

# Modern Markets and the Social Safety Net

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## Briefing

Access to the best possible markets is vital in an uncertain economy. Those markets can run a social safety net based on data and tools that are not otherwise viable.

Insurance and welfare can be made seamless with diverse economic activity, delivering precise allocation of resources and responsiveness. Transparency, lowest administration costs, and verified outcomes data should increase support for assistance.



## CONTEXT: How better markets can supplement welfare institutions

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Too many commentators see a focus on “markets” as advocacy for capitalism “*red in tooth and claw*”. They are misguided. Markets are simply infrastructure for matching resources with needs, shaped by laws. The extraordinary sophistication of modern markets could run an unusually supportive social safety net if operators wished, and laws enabled.

“Modern Markets for All” policy envisages a system of markets run by a regulated consortium independent of government. The markets cover all sorts of transactions across the micro-economy. (See [www.ModernMarketsforAll.org](http://www.ModernMarketsforAll.org).) The operating consortium would have every incentive to enable the most cost-efficient, supportive, accumulation of resources for social support, and their allocation to people in need, because:

- The consortium retains its small percentage cut of the resulting financial transfers as it does for all other transactions in the system’s markets.
- A comprehensive safety net attracts users to the markets.
- Enabling citizens to keep spending stimulates growth in the micro-economy.

This briefing outlines how the historic principles of social safety might be applied within a seamless, regulated, system of markets we call [POEMs](#): Public Official E-Markets. It assumes government will continue to set rules around the safety net and an operating consortium will be incentivized to maximize activity within them.

So, POEMs will run health insurance, sick pay, retirement funds, employment insurance, and unemployment support for anyone who chooses to use it. It can of course also offer paid holidays, childcare plans, death benefits, maternity pay and new benefits for an evolving economy.

## 1) How POEMs reduces strain on the safety net

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### Healthy markets as first-line support

Current assumptions about welfare and insurance are typically based on an institutional view of the economy: Employers hire people for 40 hours a week, unions protect workers from exploitation, and government takes care of anyone who can't be supported by employment.

That industrial-era view is falling apart. In future, more and more people will be earning from [multiple sources](#), engaging in an array of economic activity. POEMs helps each of them achieve their Total Economic Potential with markets and insights that offer personalized steppingstones to increased skills, earnings and stability.

As it does this it gains troves of data about:

- Each person's certifications, capabilities, reliability, adaptability, times of availability and travel area.
- Demand, supply and earnings potential in each market they enter, or could enter.

To make this tangible, imagine an Iowan working as a tractor driver, bricklayer, public road repairer, and traffic warden while also renting out his mountaineering gear and fixing engines. He will generate personalized data in each of those markets. That can be compared with aggregate data for those sectors, and thousands of others, for his corner of Iowa, or anywhere else that he may want to live.

Using this data, POEMs constantly emits market signals that help its users stay out of the safety net. Our Iowan's brother may wake one morning to a sudden announcement the factory that has employed him full-time for 10 years is shuttering. The POEMs user is more likely to wake to an alert that he could now profitably add solar panel installation to his types of work. The notification might tell him there's a skills shortage locally with high pay resulting, he has 80% of the certification needed and tractor driving, where he gets 40% of his income, is heading for over-supply locally. He can constantly, subtly, respond to shifts like this long before they deposit him on welfare.

At a personal level, if our Iowan starts to get twinges of back pain, he might tell POEMs to find a path out of bricklaying. Training and certification for house painting, furniture repair, or other less physical skills are a click away, along with localized data to inform his thinking and effortless, immediate, market entry. He can put down his hod long before its time to see a surgeon.

### Specific factors easing need for social support

Within the hyper-informed, diverse, economic activity outlined above, POEMs should:

- a) **Stimulate demand:** POEMs removes costs, uncertainties, and inconveniences around the purchase of goods or services from unknown sellers or workers. Planning to do your laundry this afternoon? POEMs can get it collected and done for you by a neighbor with a couple of taps on your phone. It is as cheap, fast, and safe a transaction as possible. That load of washing then helps someone else move up their personal ladder of potential. The new markets are driving growth that keeps people out of the benefits system.

- b) **Keep wealth local:** Funds are constantly recirculated. If you become confident enough in POEMs' sellers not to bother replacing your washing machine, your household laundry budget will now be going to a neighbor rather than a far-off manufacturing facility. Likewise, investment tools in POEMs could rival Wall Street's in their data-driven precision. But they are focused on local upskilling and facilities, not international financial maneuverings.
- c) **Enable economic stabilizers:** POEMs' seamless collection of tax, if a user permits it as an alternative to end-of-year forms, allows for Keynesian balancing across economic cycles. In a soaring economy, reserves for the safety net can be delicately increased through tax rises, in a fall; demand could be stimulated by reducing the tax take. None of this need require time-lags or ponderous analysis. Stabilizers could be rules set by government, transparently applied by POEMs, that minutely brake/accelerate activity with minor tweaks each day. And those rules can be sector by sector, or area by area, cooling the market for car rental in one corner of a city while boosting trade in bookkeeping in another.
- d) **Improve the tax base:** POEMs should not only increase economic activity while making tax collection seamless and painless, it should push its tentacles into the shadow economy. By removing overheads, increasing market depth, and constantly driving convenience it should begin to diminish some of the current attractions of off-the-books activity.
- e) **Bring in new resources:** Tackling issues like homelessness is dependent on resources. POEMs can unlock resources that would otherwise stay outside the market, for example by incentivizing rental of temporarily empty buildings to government by the week, or even by the day, with instant access to inspectors and hostel staff plus hire and transport of furnishings. Shelters can be opened and closed, in line with day-to-day need.

## 2) How POEMs can reshape social support

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Again, discussion of "efficiency" in social support can be read as a euphemism for cutting welfare. That reflects calcified current debates. Within the right markets, "efficiency" should mean ensuring funds are robustly managed, and accountably directed in response to scale of need.

Some features of the safety net in POEMs that would be most different from today's welfare regimes:

- a) **Generation of new revenue for social support:** [Legislation](#) establishing POEMs needs to address an issue of "[Maximum Average Transaction Size](#)", and the surplus it can generate. Broadly, the consortium operating these markets needs to be compelled to focus on transactions with a small unit size. But a sophisticated trading platform for the bottom of the economy could easily serve the top, where transactions are simpler and higher value.

To deter operators from focusing their government-bestowed facilities at the top, system earnings from bigger purchases are routed to a fund for “First Rungs” initiatives such as using established workers in POEMs to support strugglers in the markets. This grows market activity (which is good for the consortium) and boosts employment.

- b) **Fostering of early interventions:** Low-cost, community level, intercepts at the first signs of trouble can become routine within POEMs. Take the lowan’s brother laid off by his factory. His job center may immediately offer 10 one-hour sessions with a Peer Navigator, a provenly reliable worker in POEMs who has been inducted into supporting labor market re-entry through the system. POEMs matches anyone qualifying for support with a local, compatible, Navigator.

In the first hour session, the laid off man might meet his Navigator, of similar age and background, in a café or library. The Navigator has pro-forma reporting to complete to track results. His training included recognizing when a client might need diverting into specialized medical or social work support. But if they continue, the Navigator might register the Client on POEMs, help him through the vetting process then accompany him on the first three bookings. For an investment of perhaps, \$350 including a share of the Navigators’ amortized training costs, the client has started a new way of working in a system that will strive to advance him.

- c) **Widened work options:** American adults outside the labor market are [comprised 70%](#) of individuals with disabilities or caregiving commitments. It’s reasonable to assume many of these people would like to work but finding a job that accommodates their complex lives and personal limitations is challenging.

But a buoyant markets system would have pockets of demand suitable for those with restricted mobility. Clothing alterations? Contact tracing? Bespoke cake making? Phone sales? Receiving deliveries for neighbors? Pet sitting? The system can show each person where their best options are currently in thousands of sectors like this; and put them into as many markets as they wish on their own terms.

- d) **“Fit-around” upskilling and job interviews:** POEMs knows the hours when each user is available to work; today, tomorrow or weeks ahead. But few individuals will be booked for 100% of the hours they could work. Unengaged hours can be used for training or POEMs will schedule filtered job interviews. That allows the person to learn and gain accreditation in ways that allow paid work to always be a priority.

To make that concrete; imagine a work-seeker keen to get his motorbike licence. He might be available for work from 2PM to 6PM today but have told POEMs *“If I have no booking by 1PM, get me the next module of my motorbike training from 2PM to 4PM”*. The system maintains a market for certified motorbike trainers and another for rental of low-power bikes suitable for learners plus an exchange for people willing to collect/deliver motorbikes. It knows where each trainer will work and on what terms. A session can be assembled for the work-seeker so his hours after lunch today contribute to his rise, even if there is no paid work at that time.

POEMs could likewise slot in face-to-face coaching, volunteering, “meet the buyers” sessions in sectors that interest him, or peer support in his “available-but-not-booked” slots. It would all be

under his control, accredited and helping him build a verified track record. But paid work always comes first.

- e) **Automated targeting:** There could be no need to apply for benefits. POEMs might proactively offer them once certain thresholds were breached by an individual. Assume – for illustration - each user has an “[Opportunity Feed](#)”, a personalized set of daily insights and offers aimed at increasing their earnings. This is how our lowan, above, would have learned about shortage of Solar Panel Fitters for example.

That feed can seamlessly include benefit entitlements. So, the parents of three children whose earnings this week fell below \$600 might see a link in their feed allowing them to claim additional income based on certain conditions that they allow POEMs to enforce. Or Earned Income Tax Credits (negative income tax) might be seamlessly calculated and applied to their accounts. There’s no looking up current thresholds, application processes, or payment windows.

### 3) The mechanics: A safety net fund in POEMs

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The basic function of a safety net account in POEMs remains as in the non-POEMs world. But the system can automate many of the processes while ensuring transparency and auditability. In this example, we will use a “Superfund”, one that is set up by government and perhaps subject to an [individual mandate](#); its deductions are compulsory in specified circumstances.

The fund is a repository of digital money within POEMs defined by rules. By way of example the most basic rules for a fictitious fund might include:

- **Fund title:** For this instance, “*Massachusetts seniors additional mobility support*”
- **Intake rules:**
  - In what circumstances will the fund extract a charge from the payment for a transaction? For our sample fund that might be when the worker is resident in Massachusetts, is over 50 and has paid less than \$5 into the account this week.
  - How much is to be taken, from which party? Perhaps 0.4%, added to the rate paid by the buyer for the worker.
    - Are there rules that can change amounts deducted? Perhaps increased based on levels of reserve? Or an individual’s withdrawal rate? Or the buyer’s risk levels?
  - Who can top-up the fund? Perhaps a state health department can supplement the fund’s reserves.
- **Payout rules:**
  - Who is entitled to claim payouts from the fund? In this example, anyone who paid a minimum \$50 into the fund over the previous two years and is has passed their 60<sup>th</sup> birthday.
  - What conditions must be met to trigger a payout? Perhaps a licensed physician issuing a code telling POEMs the person qualifies for payment.

- Are conditions attached to payout? These might limit the funds to being spent in POEMs' markets for rental or purchase of mobility aids for example.
- **Management rules:**
  - How much must be kept as reserves? Assume 50% of outgoings in the last 6 months.
  - How are deposited funds to be handled? Can they be invested within POEMs? Outside POEMs by authorized users? The rule in this case might be any surplus in reserves can be invested in POEMs most safe loan markets only on a four week cycle.
  - Who is authorized to close the fund? What happens to its current reserves if they do? Maybe in this case, the state, with any surplus distributed pro-rata to anyone who paid in during the preceding year in our fictitious fund.

In reality, rules would be much more nuanced. But the system will standardize them around questions like the above. That allows users to quickly grasp what the fund is doing, and how it could act in future.

This fund, for which POEMs' operators deduct their small transaction charge as payment for administration, could have been set up instantly. Each person using the fund can see accounts of their payments and receipts verified to the last penny. "Superfunds" covering, for example, retirement pensions could store and process many billions of dollars.

An issue here is the necessary rule that no-one be compelled to use POEMs. This part of the [enabling legislation](#) helps public acceptance and keeps operators on their toes. Because the population is able to interface with government in other ways, there is no lock-in of users. So, operators must constantly fear an exodus similar to a run on a bank if faith in the system's integrity is ever lost.

To maintain POEMs as a choice for citizens, a traditional version of any legally compulsory fund must be maintained with standalone online registration, application, and claims forms. It may be that POEMs' operators are obligated to fund this parallel system, which might be controlled by government as such systems are now, as part of the [concession](#) they win.

#### **Some features of POEMs safety net funds:**

- a) **Reliability record:** At the core of each user's relationship with POEMs is their record of reliably honoring commitments into which they enter. Interactions with the welfare system become part of the record. The user can leverage this record as they wish. It's akin to the way a clean driving license enables a motorist to access cheaper car insurance. Any breach of the conditions of welfare would negatively impact the POEMs reliability record, and the options it might attract for the user.
- b) **Transparency counters discrimination:** A POEMs fund doesn't make judgements based on color, gender, or background. Its decision are powered by software that is open for inspection by any user applying rules that are transparent. If it is accused of [redlining](#) geographies for instance, there can be instant scrutiny and challenge.
- c) **Rules can easily include tapers:** If the aim of a fund is to encourage recipients to find their own level of self-support, a fund can include tapers that have proven [challenging](#) to implement in

current systems. For example, someone with debilitating depression and entitled to \$200 of public assistance a week might see that entitlement reduced by any earnings through the system dollar for dollar. But it's, again, using a shovel when POEMs can offer a scalpel. The claimant could retain 75% of his earnings on top of assistance for up to five hours work a week, then 50% for the next five hours, and so on. Obviously these rules could be more responsive.

- d) **Ringfenced markets:** POEMs can run sub-markets for the vulnerable. For example, a market for individuals with agoraphobia might be limited to buyers of labor who had been vetted and trained in this workforce's needs and potential. A "work buddy" might be automatically assigned to each booking. Educators or social workers would decide who needed to use one of these markets to grow their potential before possible entry into the wider markets. This protective market, which also fosters availability of support workers, could be interfaced into public assistance.
- e) **Better matching of resources:** Current models for the safety net tend to focus on cash entitlements. POEMs could disperse these flat rate allowances of course, but it would be crude compared to what the system could do.

As an instance, assume an older lady coming out of hospital and needing care at home for the next four weeks. She might now be entitled to \$5,000 worth of care workers and medical aids. But POEMs would have high turnover markets (originally [seeded](#) with government demand) for care aides, medical appliances, home modifications, specialist transportation, and countless other support facilities. It knows patterns of localized demand, supply and pricing in each.

It can instantly pull together a wheelchair, sterilized between rentals by a certified specialist, a ride home in an adapted vehicle by an approved supplier, and scheduled visits by neighborhood care workers selected by her family. She is much less likely to become a [bed-blocker](#), tying up hospital resources because it is difficult to arrange the diverse resources needed if she is to be in her own home. And the exact costs of her care are determined in open, transparent, deep, micro-markets.

#### 4) Competing funds

The above section outlined one fund within POEMs. But the system should use its tools to encourage a constantly evolving array of both mandatory and discretionary safety net funds with users free to choose between them. The system can switch users between funds, if permitted. And it can filter improved options into "Opportunity Feeds".

So, someone seeking enhanced disability insurance might be attracted to a fund set up by a financial institution that requests, then evaluates, her POEMs track record of earnings, reliability, utilization, and adaptability to project future earnings. Their proprietary formula might assess her likelihood of needing insurance and offer her an individualized rate in seconds.



She accepts the quote by authorizing POEMs to deduct sums from her earnings while allowing it to monitor her compliance with any conditionality inherent in the offer, and alert the insurer if she fails to honor the commitment to which she has agreed.

A vibrant POEMs will have many thousands of funds competing for users. Each is transparently administered, protected by the system, and auditable. And the system can be ever vigilant for better deals. The user taking out additional disability cover could get an alert in her Opportunity Feed at any time saying she was now eligible for a rival fund offering better terms. Individualized patchworks of precise funds allows a much more tailored form of public assistance.

## 5) Keeping welfare palatable

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Public support for welfare can be tenuous; perceptions of waste, over-softness, or politicized targeting spill over into [punitive](#) rules. POEMs won't move entrenched views and it has no remit to supplant decisions by elected officials. But it can justify expenditure by administering a sophisticated welfare regime transparently, at very low cost, and with constant data to underpin allocations.

Crucially, POEMs is not run by government. Its animating force is a for-profit consortium incentivized to maximize economic activity for regular people and local businesses. A safety net within the system supports that. So, expect a wider range of players in welfare, each able to pilot and assess initiatives that would have been impossibly overhead-laden pre-POEMs.

As a simplistic example, imagine a philanthropy wants to make a case that up to 20 hours of free childcare for low-income single parents can enable them to broaden their range of work and result in a 15% uplift in earnings. The charity might create a POEMs fund with an initial \$10,000 and define a area of the city for piloting. POEMs will use the cash, within the funder's rules, to buy childcare within each parent's parameters as they get work assignments.

POEMs' tools for managing an intervention will target, administer, and audit outcomes with precision that can't be conceived by today's welfare campaigners. Expansion can be incremental. POEMs can handle large, suddenly launched, initiatives, but its precision could mollify opponents of welfare expansion with rapid prototyping.

Within this eco-system of diverse parties, trials, and rich data, some specific tools can demonstrate a welfare system responding to critics. It is worth repeating; elected officials set the rules, POEMs merely obeys them. But the system could:

- a) **Encourage market-led interventions:** Support for struggling individuals can come from the private sector, driven by self-interest. For example, manufacturers of solar panels might see lack of fitters in some key markets as a hindrance to business growth. An industry fund to quickly produce new fitters could be recruiting, training, and ensuring certification in hours. The precision with which training can be offered, over-supply avoided, and reporting automated in a POEMs intervention are [shown here](#) using the example of a market research company.

Philanthropy, individuals, or corporates could set up an intervention in POEMs as easily as government. (If an intervention is unattractive to work-seekers it will be ignored by its intended



beneficiaries.) Workers can use the system to protect and run their own co-operative insurance pool. Public funds will continue to be needed as a backstop, but arguments about crowding out private investment can be countered: the private sector has every opportunity to trial and expand whatever services and investments it wants at minimal cost.

- b) **Active identity:** [Welfare fraud](#) is expensive, destructive of families, and undermines public support for the safety net. It is typically practiced at low level with forged identities or faked personal details, while perpetrators know costs of detection and prosecution make it a worthwhile gamble.

Someone working through POEMs will be going through active identity checking. As they work for various parties each is, as a seamless part of confirmation, verifying the person in the system photo did what they said they would. The original record of identity cross-referenced an official passport or other database. It won't be impossible to have a fake account on POEMs but it will be much harder work than now, with a range of Artificial Intelligence tools possibly permitted to look for patterns that suggest abuse. Building up a fraudulent pattern of activity with diverse counterparties, themselves under active identity checking, would likely be more work than it is worth.

- c) **Guaranteed Work:** A city government might set aside \$25m a year for park maintenance, graffiti removal, sorting fly tipping and other entry-level work to be carried out under supervision. This demand for labor is then spent on local people meeting specified criteria.

So, as example, a school leaver with no job or training might have a right to 12 hours of Guaranteed Work a week at locations around her home. As soon as she starts doing that through POEMs, the system will be working to understand her potential, aspirations, and pathways. Raking leaves isn't glamorous, but if she proves reliability over a few day's work, the system can start hunting for training in higher level tasks knowing she merits progression.

Guaranteed Work is a low-cost step towards [Universal Basic Income](#) or [Government Jobs Guarantees](#). It could be more politically acceptable; well-off citizens won't do the work, so funds are targeted precisely. There can be no allegation of creating sinecures, just a chance for demonstrably hard-pressed individuals to prove themselves and start ascending a personalized ladder.

- d) **Conditionality:** Where a person is able to work, welfare rules might mandate that they make reasonable attempts to find employment. That could include having a POEMs account and setting controls that are commensurate with norms for similar individuals.

So, an able bodied, 25-year-old might qualify for support payments only if he listed at least 30 hours of availability for work in the preceding week and was willing to travel up to 5 miles with a minimum two hours' notice for any assignment, or job interview, for which he qualified. He is then allowed to reject only 10% of such bookings that the system finds for him, possibly tapping into Guaranteed Work pools (above).

Conditionality of benefits is a politicized issue. POEMs is not part of that debate. The system is absolutely not to displace democracy. If elected officials legislate for conditionality, POEMs must

enforce it. But this can be done neutrally, supportively, and [more humanely](#), than many current attempts.

- e) **Incentive to keep costs down**: POEMs' funds may pay out vouchers to be spent in the system's markets. For example, a youth with a sports injury being given a code that allows purchase of \$250 worth of physiotherapy. POEMs features a market for certified physio's. The patient can decide how to balance times and locations he would like to be seen against a knowledge that opting for less popular slots could get him more treatment.