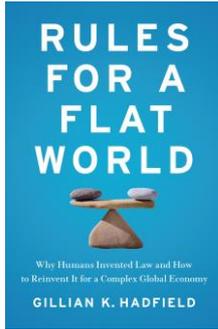


POLICY BRIEF

Rules for a Flat World by Gillian Hadfield



With the dramatic transformations brought about by globalization, digitization, and the rise of artificial intelligence, pressure on the rules of how we all get along is mounting. Calls are made on a daily basis for a rethinking of how we regulate new technologies, ensure fairness in an evolving workplace, and protect privacy, security, and sustainability around the planet. In short, our complex global economy has already developed beyond the limits of the current legal infrastructure, built for the industrial revolution and mass market national economy.

We know the future will need new rules. But do we know how to build them?

In *Rules for a Flat World*, economist and legal scholar Gillian Hadfield argues that our current systems for making the rules are no longer doing what we need them to do. They are increasingly inaccessible, expensive, and out of touch with the challenges facing people, businesses, and communities. This is as true in advanced democracies struggling with the latest technologies as it is in developing countries struggling to establish law-based regimes that might increase economic growth, reduce violence, and protect basic human rights.

Rules for a Flat World argues this has happened because of the excessively closed way in which most of these rules are produced: almost exclusively by government officials and lawyers operating with a monopoly over legal markets. Hadfield's solution focuses on the need to open up the legal ecosystem to allow diverse individuals and organizations to develop rules, practices, and regulatory technologies that work better and at lower cost. In other words, we don't only need to discuss **what** rules we want, but more fundamentally **how** new rules get built.

What are today's legal challenges?

Almost every great challenge we face is a challenge of building more effective rules and norms. For example:

- How do we develop controls for AI systems? And, how will we manage AIs that potentially start to build their own norms?
- Why don't we have a better way to manage the legal challenges of a global supply chain, a globally networked workforce, or global digital platforms?
- Should industry wait for self-regulation to develop, or pre-empt government efforts and try to shape them?
- When four billion people are still excluded from the "Rule of Law", are politicians and judges the right people to build legal systems in developing countries?

In short, digitization and globalization have "flattened" the world so that money, people and products are interacting more easily than ever before. Yet our antiquated, closed system has produced high-complexity law and choked off access to the legal tools necessary to build stable businesses and fair relationships:

- 70% of senior executives cited the **growing complexity of regulation** as their biggest challenge.
- 80% - 90% of Americans facing problems with legal implications handle them with **no legal help**.
- The law establishing the US Social Security system in 1935 was **40 pages long** while the Affordable Care Act in 2010 was more than **900 pages long**.

How can more open and responsive legal systems be achieved?

The key to better legal systems is harnessing **market incentives** to invent more effective, less expensive, and easier-to-implement rules and regulatory regimes, Hadfield argues.

Case study: HiiL Innovating Justice

As a not-for-profit social enterprise, HiiL unites legal professionals and researchers across the public and private sectors to improve not only access to justice but legal services themselves. Its Justice Needs and Satisfaction tool offers 40 metrics to assess such systems, making this data available to policymakers to shape reform.

HiiL also researches and develops new solutions and procedures for legal problems while supporting justice start-ups that seek to foster change. In Liberia, HiiL supported the extension of a Community Justice Team, providing trained mediators to resolve disputes in low-income areas. In Nigeria, HiiL championed a one-stop shop for entrepreneurs called DIYLaw to help small businesses streamline their formalisation.

Restrictions on legal markets in the UK and Australia have already been loosened, inspiring **new business models** for law to emerge. This has allowed for the **diversification** of legal service providers ranging from supermarkets to banks and insurance companies. LegalZoom, a US company, has also been licensed in the UK to contract lawyers to provide services through its advice website.

Yet, too few people are thinking about **how to evolve** our legal and regulatory systems themselves—and too many are steeped in existing legal approaches. More **diverse and responsive solutions** to legal challenges are possible with a more **bottom-up, market-based approach** that can attract the research and investment needed for new ideas to manage the complexities we face.

This is not a novel solution, considering the long arc of development of human normative systems. From the world of the hunter/gatherer to the courts of ancient Athens and the California gold miners of 1849, societies have updated and adapted their systems of rules whenever the complexity of their social and economic lives has outgrown earlier systems.

Recommendations

- **A new conversation:** legal infrastructure reform must move higher up the global political agenda.
- **A new legal market:** the monopoly of lawyers to deliver legal services and legal design must end, with more competition and investment to foster genuine reform
- **A new focus:** more research is needed on how the current legal system operates and how to make it more effective.
- **A commitment to new funding:** investment is needed in three key areas, including legal technology, regulatory systems, and legal infrastructure.

About the author



Gillian Hadfield is a professor of law and economics at the University of Southern California. Her expertise includes legal design and innovation that promote access to justice and economic growth. In *Rules for a Flat World*, she explores the challenges the world faces in developing legal frameworks for an inclusive and robust complex global economy, including how to make law more accessible, effective, and innovative.

www.gillianhadfield.com

@ghadfield