NEWSLETTER

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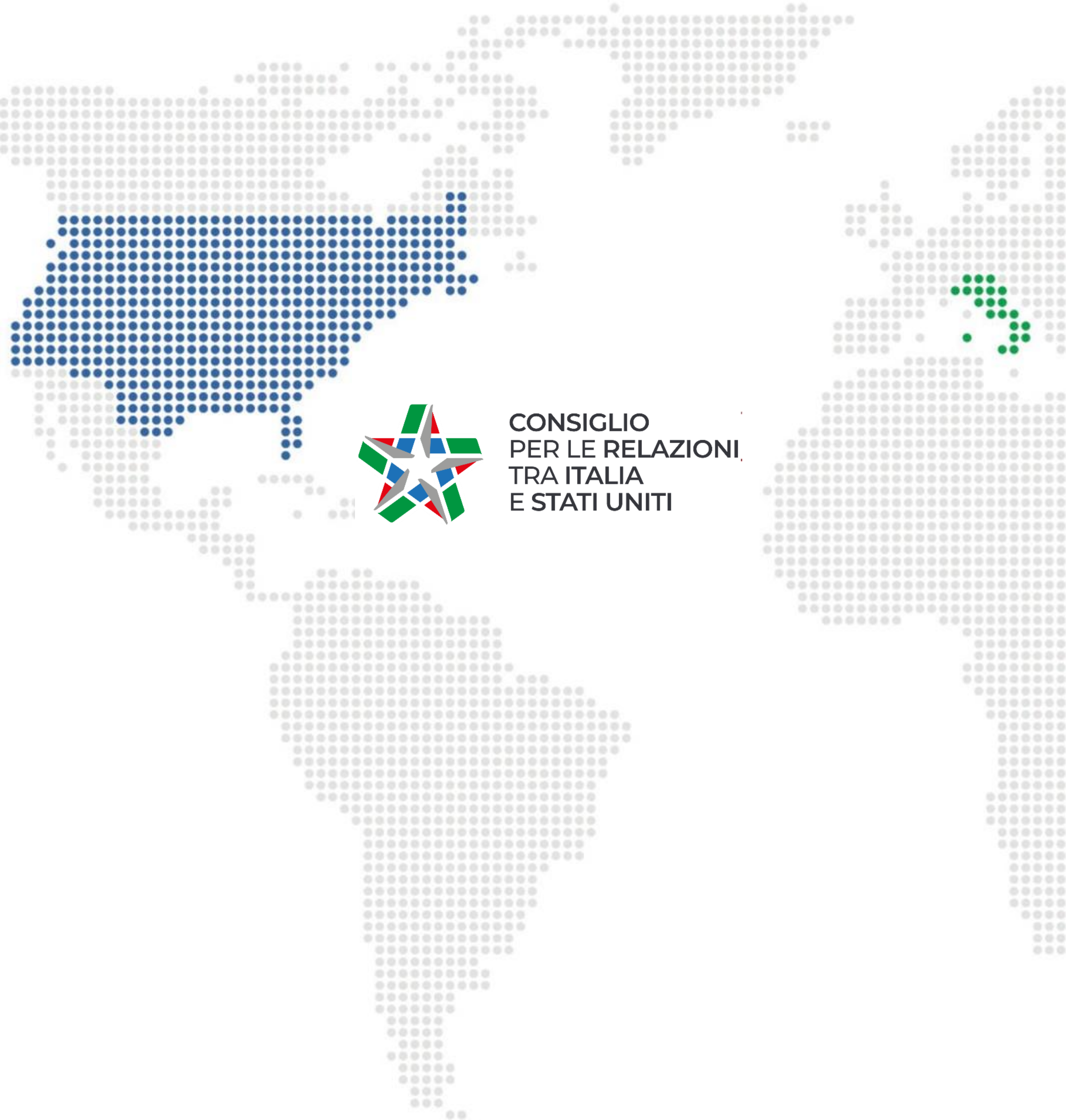

CONSIGLIO
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ABOUT THE COUNCIL FOR THE UNITED STATES AND ITALY

The Council for the United States and Italy is a private non-profit organization, founded in Venice in 1983 by Gianni Agnelli and David Rockefeller, who served as honorary presidents until 2003. Marco Tronchetti Provera followed them as Chairman, then Sergio Marchionne until 2018. Domenico Siniscalco is the current Chairman, Gianni Riotta Executive Vice Chairman. The Council for the United States and Italy promotes and creates economic relations between Italy and the United States, linking them to Europe, Asia and Africa through knowledge and free trade. Its members are leaders in the economy, industry, finance, technology, services, consulting, law, and culture - a team in which economic growth is viewed as promoting humanity and wealth as a cultural value to be shared.

This monthly newsletter is prepared jointly by the Council for the United States and Italy and The European House - Ambrosetti.

WEBINAR | *Calcio* meets the world| March 4 @ 5pm

Paolo Dal Pino *(Chairman of the board of the Italian Serie A Soccer League)*

Soccer is an international language, which could be leveraged to open doors to promote Italy, even at diplomatic and political level. The game fascinates more than 36 million fans and, as an entertainment industry, it generates a total turnover of 4 billion euros, contributing with more than 1 billion in taxes.

In 2020, the soccer industry faced unprecedented challenges and difficulties due to restrictions following Covid-19 which led to a 20-30% revenues loss. At the same time, the pandemic presented an opportunity for the industry to learn the management of a sport group, the difficulties of business and the political interconnections with the government.

Soccer is an unbelievable industry with more than 20 teams playing in Serie A. More than 65% of revenues consist of TV rights, followed by ticketing, sponsorships, merchandising. Other countries as England and Spain have a different mix of revenues with a bigger impact from tickets and sponsors. The industry has a great potential attractiveness for foreign investors, but in the last 10 years Serie A did not grow as much as other European leagues did, with the Spanish Liga and the German Bundesliga leading. Behind this, there is a local entrepreneurial approach to the business in Italy and there is a significant opportunity to grow through a new governance and an innovative business model.

Serie A is not only a championship but also an entertainment business. A first change lies in the management of TV rights: before, it always relied on intermediaries and third-party managers to manage bids for TV rights. The new approach is to directly control the business: the plan is to create a multi-media and multi-platform company, being an independent part of Serie A through private equity investments and expertise and thanks to mutual collaboration.

Lega Serie A needs to overcome its weaknesses, among which poor governance and diversified goals and ambitions of sport teams, through a new strategic direction. It is a business that will go through fast changes to transform the business model and overcome structural issues (bureaucratic regulations for construction of stadiums, players' compensation schemes, sustainability, etc.) over the next seven years.

Soccer can and should be a cultural promoter of Italy. It is often looked upon as a game where professional players make millions of euro, but this is a demagogic disaster. Soccer is also an industry that produces value for the country and has the potential to perform much better with more solid financial basis and more severe regulations on financial constraints. Soccer can help Italy in opening doors around the world, as much as food and fashion industries.

WEBINAR | The legacy of Gianni Agnelli in the 21st century| March 12 @ 4pm

L'Avvocato 100 years after his birth

The webinar is organized in memoriam of Gianni Agnelli, *l'Avvocato* and co-founder of the Council for the US-Italy and provides insights on his legacy in the 21st century. **Domenico Siniscalco** (*Vice Chairman, Morgan Stanley and President of The Council for the US and Italy*) recalls the footprints left by Gianni Agnelli in entrepreneurship, international alliances, sport, culture. His legacy continues today, 100 years after his birth and in the future. **Marco Tronchetti Provera** *(Chief Executive Officer and Executive Vice Chairman of Pirelli, Honorary Co-Chairman of The Council for the US and Italy)* remembers Gianni Agnelli as a man with an international, national, and human dimension. He deeply loved and admired his country, and it is his passion and attachment to Italy that made him a permanent "foreign minister" as he always had an eye on national interests during his travels abroad, especially in the United States. Today, *L'Avvocato* would have been proud of the achievements of FIAT and of Italy with the new Prime Minister Mario Draghi.
Armando Varricchio *(Ambassador of Italy to the US*) describes Gianni Agnelli as a world leader. The Council echoes the characteristics of Gianni Agnelli: a proud Italian and admirer of the world's largest and oldest democracy. Gianni Agnelli was a fellow ambassador, with an innate ability to create interpersonal and long-standing relationships. Deeply convinced of the importance of the transatlantic relationship, he has been the Italian point of contact in the most authoritative circles in the US for decades. Thanks to his ability to simultaneously be an entrepreneur and a man of the institutions, Gianni Agnelli was a true and effective advocate for Italy, bringing it back to the center of international relations.
Franco Bernabè *(Chairman of FB Group)* portraits *l'Avvocato* as a real entrepreneur: it helped FIAT to overcome crises and difficulties and its attitude influenced the outlook of the automotive industry and the Italian economy. Gianni Agnelli can be perfectly identified with a contradiction in terms, "cosmopolitan patriot": he deeply loved Italy while being a citizen of the world, eager to represent the Italian business establishment worldwide.
Gianni Agnelli was also a sportsman, as defined by **Evelina Christillin** *(President of Fondazione Museo delle Antichità Egizie)*. He was also deeply attached to his city, Turin, where he grew his two big projects: FIAT and the Juventus Football Club. Furthermore, the 2006 Winter Olympics Games were deeply desired and pushed for by Gianni and Umberto Agnelli. The contribution of the Agnelli family to the city of Turin are unmatched.
Gianni Riotta *(Columnist, La Stampa; Pirelli Visiting Professor, Princeton University; Executive Vice Chairman of the Council for the US and Italy)* remembers Gianni Agnelli as a communicator and interviews his nephew and business successor, **John Elkann** (*President and CEO, Exor*) The United States represented freedom for Gianni Agnelli and the American optimism and search for a better tomorrow impacted his whole life. Among the major international figures that impacted Gianni Agnelli's life, John Elkann includes Winston Churchill, as the leader of the free world, John Fitzgerald Kennedy, as the hope of his generation, Jacques Delors, for the dream of European construction, Carlo Azeglio Ciampi as representative of Italian values. *L'Avvocato* had the unique ability to not only pay great respect to people's talents but also to reserve special attention to people's potential. Gianni Agnelli surrounded himself with people of great experience and expertise and with those with a hidden potential that had not yet been discovered.

WEBINAR | Insights on the Biden administration and the US economy| March 16 @ 5pm

David Rubenstein *(Co-Founder, The Carlyle Group; Chairman, Council on Foreign Relations)*

The world dramatically changed since the Covid-19 pandemic hit. What happened in the USA on January 6th, 2021? Where are we heading from this point forward? Joe Biden is the American President with the most political experience ever. Throughout his four-year-term, Biden aims to achieve four main priorities:

- Universal vaccination for American citizens with the goal of 2 million inoculations per day. However, some people might refuse vaccines and there is no legal obligation to be vaccinated. Among those, consider Trump's strong supporters that are no-vax and ethnic minorities that are reluctant to receive healthcare for free, scared that they might be asked for something in return.
- Economic recovery through a significant fiscal stimulus. The US Federal Reserve will provide liquidity thanks to low

interest rates, despite growing public debt and rising public deficit. However, inequality will rise more and more, with wealthy individuals getting richer and poor people getting poorer.

- Restore the relationships between the US and traditional allies in Europe and Asia, strengthening the commitment towards NATO. The only trait of continuity with respect to Trump's foreign policy is towards China: Biden will likely not engage directly with China for a few years, while honouring the current agreements on trade and tariffs and criticizing the government on human rights' violations. Soon, China is predicted to become the biggest economy in the world: many countries rely on China more than ever. Even if the Covid-19 pandemic started in China, it is the only country that will advance and benefit the most during this period.
- Deal with climate change after Trump's decision to exit the Paris Agreement. Any CEO is implementing actions towards sustainability and against climate change.

And remember: "Persist. Do not take "no" for an answer. If you are happy sitting at your desk and not take any risks, you will be sitting at your desk for the next twenty years."

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A Global Green Deal


Ursula von der Leyen *(President of the European Commission)*
Werner Hoyer *(President of the European Investment Bank)*

By strengthening its emissions-reduction targets and investing heavily in clean energy, greentech, and research and development, the European Union has positioned itself as a global climate leader. It now must continue to lead by example while also doing more to help others achieve their climate ambitions.

BRUSSELS – In Europe, we have heard the warnings about climate change. We know that if our industrial, energy, transportation, and food systems do not change, we could face a catastrophic temperature increase of more than 3°C this century. As we approached the end of 2020 – Europe's hottest year on record – we in the European Union made a collective decision to reduce our greenhouse-gas (GHG) emissions by at least 55% from 1990 levels by 2030. The European Commission now is following through on this commitment with concrete policy changes, and the European Investment Bank is backing the effort with its financial power.

The current decade is a make-or-break moment for our planet. To confront the immediate challenges that lie ahead, our two organizations are convening governments, international institutions, and investors on March 24, 2021, for a landmark event: "Investing in Climate Action."

The event will bring world leaders together to share their plans for implementing the necessary policies at home and ensuring international coordination. And it will seek to help investors and business leaders to improve their understanding of the policy environment in which they will operate for at least the next decade.

Climate action requires far-reaching structural change and tremendous levels of investment around the world. In Europe alone, meeting the new 2030 emissions-reduction target will require an estimated €350 billion ($417 billion) of additional investment annually. However, this figure pales in comparison to the costs of doing nothing.

To tackle the investment challenge, the EIB, the world's largest multilateral lender, has become the EU Climate Bank, aligning all of its activities with the objectives outlined in the Paris agreement. Among other things, the EIB has committed to support €1 trillion of investments in climate action and environmental sustainability in the next decade.

But funding alone won't get us to where we need to go. We also need a roadmap, which is why the European Commission introduced the European Green Deal in December 2019. As Europe's new growth strategy, it aims to transform the EU into a fairer, more prosperous society by guiding the transition to a more resource-efficient, competitive economy. Ultimately, the goal is to achieve net-zero GHG emissions by 2050.

The EU, however, represents less than 10% of global emissions, so European action alone will not be enough to slow global warming. To keep the increase in global temperature as close to 1.5°C as possible, we must support decarbonization efforts beyond our borders. That is why we need a Global Green Deal.

To this end, we have set ourselves three investment priorities. First, we need to ensure that the most advanced clean

technologies are embraced everywhere. Despite good progress on renewable-energy deployment, 40% of the world's electricity is still generated by coal, the dirtiest energy source. With economic development comes higher demand for electricity, and thus a responsibility to adopt greentech solutions and plug the world into clean grids.
Europe is ready to invest in everything from green electrification programs in Africa and industrial decarbonization projects in Asia to battery deployment in Latin America. And we have climate-adaptation expertise to share, along with flood-control technologies, advanced weather forecasting tools, and resilient infrastructure. With both the financial means and the knowledge to support climate-adaptation efforts, the EIB will use its resources to leverage more private-sector investments in this critical area.
Our second priority is to invest in breakthrough green technologies like never before. Such research and development is both necessary and an enormous market opportunity. Already, a group of countries representing half of the world's GHG emissions have adopted "net-zero" targets, and others will surely follow. They will all need European technology and investment to get there. Clean hydrogen, offshore renewable energy, and energy storage solutions all can become vibrant EU export sectors.
Finally, we need to embrace the idea of a "circular economy." As matters stand, we are taking more out of our planet than it can afford to give us, and the effects of this overreach will become increasingly dramatic and destructive with each passing year. We must urgently reduce the environmental and carbon footprint of the goods we consume.
To do so, we need to invest in circular technologies that reuse resources, rather than constantly producing or importing new goods and extracting ever more raw materials. The circular economy has huge potential not only to reduce our dependency on scarce resources, but also to create jobs. As Europe continues to show, the Green Deal is not just an environmental policy; it is an economic and geopolitical necessity.
Five years ago, 196 countries came together and signed the Paris agreement, committing to keep the average global temperature within 2°C – but preferably 1.5°C – of its pre-industrial level. So far, this commitment has yet to be matched by sufficient action. It is time to raise our ambitions and accelerate progress. That will be our message to the world at "Investing in Climate Action" on March 24.
We all must come together – not just governments but also businesses, cities, financial institutions, and civil society – to confront the climate challenge. Europe has the tools, the skills, and the knowledge to lead by example. We must translate our climate-policy leadership into market leadership to secure a Global Green Deal. Let's get to work.

A Concert of Powers for a Global Era


Richard N. Haass *(President of the Council on Foreign Relations)*
Charles Kupchan *(Professor of International Affairs at Georgetown University)*

In the nineteenth century, the Concert of Europe successfully preserved peace for a half-century in the absence of a dominant power and amid ideological diversity. Something similar would be a boon to global governance today.

NEW YORK – Last week's testy US-China dialogue in Alaska augurs poorly for bilateral relations. And the mounting rivalry between the two countries clearly indicates that the emerging world of multiple power centers could presage an era of increased competition and conflict. A big part of the problem is that the existing international governance architecture, much of it erected soon after World War II, is outdated and not up to the task of preserving global stability. The US-centered alliance system is a club of democracies, poorly suited to fostering cooperation across ideological lines. Fly-in, fly-out G7 or G20 summits are episodic and spend too much time haggling over communiqués. The United Nations provides a standing global forum, but its Security Council invites grandstanding and paralysis among veto-wielding permanent members.
What is needed is a global concert of powers – an informal steering group of the world's most influential countries. The history of nineteenth-century Europe points the way. The Concert of Europe – a grouping of Britain, France, Russia, Prussia, and Austria formed in 1815 – successfully preserved peace for a half-century in the absence of a dominant power and amid ideological diversity. The Concert of Europe rested on a mutual commitment to rely on regular communication and the peaceful resolution of disputes to uphold the territorial settlement that ended the bloody Napoleonic Wars.
A global concert offers the best vehicle for managing a world no longer dominated by the United States and the West. The members would be China, the European Union, India, Japan, Russia, and the US, collectively representing roughly 70% of world GDP and global military spending. Including these six heavyweights would give a global concert geopolitical clout while protecting it from becoming an unwieldy talking shop. Concert members would send senior permanent representatives to a standing headquarters in a place determined through mutual agreement. Summits would occur on a regular basis and as needed to address crises. Although they would not be formal members, four regional organizations – the African Union, the Arab League, the Association of Southeast Asian Nations, and the Organization of American States – would maintain permanent delegations at the concert's headquarters. When discussing issues affecting these regions, concert members

would invite delegates from these bodies and other relevant countries to join meetings.
A contemporary concert, like its nineteenth-century forebear, would enable sustained strategic dialogue. It would bring to the table the most influential states, regardless of their regime type, thereby separating ideological differences over domestic governance from matters requiring international cooperation. It would shun formal procedures and codified rules, instead relying on persuasion and compromise to build consensus. The concert would be a consultative, not a decision-making body, addressing emerging crises, fashioning new rules of the road, and building support for collective initiatives. It would leave operational oversight to the UN and other existing bodies. The concert would thus augment, not supplant, the current international architecture, by sitting atop it to tee up decisions that could then be taken and implemented elsewhere.
Like the Concert of Europe, a contemporary concert would promote stability by privileging the territorial status quo and a view of sovereignty that precludes, except in the case of international consensus, the use of military force or other coercive means to alter existing borders or topple regimes.
Members would reserve the right to take unilateral action when they deem their vital interests to be at stake. Ideally, sustained strategic dialogue would make unilateral moves less frequent and destabilizing. The concert would also seek to generate collective responses to longer-term challenges, such as combating the proliferation of weapons of mass destruction as well as terrorist networks, promoting global health, forging norms in cyberspace, and combating climate change. These important matters often fall between institutional cracks that the concert could fill.
Imagine what might have been had a global concert taken shape after the Cold War. The major powers might have been able to avert, or at least make far less bloody, the civil wars in Yugoslavia, Rwanda, and Syria. Russia and the US might have been able to forge common ground on a security architecture for Europe, heading off ongoing frictions over NATO expansion and preventing Russian land-grabs in Georgia and Ukraine. The coronavirus pandemic might have been better contained had a great-power steering group coordinated a response from day one.
Looking forward, a concert of global powers would be a venue for minimizing the risk that US-China differences over Taiwan trigger a major clash. It could facilitate the peaceful resolution of political stalemates in places like Afghanistan and Venezuela. And it could set parameters to limit the interference of countries in each other's internal politics. Establishing a global concert would be no panacea, however. Convening the world's heavyweights hardly ensures a consensus among them, and success would often mean managing, not eliminating, threats to regional and global order. The proposed steering group would accept both liberal and illiberal governments as legitimate and authoritative, implying abandonment of the West's longstanding vision of a global order made in its image. And restricting membership to the most important and influential actors would sacrifice representation in favor of efficacy, reinforcing hierarchy and inequity in the international system.
But a global concert has one enormous advantage. It offers the best and most realistic way to advance great-power consensus, and what is workable and attainable is always preferable to what is desirable but impossible. And the most likely alternative to a great-power steering group – an unruly world managed by no one – is in no one's interest.

AVOIDING A K-SHAPED GLOBAL RECOVERY



Michael Spence *(Nobel laureate in economics)*
Joseph E. Stiglitz *(Nobel laureate in economics and Professor at Columbia University)*
Jayati Ghosh *(Executive Secretary, International Development Economics Associates)*

While the United States and other advanced economies rush to vaccinate their populations and gear up for post-pandemic booms, developing countries and emerging economies continue to struggle. Fortunately, rich countries could help everyone else – and themselves – at little to no cost.

NEW YORK – The United States expects to "celebrate independence" from COVID-19 by Independence Day (July 4), when vaccines will have been made available to all adults. But for many developing countries and emerging markets, the end of the crisis is a long way off. As we show in a report for the Institute for New Economic Thinking's (INET) Commission on Global Economic Transformation, achieving a rapid global recovery requires that all countries be able to declare independence from the virus. Because the coronavirus mutates, it will put everyone at risk as long as it continues to flourish anywhere in the world. It is thus critical that vaccines, personal protective equipment, and therapeutics be distributed everywhere as quickly as possible. Insofar as today's supply constraints are the result of a poorly designed international intellectual-property regime, they are essentially artificial.
While IP reform in general is long overdue, what is needed most urgently now is suspension or pooling of the IP rights attached to products needed to fight COVID-19. Many countries are pleading for this, but corporate lobbies in advanced economies have resisted, and their governments have succumbed to myopia. The rise of "pandemic nationalism" has exposed a number of deficiencies in the global trade, investment, and IP regimes (which the INET Commission will address in

a later report).
Advanced economies, especially the US, have acted forcefully to reignite their economies and support vulnerable businesses and households. They have learned, even if only briefly, that austerity is deeply counterproductive in such crises. Most developing countries, however, are struggling to obtain the funds to maintain existing support programs, let alone absorb the additional costs imposed by the pandemic. While the US has spent some 25% of GDP to support its economy (thereby greatly containing the magnitude of the downturn), developing countries have been able to spend only a small fraction of that. Our calculations, based on World Bank data, show that at nearly $17,000 per capita, US spending has been some 8,000 times higher than that of the least-developed countries.
Beyond unleashing their fiscal firepower, developed countries would help themselves and the global recovery by pursuing three policies. First, they should push for a large issuance of special drawing rights, the International Monetary Fund's global reserve asset.
As matters stand, the IMF could immediately issue about $650 billion in SDRs without seeking approval from member-state legislatures. And the expansionary effect could be boosted significantly if rich countries were to transfer their disproportionately larger allocations to countries in need of cash.
The second set of actions also involves the IMF, owing to its large role in shaping macroeconomic policies in the developing world, particularly in countries that have turned to it for help with balance-of-payments problems. In an encouraging sign, the IMF has actively supported the pursuit of massive, prolonged fiscal packages by the US and the European Union, and has even recognized the need for enhanced public spending in developing countries, despite the adverse external conditions.
But when it comes to setting the terms for loans to countries facing balance-of-payments stress, the IMF's actions are not always consistent with its statements. An Oxfam International analysis of recent and ongoing standby agreements finds that between March and September 2020, 76 of the 91 IMF loans negotiated with 81 countries required public-expenditure cuts that could undermine health-care systems and pension schemes, freeze wages for public-sector workers (including doctors, nurses, and teachers), and reduce unemployment insurance, sick pay, and other social benefits. Austerity – especially cutbacks in these vital areas – won't work any better for developing countries than it would for developed ones. And more assistance, including the SDR proposals discussed above, would give these countries additional fiscal space.
Lastly, developed countries could orchestrate a comprehensive response to the overwhelming debt problems many countries are facing. Money spent servicing debt is money that is not helping countries fight the virus and restart their economies. In the early stages of the pandemic, it was hoped that a suspension of debt servicing for developing countries and emerging markets would suffice. But it has now been over a year, and some countries need comprehensive debt restructuring, rather than the usual Band-Aids that merely set the stage for another crisis in a few years.
There are a number of ways that creditor governments can facilitate such restructurings and induce more active participation from the private sector, which so far has been relatively recalcitrant. As the INET Commission's report emphasizes, if there were ever a time to recognize the principles of force majeure and necessity, this is it. Countries should not be forced to pay back what they cannot afford, especially when doing so would cause so much suffering.
The policies described here would be of enormous benefit to the developing world and would come at little or no cost to developed countries. Indeed, it is in these countries' enlightened self-interest to do what they can for people in developing countries and emerging markets, especially when what they can do is readily available and would bring enormous benefits to billions. Political leaders in the developed world must recognize that no one is safe until everyone is safe, and that a healthy global economy is not possible without a strong recovery everywhere.

All Eyes on Digital Payments

Raghuram G. Rajan *(Professor of Finance at the University of Chicago Booth School of Business)*

There is justifiable excitement surrounding digital payments, given the potential of the technology to support a wide range of financial services for businesses and consumers alike. But the rise of powerful new platforms and means of exchange raises public policy concerns that cannot be ignored.

CHICAGO – Digital payments are attracting growing interest, and eye-popping numbers abound, as demonstrated by the US payment processor Stripe's recent $95 billion valuation. Why all the excitement, and why now?
At one level, the reason is straightforward: digital payments allow buyers to pay sellers without physical currency changing hands. Though the technology has been around for a long time, it is finally becoming much easier to use for small-value retail payments. Moreover, the pandemic has accelerated the switch to digital payments, as people have shifted to e-commerce

and taken steps to avoid handling currency in ordinary purchases.

Digital payments also generate real-time data on sellers' businesses, the timing of cash flows, and buyers' purchasing habits, allowing payment providers to offer credit, savings, wealth management, collections, insurance, and other financial services. Where credit was once the way to draw in customers and offer a panoply of financial services, payments may be a safer channel for such upselling. But a provider who handles only a fraction of a customer's payments has only a partial picture of that customer. Payment providers therefore are eager to control all means of payment: bank accounts, e-wallets, credit cards, cryptocurrencies, and so on. And e-commerce and social-media platforms want to go a step further by combining their powerful data-collection engines with payments. With near-total knowledge of users' behavior, a provider can both address customers' every need (directly or through partners) and lock them in for the long term, because the costs of seeking similar services elsewhere will be too high. This tie-in need not be entirely exploitative: a merchant who uses a provider for a wide suite of services can be offered more credit, because she will be less likely to risk losing those services by defaulting.

There is also much excitement about cryptocurrencies, which are just one form of digital payment, typically requiring an initial exchange of a fiat currency like the US dollar into a given unit. A cryptocurrency like Bitcoin offers ostensible benefits as a means of payment because, unlike fiat currencies, it cannot be inflated away (because its supply is fixed), and it allows for decentralized payment verification, eliminating the need for any party to trust the others involved, let alone trusting government or regulators.

But there are impediments to Bitcoin's use. Its value is not managed by a central bank, so it can fluctuate wildly. Firms, barring those led by true believers, do not want to keep a currency whose value can fluctuate by 10% every day. And Bitcoin transactions are expensive and inefficient, owing to the costly decentralized verification process. By some estimates, the annual electricity use needed to verify Bitcoin transactions exceeds that of a medium-size country. It is hard to imagine that such an environmentally destructive process will be tolerated indefinitely.

Other cryptocurrencies have a fixed value, because they are pegged to a currency like the dollar and fully backed with cash reserves. These "stablecoins" are easier to use in payments; but like other traditional means of exchange, they are dependent on (those pesky) regulators. While some stablecoins have tried different methods of payment verification than Bitcoin's, none has emerged as the next "killer app."

Cryptocurrencies are thus a work in progress. By design, Bitcoin addresses the lack of trust in fiat currencies, central banks, and governments. But, beyond the paranoiac, criminal, and terrorist communities, such concerns are not widely shared. That could change if more people start believing that central banks are out to debase fiat currencies, or if the world breaks up into US- and Chinese-led blocs that don't trust each other's currency or settlement systems. Of more immediate use would be a cryptocurrency that focuses on reducing transaction costs in difficult payment situations such as small-value or cross-border exchanges. For example, a voracious but eclectic reader could make micropayments for every article she reads online without taking on a bunch of costly subscriptions. Equally promising are proposals for smart contracts that would deliver a payment automatically once some verifiable condition has been met (eliminating the need to trust humans).

In any case, the emergence of a dominant digital-payment provider, cryptocurrency or otherwise, would raise important public policy concerns, such as whether it could be trusted to collect and handle customer data responsibly. Owing to its mixed track record on data and privacy issues, Facebook's proposed stablecoin (Libra, which has since been rebranded as Diem) met with skepticism from financial regulators. For its part, Europe has made an initial attempt at regulating data use under its General Data Protection Regulation. But the law will need to be fine-tuned in light of developments in the digital-payments sphere.

A related issue concerns antitrust. Does a single payment provider that handles all business services – including e-commerce and logistics – have an excessive amount of market power? The recent tensions between Chinese regulators and Ant Group owe something to the fear that e-commerce platforms like Alibaba (Ant's parent company) are using their market power – enhanced through payments – to restrict competition. One remedy here would be to create public payment bridges, such as India's Unified Payments Interface, where the key payment services are open to all comers and not controlled by any one private entity.

But perhaps the greatest regulatory concern is systemic risk. When one or two providers dominate an entire country's digital retail payments, commerce could be devastated if anything goes wrong. Advances in cryptography (through quantum computing) may make it easy to subvert existing schemes of digital verification. And public bridges, while increasing competition, may concentrate risk. The only way around this is to have multiple providers, multiple bridges, and multiple technologies in the payment arena.

Central banks are now contemplating getting into the digital-payments game themselves. They fear losing control over payments as physical cash becomes redundant, that the private sector will get it wrong, or that other central banks will steal a march on them. Central bank digital currencies would ensure a public presence in payments; but, again, this option would concentrate data and risk, while also raising questions about the viability of private digital payments. But that's a subject for another (my next) commentary.