

The need for a Maximum Average Transaction Size (MATS)

Briefing

A Maximum Average Transaction Size (MATS) keeps markets focused on what people at the bottom of the economy have to sell. It's complex, but behind-the-scenes for users.



NERD ALERT

Public infrastructure is complex under-the-hood. We take for granted water comes out of the faucet, drinkable and with sufficient pressure to run a shower. But chemists, physicists, geologists, engineers, attorneys, geographers and meteorologists working for water companies are guided by a stack of detailed regulations that make this one seemingly simple outcome a daily reality.

It's the same with **POEMs (Public Official E-Markets)**. Low-income users should just experience interfaces, data, and tools constantly making it as easy as possible to increase their earnings and get as many hours of economic activity as they need. Like water regulations, the MATS formula underpinning that must be published. But it would be a sign of its success if the public don't bother to read it.

The need for a MATS: Bulldozers v. bicycles

Any system of markets with access to government facilities will have advantages over alternative trading forums. Assuming revenue comes from a **fixed percentage mark-up** on each transaction, for-profit operators will want to apply their unique benefits to high-cost transactions. But policymakers are extending those facilities to create opportunity for the less well off. Somehow, an operating consortium need to be incentivized, cajoled, or forced to focus on low value trades.

To make this issue tangible, consider a market within POEMs (Public Official E-Markets) that allows anyone to rent out their bike when it's not needed. Even if that only nets each seller around \$2 an hour, it helps them build economic resilience. But a **truly comprehensive market** for bike rental has the same software needs as a market allowing any construction company to rent out their bulldozer when not required. Those assets can command \$5,000 an hour.

In each case: The resource may be traded for hours, days, occasionally weeks. A possibility of damage during the hire requires functionality for follow-up resolution. Someone, possibly a third party within the contractual chain, has to check the item out and confirm its condition on return. Delivery to the renter's location may need to be part of the transaction; a teen cycling the bike round, or a flat-bed truck with escort vehicle for an excavator. Insurance may need assembling to underpin the deal.



The Financial Director for a consortium running POEMs will very quickly start looking for these commonalities across diverse market sectors. She will also see; people who hire bikes are less predictable, legally compliant, and homogenous than the regulated entities who have bulldozers to offer. And bike hires can be short (*"15 minutes to get to work"*). This all adds enormously to complexity the software must manage. An unrestrained POEMs consortium would build what's needed to rent bulldozers, possibly scaling it down for bikes as an afterthought.

Bikes and bulldozers are one example. At the backend, POEMs needs a suite of mechanisms for transactions. Each handles purchases with specific characteristics, and each will have **high value and low value applications**. Software that can manage letting of short-term domestic storage (*"I want to rent the space in my shed"*) is immediately ready to trade rental of expensive advertising hoardings. Enabling trading in bespoke adjustments to garments needs management of a cycle of; seller assesses project, submits plan, gets commissioned or re-submits, executes plan and obtains buyer sign-off. Expensive specialist architects have the same needs. In each case, the lower-value sellers are the more challenging.

Options for the legislation

How could the [concession](#) that creates POEMs ensure asset-light individuals or small businesses and their complex markets are the unrelenting focus of a winning consortium? As an example, assume the biggest desirable trade within POEMs is set at **\$50 per hour** for short-term hire of a person or item, and operator's mark-up on each purchase is 2%. Possibilities to drive a focus on small transactions include:

- **A hard cap:** Legislation could baldly state; POEMs is **not permitted** to trade any asset with a unit cost above \$50. But this creates an abrupt ceiling that will distort activity. Imagine a user who starts out offering book-keeping services; a year later his diligent track record has earned training as a junior accountant, then he progresses to forensic accountancy for which free-market rates could peak at \$60 an hour at tax time but settle around \$40 the rest of the year. POEMs should not be stopping that ascent in earnings when demand is high.

- **Defined sectors:** Legislation could list what **POEMs is allowed to trade**. That seems unwieldy. A family renting out their child's sailing dinghy when not needed is in the zone for financial empowerment. But their cabin cruiser? Is that too close to a superyacht? POEMs of course will have a market for lawyers. It would probably be the first stop for users wanting to challenge system classifications for boat hire or in thousands of other sectors. But that disruptive activity is one sub-sector legislators won't want to artificially promote.
- **Tapered mark-ups:** Could operator's commission **reduce** for higher value trades; 2% for up to \$50 value, sliding down to 0.001% for a \$5,000 an hour rental? That would have low-income bike owners subsidizing asset-rich construction giants. That's won't build faith in a system committed to empowering people at the bottom of the pyramid.
- **Cap operator earnings at the ceiling:** Our example settings - \$50 an hour maximum value allowed, 2% commission on each trade for operators - ensures the most a consortium can earn from any one-hour rental is \$1. That could be set as a cap for what operators can earn, regardless of what buyer is paying seller. It recognizes that creating an enormously efficient, officially backed, trading machine, then not allowing bulldozer owners the option of using it seems pointlessly restrictive. Construction creates housing, public amenities, jobs and peripheral work opportunities. If it deploys the available bulldozers more efficiently, that's good for a range of stakeholders. The same seems true across other sectors reliant on high value resources.

A cap on operators' earnings from each transaction would ensure; for a \$5,000 hour of 'dozer rental, POEMs deducts its standard 2%; \$100. But only \$1 is sent to the operators. They are still earning more from trading an excavator than a bike. But there are probably thousands of bikes for every bulldozer in the economy, so serving bicyclists is a more exciting market. The remaining \$99 would go to a Surplus Fund.



This should push operators to create a gentle taper in a user's experience of the system. The ambitious accountant – for example - will sense the system doing everything it can to get him up to \$50 an hour. But as he climbs higher, POEMs gets less interested in giving him tools he now needs. He might want specialist tracking for his hours as an auditor to reach \$80 an hour for instance. POEMs won't provide that functionality; operator resources will be focused on getting a next wave of users to \$50-an-hour. But **specialist service providers** can interface into POEMs, building in their own charges on top of POEMs' commission. He can select one offering hours-tracking for auditors.

Assigning the MATS surplus: A "First Rungs" strategy

Assuming the last of our options above, many millions of dollars could accumulate in the "MATS Surplus Fund". How could it be spent?

- **Investment in POETs functionality**: Not advised. This would incentivize operators to focus on high-end transactions because they will fund a better system.
- **General taxation**: The surplus could be directed into government coffers. But then politicians will want to see expensive items favored in POEMs. The system needs to be robustly independent, shaped by wider economic policy, not skewed towards its potential as a cash cow.
- **Market hygiene**: Processes like arbitration in cases of irresolvable disputes between a buyer and seller will keep the platform’s markets clean and trustworthy. Serial complainers can be identified in an accountable process, and sanctioned. Cases could be funded as low-bore court cases are now, with winner awarded costs. But some victims may still be unable to launch an action. The Surplus Fund could act as a form of legal aid.
- **Bonuses for operators**: The surplus could boost operators’ bottom line if they meet key targets for output. An obvious possibility; job creation. So, 50% of the current surplus might be paid out for every 20% of POEMs users that transition out of the market into full time employment for at least 6 months as tracked by payroll data. This has the benefit of rewarding behavior that is good for users but illogical for operators; fostering off-platform relationships. But it could result in POEMs trying to drive users out of the system, favoring job creation tools at the expense of ongoing variable arrangements that enhance possibilities for people needing flexible work.
- **“First Rungs” investment**: This is our suggested option. The funds are used as investment in people who are struggling either to get into POEMs’ markets or are not increasing their earnings having done so, probably due to skills mismatches or rough times personally. The kind of initiatives to be enabled could include:
 - **Guaranteed Work**: Funds pay for publicly beneficial, entry level, tasks such as public space clean-ups or shopping for the housebound. This work is directed towards low-earning market users with low utilization. It enables them to build a track record and start moving up the income ladder.
 - **Outreach to non-users**: Pools of provenly reliable workers with care experience in POEMs could be offered training as “Peer Navigators” who then get booked to support individuals who are homeless, uncomfortable with technology or otherwise in risk of being economically marginalized.



So, someone just out of prison might be offered 20 one-hour sessions with a Navigator who lives locally and was themselves formerly in the justice system. Meeting in a café or library, the client is supported through POEMs registration, vetting by a specialist intermediary and

on to first bookings. The Navigator completes pro-forma reporting at the end of each session, possibly earning a bonus when their mentee completes 10 hours of paid work. They are of course trained to spot when referral to professional services is required.

- **Extended reach:** POEMs terminals in facilities used by the homeless could extend opportunity. That's particularly true if the initiative was coupled with others on this list.
- **Training:** Individuals in low-paying, high utilization sectors could be offered retraining for more in-demand types of work in their area.
- **Seeding demand:** Perhaps cat-sitting is a good step up from minimum wage in some parts of a city but not others where the sector has yet to ignite. Strategic subsidies in underperforming areas could start a flywheel of buying and selling that allows sitters to up their earnings.

The Surplus Fund could, of course, be allocated without human judgement by applying a formula to POEMs' detailed data to make the decisions. But this predictability could incentivize gaming of the rules; by government, charities or individual users. For example, it might be worth artificially keeping earnings low if you know in another week that will trigger paid retraining. So, the fund could be allocated by a less predictable independent panel of stakeholders, as [lottery cash](#) is in many jurisdictions now.

First Rung Investment would position POEMs as a tool for economic inclusion that extends beyond the immediately techno-literate. It incentivizes operators to grow functionality that brings uncertain new users into trading, with the system facilitating all sorts of support. (Because operators get 2% of each hour of a Peer Navigator and of each hour a new user works.) Users generally will benefit from the network effects of a growing userbase, and potentially lower public assistance costs.

Philosophically, First Rungs investment makes clear POEMs belongs to regular people. High-value trades can go through it if buyers and sellers wish. But a levy will be paid to support its intended beneficiaries.

Sizing the MATS

The concrete figure that replaces our example \$50 **maximum value setting** above will vary between regions. There are two factors to be determined:

- 1) **What is the unit?** A MATS (Maximum Transaction Size) will need to apply across different units of sale. The main ones are:
 - **Hours:** This should cover the bulk of POEMs trading. Workers and resources are offered for a per-hour charge.
 - **Overnights:** Vacation accommodation, mortuary slots, industrial storage, conference equipment, and other resources trade typically in 24-hour blocks.
 - **Miles:** Any offer of a journey will factor in distance travelled.
 - **Sales:** When a user wants rid of – for example - their wardrobe there is a one-off sale price.



It's imperfect, but we advocate aligning these units by making overnights count as a single hour for MATS calculation. That would drive operators to focus on individuals renting a room rather than serving luxury hotels. Mileage charges can be aligned based on average distance covered in an hour. So, if a journey is likely to average 50mph, a 50 mile journey counts as one hour when the MATS is applied to the transaction. Sales of items can use the MATS figure directly; so, operators would become less interested in serving the sale of any item costing over \$50.

The danger in determining MATS units is fostering artificial atomization of assets. In an exaggerated example, operators might structure a market for car sales so it directs sellers to split their \$50,000 car into 1,000 lots. Buyers are then encouraged to purchase all lots to gain ownership, resulting in 1,000 X 2% accruing to operators. Mandated transparency can guard against this kind of structuring but there needs to be a test describing acceptable levels of granularity in the legal framework.

- 2) What is the MATS setting?** Three-times-minimum-wage is our suggested starting point for a developed economy. It creates headroom within which operators will strive to develop functions that grow each user's income to that ceiling. System support will plateau at a point where a seller should be ready to sustain an upward trajectory.