

# An Emerging Opportunity for Recovery: “Modern Markets for All”

Wingham Rowan

## Key Points

- Markets — for labour, finance, goods and services — are evolving rapidly, driven by new technologies.
- This evolution is dramatically bifurcated: First, powerful institutions, notably on Wall Street, have been able to shape a new generation of trading exchanges that are uniquely empowering. Second, new labour markets, in particular for low-skilled workers, tend to commoditize and cheapen workers. Successful labour platforms typically extract 20–30 percent of earnings, often while campaigning aggressively against worker protections.
- Governments have unique leverage that could initiate improved markets for the assets that individuals and local businesses sell.
- Technology companies could be incentivized to fund, design and operate an official e-markets platform in which anyone can pursue their fullest economic potential. If such a platform were well executed and widely adopted, it could unlock diverse assets and potential across the economic bases that currently remain dormant.

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## Introduction: The Evolution of Markets

Markets, where buyers of any resource meet sellers, are, of course, the cornerstone of a capitalist economy. A range of technologies have created new possibilities for markets, starting roughly in the 1990s.

These technologies include advances in authentication, connectivity, displays, fulfillment, network security, interoperability, data mining and payments. Anecdotally, this transformation reached a tipping point in around 2015 when technological efficiency, public acceptance and investment appeared to mature. The impact of these developments accelerated from this point on.

Analysis of the resulting modernized markets shows they are distributed unequally around the economy.

Britain’s government took a lead in shaping improved labour market platforms for a new era of uncertain work. Those projects are now being replicated by public bodies in California in consultation with the Modern Markets for All non-profit.

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## Dissecting the Evolution of Markets

It is easy to be beguiled by a new market’s benefits for buyers, which typically include convenience, lower prices

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## About the Author

Wingham Rowan is a former British television journalist and now a self-identified “policy entrepreneur.”

His television career started as host of *Rowan’s Report*, a 1980s children’s series exploring the lives of unique youngsters. He later moved into producing live current affairs and politics programming as well as documentaries.

In 1995, he began producing and hosting a late-night weekly television series about the internet. Over its five-year run, he tracked the emergence of online technologies and became fascinated by their potential for economic inclusion.

Working with experts assembled by the London, UK-based think tank Demos, Wingham developed ideas about new kinds of markets for the economic base. This led to two books: *Guaranteed Electronic Markets: The Backbone of a Twenty-first Century Economy* (Demos 1997) and *Net Benefit: Guaranteed Electronic Markets: The Ultimate Potential of Online Trade* (Palgrave Macmillan 1999).

The UK government funded a first iteration of the technologies outlined in Wingham’s books. He led that initiative and now runs the Modern Markets for All non-profit company that emerged as a result. He is also senior adviser to the team launching the same market platform in the United States. Based at the public workforce board for Long Beach, California, the market launched in 2020 and is expanding with public funding in 2021. The program won the United States Conference of Mayors prize for best economic development initiative and was profiled in a March 2021 *New Yorker* article by Nick Romeo, “Should Gig Work Be Government-Run?”

and responsiveness. But the true economic impact is felt by sellers in each case. As one example, Uber is often classed as a transportation service (Cheng 2021), yet for its sellers, it is a labour market for the personalized hours of work many of them need so desperately. This policy brief focuses on the impact of any market on its sellers.

Evaluating today’s marketplaces is challenging. Operators are secretive (Marshall 2018), or actively misleading (Hook 2017), with their data. And the most powerful platforms can be out of sight. For example, Uber’s labour market policies have attracted investigation and criticism worldwide (Taylor and Goggin 2019), but the company had only 90,000 sellers in Canada in 2019 (Novak 2019).

Workforce scheduling systems such as Workforce Central 8 from Kronos (2016) are more impactful than gig work services. These platforms arrange the purchasing of day-to-day hours from millions of workers, but each installation typically matches many workers to work from only one buyer. Little is known about how this new breed of monopsony markets is being configured by each employer (McCrate, Lambert and Henly 2019).

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## The Rise of Unequal Markets

To evaluate today’s markets, sellers need to evaluate any exchange against certain factors (see Table 1).

### Inequality of Markets

The five factors listed in Table 1 have only materialized in markets for an elite in the economy. It is instructive, for example, to compare the exchanges now routinely used by the following:

→ **Wall Street traders:** Financial institutions typically trade their assets through software that interacts seamlessly with the world’s exchanges. Each bank’s system factors overheads into decisions about where to sell, driving down market charges. Data is granular and mined in real time, enabling automated identification of opportunities.<sup>1</sup>

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<sup>1</sup> CME Globex is widely regarded as the first such cross-exchanges system: see [www.cmegroup.com/globex.html#](http://www.cmegroup.com/globex.html#).

**Table 1: Factors Used to Assess an Online Platform**

Factor	Description
Depth	The most useful market imaginable will be used by 100 percent of possible buyers of the resource being traded. This liquidity widens everyone’s options, the quality of data generated and the efficiency of resource allocation. Today’s online markets can achieve close to this level of perfection when multiple online exchanges allow intermediary software to smoothly access them all.
Breadth	What proportion of a seller’s potential opportunities can the market source? For example, a freelance dental hygienist who also earns as a piano tutor, a babysitter and a dog walker while renting out her do-it-yourself tools and parking space when not needed would ideally have the option of seamless exposure to all openings for her skills and assets in one coherent trading forum.
Extent of functionality	How much control are sellers given over their terms and parameters of each sale? How nuanced, risk-free and informed is matching of buyers to sellers? Is real-time, detailed data about patterns of demand, supply and pricing freely available? Are interventions to support sellers enabled?
Overheads	What does it cost to use the marketplace? Low fees keep prices down, which generates activity, and earnings up.
Robustness of governance	Is the exchange neutral, aiming only for the best possible match between buyers and sellers, or is it skewed toward more profitable users? Can fundamentals such as privacy, transparency of processes, security and continuation of service be taken for granted? Are operators accountable to sellers?

Source: Modern Markets for All (see <http://modernmarketsforall.com/>).

Government bodies underpin interoperability of markets and settlement of transactions.<sup>2</sup>

→ **Low-skilled workers:** Absent public reporting of activity in these markets, Uber can be used as a proxy for a generation of commercial labour markets. As the highest-valued private company ever (Madrigan 2019) and pathfinder for countless emulators in diverse sectors,<sup>3</sup> the company has been widely scrutinized. Reporting has shown Uber misleading work seekers (Scheiber 2017), slashing pay (Lazarro 2016), distorting the market to favour workers least reliant on the platform (Cornell University 2017), systematically deceiving regulators

(Wong 2017) and spending aggressively to curtail worker rights (Murphy 2020).

These new labour platforms barely qualify as markets. They are slick ordering systems for fungible sellers who do as they are told for what an algorithm decides they should be paid.

## Consequences of Market Inequality

This accelerating bifurcation in the basic infrastructure of capitalism is so new, it is hard to separate out the trend’s specific impacts. But it seems worth taking two broad sectors (capital and labour) and comparing the fate of sellers in each. During the lifespan of modern

<sup>2</sup> The National Market System set up by the US government is one example: see [www.investopedia.com/terms/n/nms.asp](http://www.investopedia.com/terms/n/nms.asp).

<sup>3</sup> See, for example, [www.producthunt.com/e/uber-for-x](http://www.producthunt.com/e/uber-for-x).

market technologies, both financial markets and labour markets experienced weakening of regulation, new competition through globalization, booming demand and catastrophic collapses. But their quality of markets diverged steadily.

Figures 1 and 2 tell the story of the last three decades in the United States:

- **International financial trading:** The last 30 years saw acceleration of financialization. Resources were sucked out of mainstream economies to fund constant, highly profitable reselling of assets in newly efficient markets.<sup>4</sup>
- **Lower-skilled work:** Official data gathering is widely criticized as being unfit for today's technology-intermediated forms of employment (see, for example, Hyman 2018). But Cornell University's Job Quality Index captures the growth in precariousness, low

wages and insecurity that accompanied the rise of new market technologies.<sup>5</sup>

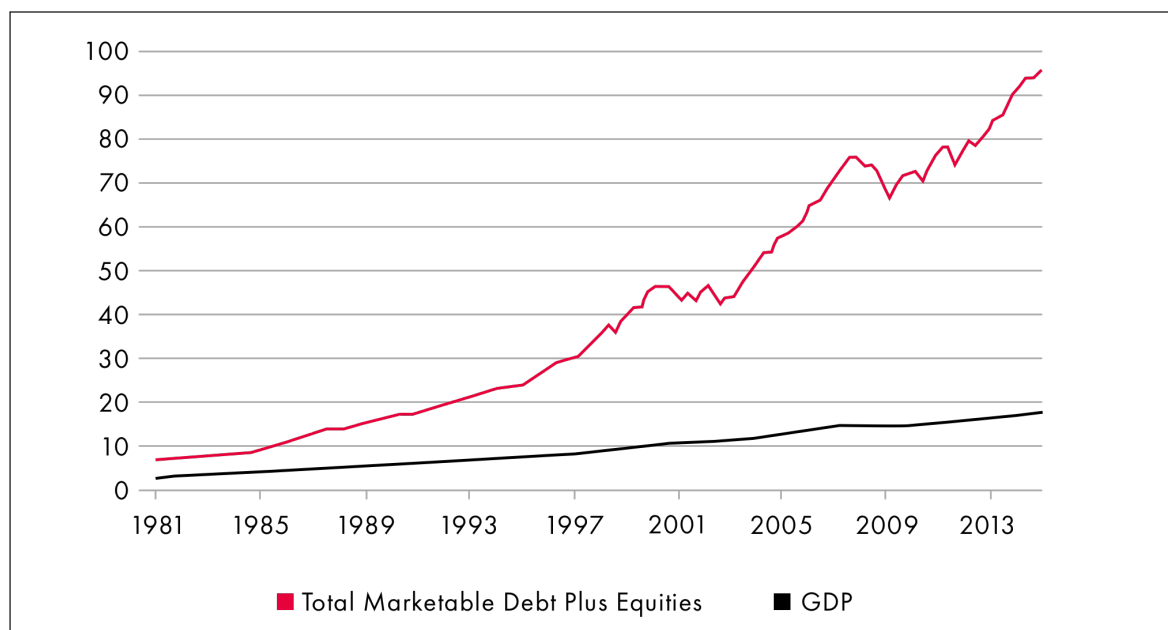
Both financialization and uncertain employment drive inequality, economic instability, lack of resilience and popular rage. Modernized markets cannot be the only causes of these deep-seated societal problems. But addressing today's stark inequality of markets between the top and the base of the economy could be a vital part of any solution.

## The Need for Policy

The best markets have emerged in areas such as Wall Street where sellers are powerful enough to shape a trading environment in their interests. Sellers in atomized markets such as labour lack the clout to mandate the markets they need. They can only follow as buyers migrate to new exchanges.

Government is the potential game-changer in this dynamic. Public agencies consume, regulate and support labour on a vast scale. This unique

**Figure 1: Financialization of the US Economy, in Trillions (US\$)**

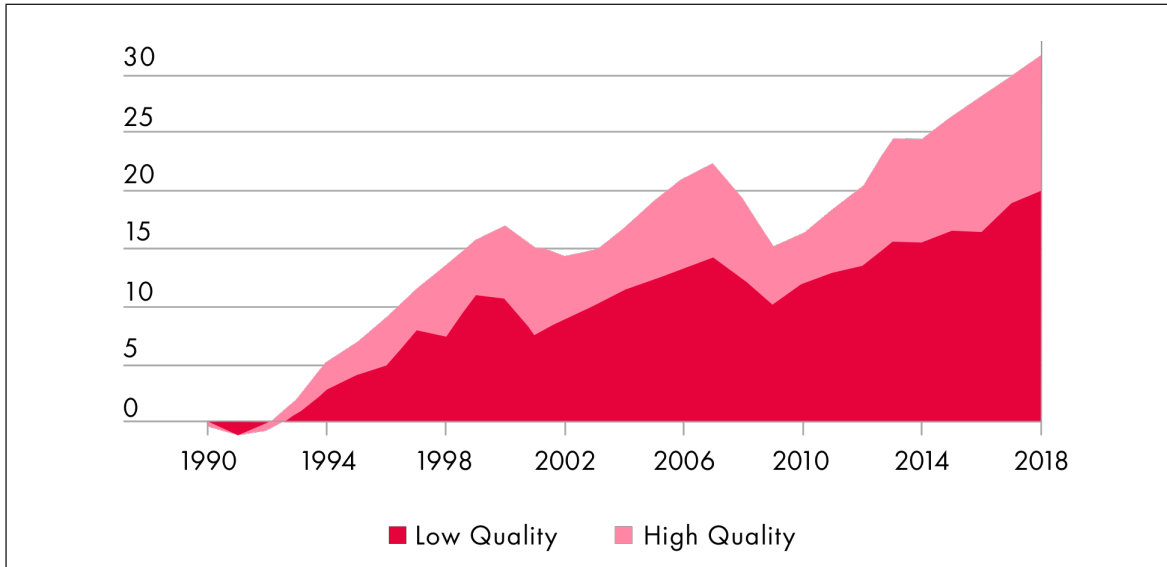


Source: Stockman (2015).

4 Only 15 percent of funds moving through the world's financial system are devoted to business investment; the rest involves trading of assets among financial institutions. The financial sector takes 25 percent of all private sector profits. See <https://economics.com/financialization-hidden-illness-rana-foorohar/>.

5 For a more detailed analysis, see [www.gmfus.org/publications/decline-employment-protection-and-rise-precarious-work](http://www.gmfus.org/publications/decline-employment-protection-and-rise-precarious-work).

**Figure 2: Net New Jobs Created in the United States (in Millions), by Type**



Source: Guilford (2019).

leverage across countless parts of government could be used to initiate improved exchanges.

The need for post-COVID-19 recovery heightens the urgency. If millions of citizens have their economic potential stunted by a lack of data, tools and stability in the markets to which their buyers have moved, it is taxpayers who foot the costs of slower recovery and public assistance. Mismatched resources contribute to climate degradation, economic inefficiency and lack of resilience. These are all problems that policy makers are expected to tackle.

## Policy Recommendations

Using regulation to force aggressive new labour platforms to interoperate, share data, treat users neutrally, slash their fees and make their operations transparent would trigger prolonged, costly and destabilizing battles. As one indicator of the likely response, when the California legislature enacted some modest protections for gig workers in 2019, platform companies invested US\$205 million to successfully reverse the act (Murphy 2020).

As a smarter alternative, policy makers could draw up a concession for a further system of online markets: public official e-markets, or POEMs. Focused on maximizing growth, opportunity, inclusion and possibilities for interventions, the platform should seamlessly trade any resource regular people or local businesses might sell through a five-factor exchange (explained in Table 1).

The devil is, of course, in the details of such a policy,<sup>6</sup> but in broad outline, legislation might look like the following:

Government provides:

- all public spending through POEMs unless better value is demonstrably available elsewhere;
- identity verification through official channels;
- interfacing with licensing authorities to check a user's legal entitlements (with their permission);
- automated referral to official dispute resolution channels, including the courts;

<sup>6</sup> There is a wider explanation of the legislation required at <http://modernmarketsforall.com/a-legal-framework-for-modern-markets/>.

- government-marketing channels to promote POEMs to citizens, businesses, tourists and investors;
- tax breaks to encourage activity outside of the shadow economy; and
- legal clarity on operators' obligations.

Operators who win the concession would be required to meet the following obligations:

- operators pay for everything, including public-sector interfacing;
- legal participants can sell or buy in any sector on the same terms, but operators cannot buy, sell, set prices or take a position in the markets;
- commitments are enforced around privacy, security and transparency;
- anonymized data on market activity is freely available;
- small, community-level transactions are mandated;
- a fixed-percentage mark-up on each transaction is the *only* return for operators; and
- each market sector is run by an independent franchisee (federal structure).

With start-up costs reaching billions of dollars, an initial concession might last 20 years. Its winner could be whichever qualified bidder commits to the lowest mark-up on each transaction for their return.

Crucially, once the concession has been awarded in a transparent process, government gets out of the way. If the project fails, consortium shareholders — not taxpayers — suffer the loss. If it succeeds, it widens everyone's choices with an additional channel for personalized opportunity, while shareholders get a small, but continuing, cut of all the new economic activity enabled.

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## Exploratory Steps

Inequality of markets is global. Any government could take the lead in dissecting this problem as a first step toward solutions. Canada may, for example, be nimble enough, big enough

and politically pragmatic enough to grasp the kind of opportunity Victorian Britain seized as technologies enabling universal postage, water supply and railways became viable.

Equally, a developing economy might find a path to leapfrogging the rampantly commercialized model of modern marketplaces by ensuring citizens have the option of officially backed, comprehensive trading exchanges before companies such as Uber reach critical mass locally.

In any jurisdiction, tentative first steps toward “modern markets for all” as a policy commitment fall into two strands of public enquiry:

- **Broad:** Commercial market operators such as Uber tend to frame analysis of their social value around their advantages over previous methods of booking transportation or finding personalized hours of work. A government enquiry could instead ask, “Do our citizens and businesses have access to the best markets now possible?” with the corollary, “If not, what are the consequences, and what could be done?”
- **Specific:** A public agency could assemble technology companies and financiers to probe the viability of a concession aimed at delivering the best markets possible across the economic base. What official backing would be necessary for financiers to fund the costs of building and operation in return for a viable markup on each transaction over a defined period?

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## Piloting an Officially Backed Market

There are discrete corners of any economy with immediately obvious need for more equitable, fully featured markets. Gig work is an example. Evidence points to strong growth, high overheads, exploitation, negligible opportunities for progression and significant off-the-books activity (Ziegler et al. 2020).

A government-backed market for gig work would simply be an incremental step. Developed nations routinely provide official, all-sectors, job-matching services as an alternative to for-profit job boards.

Canada has its national Job Bank;<sup>7</sup> Britain offers its citizens a national “Find a job” website;<sup>8</sup> and in the United States, each state workforce agency commissions its own universal job-matching platform.<sup>9</sup> Likewise, bodies such as Employment Ontario<sup>10</sup> provide physical employment centres alongside commercial staffing agencies.

The technology for an officially enabled Canadian market for all types of gig work built around protections, stability, control and progression for work seekers exists.<sup>11</sup> Funded by the British government (Watt 2010), in programs run by the author of this policy brief, this technology now sits in a non-profit for open sourcing<sup>12</sup> and was further launched in 2020 by public agencies in California.<sup>13</sup> Canada could use this system for piloting or create its own platform.

The challenge of any launch would be “market making” (Ewing Marion Kauffman Foundation 2018). It would be relatively easy for a city government in, for example, Toronto to announce it is launching a new platform for anyone seeking ad-hoc work in any sector. Based on experience elsewhere, this announcement would be followed by many thousands of individuals quickly entering their skills, getting vetted by the scheme’s labour market intermediaries and inputting their hour-by-hour availability.

But companies that are big users of flexible labour will likely hang back. With so many channels offering commoditized, compliant, lowest-cost labour, why should they switch to a platform based on empowering and upskilling workers while exposing them to ever-widening opportunities?

To resolve this impasse, a launch team must persuade hospitality businesses, retailers, care providers, building companies, distribution hubs and other big buyers of flexible labour of the benefits of a motivated workforce in which reliability and loyalty can be fostered. This is most easily done if public agencies in the launch

area take the lead in committing their diverse demands for flexible labour to the nascent market.

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7 See [www.jobbank.gc.ca/home](http://www.jobbank.gc.ca/home).

8 See <https://findajob.dwp.gov.uk/>.

9 See [www.careeronestop.org/jobsearch/findjobs/state-job-banks.aspx](http://www.careeronestop.org/jobsearch/findjobs/state-job-banks.aspx).

10 See [www.ontario.ca/page/employment-ontario](http://www.ontario.ca/page/employment-ontario).

11 It can be seen in demonstration videos at [www.cedah.video](http://www.cedah.video).

12 See [www.mm4a.social](http://www.mm4a.social).

13 See [www.pacific-gateway.org/worklongbeach](http://www.pacific-gateway.org/worklongbeach).



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