"Modern Markets" policy for transition or unstable economies

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 a region.

SUMMARY

This briefing outlines a proposal to swiftly create the best possible **universal infrastructure for micro-economic activity** in any region. The infrastructure embraces markets for thousands of sectors, public data, financial services, identity validation and civic functions.

This is achieved through a fixed-term concession that incentivizes an independent consortium of multinational companies to fund, design and run the infrastructure. The concession mandates public service obligations and controls. The consortium's return comes from a percentage cut of the economic activity enabled. They may have to additionally fund internet infrastructure, training, interfacing into existing systems and new institutions.

There are immediate possible pitfalls with such a far-reaching program; colonialization, government control, excess rent-taking, instability. They can be **mitigated** in the right concession.

CLARIFYING THE TERMINOLOGY

This briefing explores broad possibilities for a policy that creates a set of online marketplaces for local people and businesses in any jurisdiction. We call the system of online markets to be initiated **POEMs (Public Official E-Markets)**. It is described at ModernMarketsforAll.org. But, specifically, we mean, a comprehensive platform for online transactions 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.

- 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.

- The result of an independently scrutinized, competitive, open, selection process to find the winning consortium. That consortium then generating its revenue for operators proportionate to the activity it enables.

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

- Under the day-to-day control, tangentially or directly, of 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.

Overview of the proposed policy

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.** This briefing focuses on how that policy aim could be delivered, and what it might achieve, in territories with any combination of:

- Ineffectual, illegitimate, absent or corrupt institutions.

- Bodies such as cartels dominant.

- Civil unrest, occupation, refugee influxes or war.

- Extreme 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.

The model of an official concession could still offer the best long-term economic prospects in these jurisdictions. But – requiring extra billions in upfront investment - it will likely need amending from the basic version for developed democracies. This is explored in the next section.

Aims of the policy

- **Expanded economic activity:** Increased transactions at the community level with new tools, data generation and protections.

- **Funded modernization**: With a consortium incentivized to grow small transactions (because they get a cut of each, potentially for decades) they should have a case for installing digital infrastructure, interfaces into government databases (which may need updating or creating), mass training, and public access points for the markets.

- **A new institution**: The independent consortium, boundaried by its public service obligations, can be part of the checks and balances preventing illegitimate attempts to subvert the micro-economy. Only multi-nationals are likely to have the resources required. Their relationship with users worldwide would be damaged by allowing undocumented intervention in operations by government or non-state actors.

- **Legitimized economy**: Provide a compelling alterative to unregulated, untaxed, purchases and hiring. Allow auditing that exposes systemic corruption.

- **Attract investment**: This should be micro, funding education modules that enable higher wages for a specific worker for example. Or it can be macro, attracting tourism, manufacturing and extraction.

- **Grow a class of local entrepreneurs**: As in a first world nation, the concession should mandate a local franchisee running each sector in POEMs.

- **Green growth:** Sustainable activity that minimizes climate impacts.

- **Support for other functions**: Voting, social introductions, multiple models of childcare, a developing welfare state, micro-banking, distribution of stimulus or aid, census administration, licencing, identify verification and other facilities should be mandated in the initiating concession.

- **Speed other initiatives**: Schemes to create jobs, reform institutions or supplement incomes can be targeted, administered and audited more cost effectively.

Sample sectors

Ultimately POEMs should expand into whatever sectors there are buyers or sellers wanting to use the platform. They will be varied but the concession must ensure markets work seamlessly together.

Some sample market sectors in a transition nation		
Qualified inspectors	Computer rental	Micro-loans between users
Doulas	Home building/renovation	Teachers/tutors
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	Workspaces	Café equipment

On-the-ground agents could 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. Funding for those devices might be a condition of the concession.

Policy components

There are three key building-blocks of the policy.

- **Initiating Authority**: This is the organization that creates and awards a concession to operate public official markets in the territory. Optimally, it would be the government.

- **The Concession**: This is the unique licence setting out the Operating Authority's entitlements and obligations and their duration, optimally it might be 20 years.

- **Operators**: Typically, this should be a consortium of international corporates who win the concession then fund, design, and run the resulting platform.

Potential adaptations

In an unstable jurisdiction, these three pillars might each be amended to ensure viability:

1. **Initiating Authority**

   This could be an international body such as The World Bank, perhaps making official acceptance of a "Modern Markets for All" policy a condition of aid. A regional authority such as AfCTA or SICA is another possibility.

   Adjoining governments might be an initiator; a farsighted US State Department for instance, could in one scenario enable POEMs in partnership with Central American nations as part of a "Stable Neighbors" policy. Sanctions could be lifted if a targeted government allows a robust POEMs. Any external commissioner like this must have a transparent timetable for transferring POEMs oversight to local institutions as they become trusted by their population.

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

   USA Today: Sep. 10, 2019

   An issue with non-government initiation is the possibility of more than one markets system being initiated for a territory, each with benefits bestowed by a different supranational body. To guard against dissipated activity, any concession for POEMs should mandate interfacing with any other platform serving the local economy under each user's control. Where there are multiple market systems, they at least can function as one.

2. The Concession

In any given territory, a concession period, in which operators have unique benefits, may need to extend perhaps to 50 years on the basis it will take generations for 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. But the rule that any user can migrate their data to other platforms ensures a balance. If charges become excessive, undercutting ivals should soon spring up to serve a digitally literate population.

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. So, if 2% is added to the price paid by a buyer to cover operators' costs, 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.

Pro-POEMs tax policies could be important where shadow economies are broad and deep enough to offer truly convenient, risk-free, daily purchasing. For example; if a middle-class family want food delivered, and can use a market in which no-one pays tax and there's no regulation, POEMs will remain unattractive if having to gather unrealistic taxation within the prices paid by buyers. Government may need to see the wider benefits of attracting activity from the gray economy with more precise taxes on micro-activity.

> The emergence [in South Africa] of food delivery apps like Mr. D. Foods and Uber Eats has drawn thousands of motorbike riders – predominantly migrants – into poorly regulated and highly precarious work.
>
> **New York Times:** Aug. 24, 2019

Simplified interfaces for first generation phones may need to be mandated where bandwidth or device availability is limited. Code, inspectable by anyone anywhere, becomes even more important in this scenario; international observers should be able to satisfy themselves the simplicity is not masking skewed markets. M-Pesa is one service that performs complex services on early-stage consumer devices.

Operators could be compelled to support temporary replacements for distrusted public facilities needed to support its markets. 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? POEMs could easily eke out regulated parallel economy tokens as a digital replacement for regular people until regular money stabilizes.

3. Operators

The profit motive for operators is desirable. It fosters independence, staying power, and clarity. Consortium members should be big enough, and multinational enough, to act as a counterweight to any attempts to skew or dissipate POEMs' markets by a range of actors. Shareholder pressure tends to transcend personalities; inept CEO's can be replaced more easily than autocratic politicians.

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 $25bn. 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.

But some countries will be commercially unattractive. In these cases, a philanthropic or government organization could create and run the system. Again, that should be a stop-gap, aiming to establish the foundations and show a business case that prompts rival commercial consortia to bid against each other for a concession.

The business case: Why would a consortium fund the infrastructure?

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, even when put on a path to a modern, inclusive economy?

A consoritum 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, assessing 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, possible economic specialisms, or educational possibilities to reach, say, GDP of $250bn? 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 increasingly precise. Stimulus, peacekeepers, subsidies or extended concessions will drive development, as rises in ore price or discoveries of enlarged seams, do for miners.

In some territories the costs of "extraction" will be enormous. In a worst case scenario, a consortium might need to price in building extensive infrastructure to enable POEMs, even kickstarting market activity with perhaps an initial $50 equivalent deposited in each new user's account to drive take-up.

What could POEMs deliver for a transition economy?

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 $1,000 of stimulus can go effectively hunting for these needs using POEMs' intervention tools. This kind of low-level intervention can be enormously impactful.

- **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 secondary booking. Like all POEMs interventions this potentially bold initiative could start small; in non-sensitive sectors in already intermingled areas. Data from that pilot informs any further roll out.

- **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 each transaction.

- **Boost to entrepreneurism:** 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**: Robust 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 photos. 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 riskier 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, detailed, data would be an immense step forward for many nations.

- **Crisis response**: Locusts, rebuilding of roads after floods, malaria spraying. These functions can be co-ordinated far more effectively and cheaply using POEMs' response tools.

- **Illegality exposed**: If POEMs can attract significant activity out of shadow economies, it shrinks gray activity leaving only those who won'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.

- **Sanctions relief**: If a jurisdiction is under international sanctions, POEMs can minimize suffering for the general population by releasing its own alternative currency backed by the Initiating Authority. It would be given to each individual, not institutions. Usage might be limited to very local purchases or specified sectors. If the system also offered an exchange where that currency could be bought internationally it could open up investment in upskilling and other economic growth initiatives. Meanwhile government revenues and debts remain under pressure.

- **Inward investment**: If an area is identified as ideal for, perhaps, 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 assistance**: 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 would not be 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, stimulus for families, agricultural reform, land rights or fair elections.

Potential pitfalls

No policy is perfect. This one depends on a concession that robustly forces independence and full-system features from the international operators. It must ensure funding for everything required to support POEMs and that operators have the possibility of recouping that if they create economic stability.

	Risk	Mitigation
1.	Lack of computer usage	Digital infrastructure and training by someone in each community might need to be funded within the concession. POEMs can of course, allocate and pay trainers with full efficiency.
2.	Lack of identity verification	POEMs can start with a first group of people whose identify is known, because they have an existing bank account perhaps. That group can then validate others. POEMs tracks the trading records of users and, when a diversity of interactions are successfully completed, assumes their identity has also been established. They can then validate others, knowing they will lose their valuable track record of reliability in POEMs if they do so falsely. Thus, Dallah (who has a bank account), confirms the identity of Jafari who builds a track record, then validates Ekon and Zane. Ekon confirms Feechi whose identify is later questioned by users. POEMs informs everyone else endorsed by Ekon that they should submit for re-vetting by another user as Ekon may not have been sufficiently diligent in his approval. Validators may need to be funded to do this work, being paid for the process of checking paperwork independently, regardless of their decision about a person. That could be specified in the concession.
3.	Cultural barriers	The jurisdiction may have prohibitions on – for example – education of girls which the Initiating Authority does not share. POEMs can be mandated to facilitate "secret schooling", protecting identities in those transactions and doing extra vetting of participants to maximize safety.
4.	Inadequate institutions or currency	POEMs is reliant on some key stable institutions (money issuer, courts to resolve disputes between buyers and sellers, electricity supply). Where they are ineffective or corrupt, the concession might compel operators to create a transitory replacement until they, and their users, were confident in the main institution. Scope of these temporary bodies would need to be limited to enabling of POEMs. Setting them up would add to costs and risks, making the case for an extended period of concession in which to recoup the outlay.
5.	Fear of colonialization by international operators	The concession by which POEMs comes into being should demand each individual sector of the system is run by a local franchisee. That leaves the winning consortium to run core servers, security and other functions only. It is unlikely local companies would have the resources to do this, or the ability to assert the standalone independence from government that is so desirable for a micro-economy platform.
6.	Lack of trust in the Initiating Authority	These issues come down to ensuring operators are robust enough to assert their independence. And that it's transparently clear operators (and their franchisees, see above) can have no source of income from the project beyond a cut of the small transactions they enable. Operators may need to launch advertising showing how they withstand external pressure. If fears of a back-door to the system are prevalent, community leaders could be invited to engage anyone they wanted to probe the software in search of weaknesses.
7.	Hostility to POEMs from government	
8.	External interference in POEMs	