

“Modern Markets” policy for transition or unstable economies

Briefing

New marketplace technologies could create stabilizing economic infrastructure for even the most troubled nations. The key is creating concessions that incentivize companies to fund and run state-of-the-art markets for the region.



Owning our terminology

We call the system of online markets to be initiated in any territory **POEMs (Public Official E-Markets)**. It is described at ModernMarketsforAll.com. But, specifically, we mean, a comprehensive platform for online trading that is:

- Funded, designed, built and run by an independent consortium of operators, united only in a need to recoup their investment by growing economic activity in those markets.
- Granted unique access to official facilities without being beholden to any official or official agency. For example, the markets compile a user’s ranking – under the individual’s control – based entirely on their reliability in transactions. There is no linkage to external assessment such as China’s [social credit system](#).
- Constrained by public service obligations including a Maximum Transaction Size, transparency, robustness of service, accountability and the right of any user to take their trading data to any other system at any time.
- Transparently generating its revenue for operators from a flat-rate percentage mark-up built into each transaction.
- The result of an independently scrutinized, competitive, open, selection process to find the winning consortium.

Superficially similar services are possible. However, we are emphatically not describing any system of markets:

- Controlled, tangentially or directly, by any part of a government.

- Unfettered in operators' freedom to charge as they wish, limit functionality, take a position in markets they enable or select the sectors they serve.
- Favoring – in any way – specific users defined by ethnicity, political stance, economic power, gender, geography within the service area, language or educational level.

A philanthropic entity as operator-of-last-resort is always a possibility. But the profit motive for operators is desirable. It fosters independence, staying power, innovation and clarity. Consortium members must be big enough, and multinational enough, to act as a counterweight to attempts to skew or dissipate POEMs' markets by a range of actors.

Assume, as an example; The winning consortium to deliver Modern Markets for a particular troubled nation consisted of [Microsoft](#), [Macquarie Bank](#) and [Cisco](#). And that setting up the servers, internet availability, local awareness, interfacing to government and other requirements of a legal framework cost the group \$5bn. It's unlikely they would then be pliant if wooed by corrupt local officials, warlords or entrenched interests. Their global brands, need to retain user trust and prospects for contracts in future countries would be endangered.

Parties like this could further provoke fears of an international takeover of countries' e-commerce. That could be mitigated by building a requirement for local franchisees operating each market into the enabling framework. Or operators of existing non-official markets like [Quipu](#) could be brought into the consortium.

A new institution

Our starting point for this policy is: **everyone in the world is entitled to sell their skills and other assets in the best possible marketplace.** In a stable democracy that can be achieved – like official lotteries – with a package of officially bestowed benefits and accompanying public service obligations. This briefing focuses on how that policy could be delivered, and what it might achieve, in territories with any combination of:

- Ineffectual, illegitimate, unrepresentative or corrupt government.
- Institutions such as cartels dominant.
- Civil unrest, occupation, refugee influxes or war.
- Drought, climate chaos or other forms of devastation.
- Severe inflation, a bloated shadow economy, extreme poverty, confiscation of assets.
- Low literacy and limited internet infrastructure.

Take Hungary, where Fidesz, the ruling party, has used its parliamentary majority to capture regulators, dominate business, control the courts, buy the media and manipulate the rules for elections.

Economist: Aug. 29, 2019

This policy would initiate a new economic guardian: POEMs' operators. They would be responsible for shaping a system of online markets appropriate to the territory and ensuring universal access possibly by funding new internet infrastructure and training of local agents.

Local agents would be crucial in driving usage. The model is established; for instance in Alibaba's [Rural Tabao](#) service centres in 30,00 Chinese villages. For POEMs, each agent would require a device on which they could meet their community's trading needs as a middleman adding a small mark-up. A path for launch of these markets is offered by [M-Pesa](#), the phone-to-phone financial transfer service that spread through Kenya and other transition nations using local agents. [bKash](#) and competitors have achieved similar penetration in Bangladesh.

The profit motive should ensure this new institution, boundaried by a set of constraints and obligations, complements existing official organizations, NGO's and international bodies. Compared to politics or philanthropy, for-profit innovators have proved deep-pocketed, adaptable and unambiguous in their aims. Shareholder pressure tends to transcend personalities, as bumptious CEO's have learned. A body needing to stabilize economic activity to get its return could become an independent, robust, predictable, institution even in the midst of chaos. Agreeing to be monitored against an international set of standards for these markets would also help.

Adapting the policy

There is no one-size-fits-all approach here. Instead we offer some indicators for the scope, initiation and outcomes of "Modern Markets for All" policy outside a liberal democracy.

Some sample market sectors in a transition nation		
Doulas	Home building/renovation	Teaching
Translation	Mediation	Mobile refrigeration
Money changing	Agricultural advisors	Security patrols
Fencing	Beauty treatments	Machinery repairs
Furniture sales	Irrigation equipment	Childcare
Nurses/carers/public health	Mobile power sources	Transportation
Water collection/handling	Freight movement	Mobile homes/buildings
Stud animal hire	Outreach workers	Vehicle/bike hire
Notaries/mediators	Storage space	Solar panel installation
Road building	Delivery	Book rental
Cleaners	Work spaces	Café equipment

Some variants on the policy for consideration in any country:

- **External commissioners:** Ideally, a representative government will initiate POEMs. But sometimes the framework of benefits/obligations that creates a concession to operate public official markets for a given country might be created by a body outside that country. That could be the World Bank who agree to channel their funding to local people and organizations through POEMs to pump prime activity. The International Monetary Fund might similarly mandate a neutral POEMs service as an alternative to austerity measures if bailing out a

Preventing widespread violence and state collapse is far cheaper than the use of military force after crises erupt.

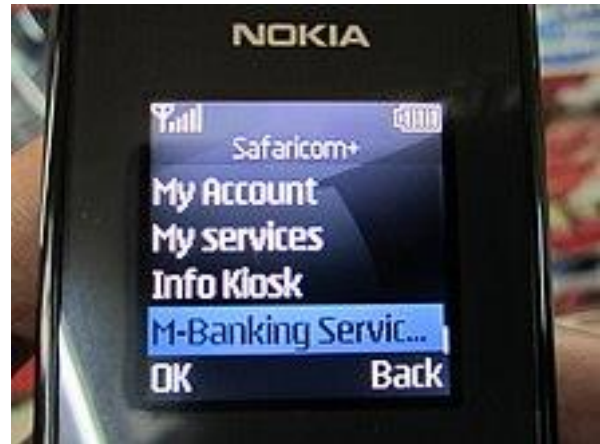
USA Today: Sep. 10, 2019

country. Sanctions could be lifted if a failing government allows POEMs. Adjoining governments might initiate; a farsighted US State Department for instance, could start POEMs in partnership with Central American nations as part of a “Stable Neighbors” policy. An external commissioner should have a transparent plan for transferring POEMs oversight to local institutions as they become capable.

- **Flouting of local laws:** Some jurisdictions [discourage](#) schooling of girls. That flouts international development aims; disabling the required trades would defy a commitment to Modern Markets for All. So, POEMs might have to be set to provide additional levels of data protection for anyone engaged in educating young women. Restraints targeting ethnic groups or geographies may likewise have to be undermined.
- **A long concession:** A concession period, in which operators have unique benefits, may need to extend to 50 years on the basis it will take generations for some sort of economic stability to emerge. Operators could then sell bonds against the economic potential of the country once it had functional markets. This creates a risk of unmerited rent-taking towards the end of a concession; if for example the territory matched Libya’s surge in GDP in 2018. But the rule that users can migrate their data to other platforms ensures a balance. If operators are taking too much, they will be significantly undercut by services that don’t have official benefits.
- **Channelling of public assistance:** Some countries have imaginative social funding programs which could immediately boost POEMs’ takeup. Brazil’s [bolsa familia](#) for example, pays parents for their kids’ vaccination and school attendance. Markets for slots with nurses, and school places, each with an accompanying register of activity, accessible with an official voucher would ease administrative overheads, make corrupt transactions harder and incentivize system registration.
- **POEMs’ enabled institutions:** The platform can support temporary replacements for distrusted public facilities. A corrupt judiciary? The POEMs concession might include an obligation to recruit, train and fund networks of online mediators with the system acting as case manager. Currency rollercoasting because of invalidated paper notes, money laundering, sanctions or speculation? Let POEMs’ regulated parallel economy tokens become a replacement for regular people until regular money stabilizes. No database of trained security personnel outside of militias? POEMs’ operators might have to seed-fund an evaluation and certification authority.
- **Subsidies:** It may be that there is no business case for providing POEMs in a territory even with a lengthened concession. That may merit subsidies for operators, including local franchisees. The most effective model: increasing operators’ percentage mark-up on each transaction. If 2% is added to the price paid by a buyer, another 3% might come from philanthropy or development agencies. This could be tapered as activity deepens, and perhaps matched by profit caps in case of overwhelming success.
- **Supportive tax structures:** POEMs competes directly with shadow economies. If a middle-class family want food delivered, they can use a market in which no-one pays tax and there’s no regulation. POEMs can offer enormous convenience, reliability and data but it will remain unattractive if having to gather unrealistic taxation. Government may need to see the wider benefits of attracting activity from the gray economy.
- **Market sweetening:** If public spending is frozen, POEMs operators may directly have to pump prime activity. They could for instance create a fund to pay a first wave of agents to train locals in basic literacy, then computer skills then how to use the system while independent inspectors randomly assigned by POEMs could check on activity at any time. India’s [Reliance Jio](#) telecom

proved how swiftly this kind of loss leader can drive take up. Over 250m users were attracted by 6 months of free data in their first 2 years.

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- **Simplified interfaces:** M-PESA transfers money between first generation mobile phones.. POEMs likewise may need to have low-bandwidth, simple, interfaces that conceal the complexity from users. Code inspectable by anyone becomes even more important in this scenario; international observers should be able to satisfy themselves the simplicity is not masking skewed markets.



What could POEMs deliver?

The new service would probably gain traction initially in urban areas with transient populations. In rural districts, personal networks when a farmworker - for example - is needed will remain strong and transport difficulties may limit the catchment area for alternatives. However, as it spreads POEMs could start to enable:

- **Data-driven stimulus:** if an international body plans to pump \$50m into improving agriculture POEMs can effectively target individuals to be offered Farm Advisor training, then allow local official bodies, or public agents for POEMs, to book them as required subject to whatever guidelines the funder imposes. Outcomes can be tracked hour-by-hour. POEMs will capture transportation status for any area, allowing roadbuilding crews to be allocated where needed. If hire of fishing nets has high utilization in one particular port, it's likely a sign investing in more netting will boost the economy. Even \$10,000 of stimulus can go hunting for these needs using POEMs' intervention tools.
- **Ethnic interactions:** In a region fraught with tribalism, POEMs could – cautiously – be used to foster mingling. For example, a philanthropy might set an intervention to subsidise home tutoring of buyers in one ethnic group by qualified sellers in another. If an accompanying security person is required on first bookings, POEMs will instantly ensure that. Like all POEMs intervention this potentially bold initiative could start small; in non-sensitive sectors in already intermingled areas. Data from that informs any further roll out. And, obviously, POEMs doesn't need to know a user's ethnicity, but perhaps allow each person to volunteer it, then prove it to an agent or other authority if they think it will add to their possibilities.
- **Relief supplies:** POEMs could pull together people and assets to; ship food to the interior, break it into lots then distribute it evenly between households. Corruption would be hard in such a granular market with each link in the supply chain independent and having to sign off on delivery as part of their role.
- **Boost to entrepreneurship:** Micro-businesses in informal settlements [transact trillions](#) annually. POEMs should make it much easier for them to start, get certified, connect with customers, align with market needs , transact without risk and legitimize. It instantly plugs, for example, a maker of empanadas in a Rio favela to delivery services around the city.

- **Voting:** Verification of identity is key to POEMs anywhere. In a transition economy that task may fall to local agents trained to vet paperwork and take photo's. Identity may not be revealed by POEMs if an individual is at risk from the governing regime. But assuming it is shared with the counterparty in each trade, that amounts to continuous on-going authentication that the person in the photographs has the skills listed and has built the track record stated. This hard-to-replicate proof of identity could be coupled with POEMs' voting tools to facilitate fair elections among at least some of an electorate with international observers able to focus on the more risky non-users or anonymous POEMs users.
- **Unimpeachable metrics:** Measures of economic activity become as granular as each transaction. Again, it won't be impossible to corrupt these indicators but it would be enormously hard work compared to now. Accurate, trusted, data would be an immense step forward for many nations.
- **Illegality exposed:** If POEMs can attract significant activity out of shadow economies, it shrinks gray activity leaving those who can't migrate to a more convenient, better informed, low overhead, wide ranging platform because their business is illegal. That could for instance make it easier to isolate supply chains for loggers operating without permits.
- **Inward investment:** If an area is identified as ideal for a Tilapia farm, POEMs can instantly model availability and costs of staff, transport, processing machinery and buildings for a pilot project. These packages can be offered en-masse to international investors.
- **International volunteers:** POEMs can be a portal for volunteers in the region, perhaps with filtering criteria. POEMs data may show shortages of dentists, water engineers and roofers in a particular town. It can arrange transport, billets and possible stipends after volunteers have proved qualifications and perhaps put a sum in bond with POEMs to show determination to complete a given term.

As ever, POEMs is not a tech-utopia or a single solution to complex problems. It is stabilizing, equalizing, infrastructure freely available to each person, with whatever level of simplification and human-support they may need. A successful implementation would magnify the impact of policies like improved education, agricultural reform, land rights or fair elections.



The emergence [in South Africa] of food delivery apps like Mr. D. Food s and Uber Eats has drawn thousands of motorbike riders – predominantly migrants – into poorly regulated and highly precarious work.

New York Times: Aug. 24, 2019

The business case for investing

Would a legal framework for electronic markets in a currently turbulent country create an attractive business case for hard-nosed international investors? Could they see investment opportunity in war-scarred communities, malfunctioning official bodies and an illiterate population put on a path to a modern, inclusive economy? They would be betting on leapfrogging [Tier \(2\) markets](#) for online trade to

go straight to Tier (1) infrastructure. Some African nations did this with telephony; not getting cabled for landlines or even electricity, but going [straight](#) to cellphone networks.

An analogy with mining companies can be useful. They evaluate buried seams of ore around the world, measuring the value of mineral deposits against costs of extraction. The latent economic potential of a nation is our ore. Over the period of a concession, does this territory have the natural resources, locational advantages, tourism potential, latent economic specialisms, or educational possibilities to reach, say GDP of \$100bn? And what percentage of that would be going through POEMs?

Then costs of “extraction” can be modelled; software, servers, internet infrastructure, interfacing into – or replacing - official databases, training and equipping local agents. This is equivalent to the machinery, road building, transport required to get ore to market.

Rival consortia who see opportunity in POEMs implementations around the world will rank nations, as mining conglomerates do with underground seams around the globe. Their “machinery”; the software, will be refined in the first, easiest, implementations. Valuing the “ore” will become more precise. Stimulus, peacekeepers, subsidies or extended concessions will drive development, as rises in ore price or discoveries of enlarged seams, do for miners.