

OPPORTUNITY #29

WHAT IF REGULATORS COMPETED TO REGULATE?

RAPID RESPONSE REGULATORS

Decentralised, forward-looking regulatory bodies responding with agility to the groups and issues that they govern

WHY IT MATTERS TODAY

Up until 1750, economic growth averaged an almost flat 0.01% per person, per year.²⁸⁹ Based on this rate, it would have taken 6,000 years to double global GDP.²⁹⁰ Since then, and as a result of the first industrial revolution, GDP growth per person has been 1.5% per year and each generation has been around a third better off than the previous one.²⁹¹

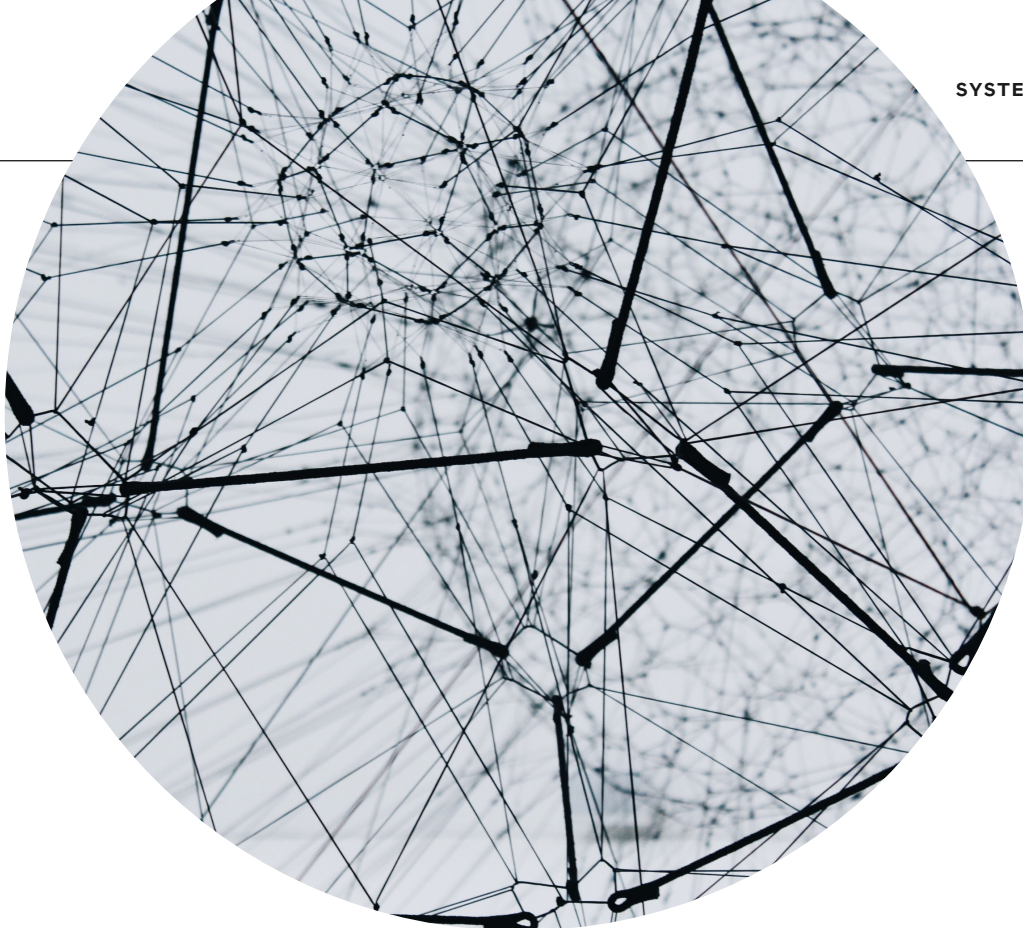
Such growth has created large, complex, competitive sectors which governments have acted to regulate. The first regulatory body in modern history was established in 1887 in the United States to regulate railways.²⁹²

Despite the economic impact of the Covid-19 pandemic, the global economy is expected to grow at 5.3% in 2021, the fastest in nearly five decades,²⁹³ before settling back to a rate of around 3.3% towards 2026.²⁹⁴ In the Middle East, the IMF forecasts aggregate growth of 2.5% in 2021 across 11 countries, not enough to fully offset their 3.2% contraction in 2020.²⁹⁵ However, governments in the Gulf Cooperation Council (GCC) delivered \$122 billion in economic stimulus packages²⁹⁶ which will continue to aid growth in the Middle East.

The sources of growth are changing, with much of the momentum coming from emerging technologies such as artificial intelligence (AI), augmented reality and virtual reality, blockchain, the internet of things (IoT) and 3D printing.²⁹⁷ These markets are expected to grow at rates between nearly 20% in the IoT market to nearly 70% in blockchain. The healthcare industry also continues to evolve as machine learning and AI become more prevalent. Between 2017 and 2023 spending on AI in health is growing at an annual rate of just below 50% and projected to continue.²⁹⁸ The global total transaction value of digital payments grew from \$4.1 trillion in 2019 to \$5.2 trillion in 2020,²⁹⁹ and in the United States data-driven businesses have grown more than eight times faster than in the global economy since 2016.³⁰⁰

SECTORS

AGRICULTURE & FOOD · ADVANCED MATERIALS & BIOTECHNOLOGY · AUTOMOTIVE, AEROSPACE & AVIATION · CHEMICALS & PETROCHEMICALS · CONSUMER GOODS · EDUCATION · ENERGY, OIL & GAS · FINANCIAL SERVICES & INVESTORS · HEALTH & HEALTHCARE · INFORMATION & COMMUNICATION TECHNOLOGY · INFRASTRUCTURE & CONSTRUCTION · INSURANCE & REINSURANCE · LOGISTICS, SHIPPING & FREIGHT · MANUFACTURING · MEDIA & ENTERTAINMENT · METALS & MINING · PROFESSIONAL SERVICES · REAL ESTATE · TRAVEL & TOURISM · UTILITIES



THE OPPORTUNITY TOMORROW

Dynamic growth in emerging sectors and technologies at the same time as wider availability of data both necessitates and enables more granular and nimble regulation, tailored to population groups, issues or regions.

Decentralised self-regulation, for and by end-users, can replace national regulators using advanced data monitoring capacity, making it easier to perform a watchdog role. Groups can opt to adhere to the regulatory bodies of their choice, with all reporting to the same 'super-regulators' who ensure that consistent standards are applied. This creates competition among regulatory bodies that enhances their efficiency, resulting in lower regulatory costs and boosting growth.

Regulation can thus be sufficiently agile to expand to new, fast-moving areas, such as the application of breakthroughs in genetics or advanced machine intelligence, making use of new technologies to set and communicate standards. The capacity for swifter regulatory change facilitates the spread of new business models, as well as technological and medical advances.

BENEFITS

Better adapted, more widely accepted regulation promoting shared societal goals for growth and prosperity. Reduced regulatory lag for culturally sensitive or divisive issues through more inclusive and rapid consultation processes and decision-making.

RISKS

Increased competition could create a fragmented regulatory landscape, unintentionally creating loopholes for arbitrage.