy fleets of self-driving cars for hiring out on an hourly basis.

Even this future is far from inevitable, however. Consider one of the newest technological innovations, the blockchain computer coding that makes cryptocurrencies like Bitcoin possible. Blockchain technology, because it encodes trust and absolute security, may actually render obsolete the idea that a large company (a fleet owner, or an auto manufacturer) would have any real advantage in selling hired auto transportation. Blockchain technology will permit individual drivers or car owners to band together without the oversight of a large firm at all.

Imagine Uber service without the Uber company. Or a "fleet" of cars pooled together by individual car owners, each one making money for its owner, rather than for Ford or Toyota.

Creative destruction is a marvelous force for progress. But the destruction part will be coming at us faster and faster, as technology continues to accelerate.

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