Facebook, Funny Money and Libra

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In this squalid era of compromised data and hollowed privacy, it would be fitting that the company largely responsible for such mishaps would steer another technological innovation. Distractions are needed, and while ***Mark Zuckerberg*** *cannot launch missiles, as yet, he can certainly launch platforms and what can be coarsely termed "deliverables".*

Having become the object of derision and resentment from the political fraternities of many countries, Facebook has been brazen enough to launch a crytocurrency it hopes will be boosted by support from major currencies.

Facebook's Libra cryptocurrency generated more than a smattering of interest last month when its early-access code made its way to GitHub. By the end of the month, it had been "saved" by some 10,000 users, while a 1,000 clones of the codebase were also generated, very much in a playful effort to test its reliability.

The site for the new currency is spritzed by the usual immodest lingo we have come to associate with technology that is meant to assist, and transform (naturally). "A simple global currency and financial infrastructure that empowers billions of people," toots the message. The vision is then broken down, staccato like: "Reinvent money. Transform the global economy. So people everywhere can live better lives."

The world of cash is also given an unveiling. The cost of transferring money is seen as unnecessarily expensive, an impediment to smoothness. "Moving money around the world should be as easy and cheap as sending a text message." Libra also promises to be free of the fluctuations afflicting Bitcoin using a variant of the "currency board", described by John Hawkins as a "rule-based monetary policy regime, involving much less (or no) discretion than most other monetary regimes." Volatility will also be dampened by the backing of Libra Reserve, a genuine asset base.

Leaving aside the staple bombast that accompanies such projects, there have been the usual reservations. **Chris Hughes**, a co-founder of Facebook, fears it.

> "This currency would insert a powerful new corporate layer of monetary control between central banks and individuals."

He persists in believing that the central banking system has merit, having been established through costly trial and error: "we want a central bank to act to increase or decrease the money supply in moments of contraction and expansion."

The paradox with currency is that financial regulators can be fickle, almost tortiously so. Financial disasters arising out of the crisis of 2008 were as much a product of rapacious banking practices as they were regulatory sloth and boardroom sleepwalking. But come a new currency, notably in digital format, then the eyes widen and scurrying takes place.

Hardly unusual, then, that governments have given their standard line, usually congregated around the issue that Libra can never become, in of its own, an independent currency if it ever gets off the ground. Any currency threatening to knock on the door of acceptable legal tender is bound to be scorned or feared rather than tested on its own merits.

The G7, with France taking the lead, has decided to busy itself with a taskforce examining any attendant risks. The theme has already been set, and there is a feeling the conclusions have already being pre-empted.

> "It is out of the question," France's finance minister **Bruno Le Maire** stated, that Libra would "become a sovereign currency. It can't and it must not happen."

Like pornography, the feeling of regulatory authorities is one tinged with a degree of cant: people will use it, and some form of circulation is bound to happen. Like sex, it is good to be principled in rationing it, but the laws doing so eventually become dead letters. The Promethean desire to subvert is perennial; innovation must be encouraged. **François Villeroy de Galhau**, governor of France's central bank, exemplifies such a position: innovate, but regulate with steely determination.

The US Senate Committee on Banking, Housing and Urban Affairs has already booked a hearing on July 16. Within 48 hours of Facebook's announcement of its Libra vision, House Financial Services Committee Chairwoman **Maxine Waters** demanded a cessation of development altogether – at least till things at her end could be sorted out.

> "Given the company's troubled past, I am requesting that Facebook agree to a moratorium on any movement forward on developing a cryptocurrency until Congress and regulators have the opportunity to examine these issues and take action".

A cynic acquainted with the acerbic writings of H. L. Mencken might well take issue with "examine" and "take action" when it comes to inertia on the Hill, but Congress is as much there to entertain as it is to vacillate. In the meantime, Facebook will duck and weave, convinced it has the staying power to defer any genuine move to stop its inexorable momentum. In an environment of short attention spans, attrition and patience are cardinal virtues.

Waters is, on some level, sincere: the company's record on privacy protections are not so much shoddy as horrendous, if only because they anathemize them altogether. Monetisation is premised on doing away with privacy, usually under the false impression that consent has been extracted in the process. Data is the secular version of religion's soul, to be prized away from the human subject, and sold.

Other states are qualified in assessing the currency. The Russian Ministry of Finance, through deputy minister **Alexei Moisseev**, told reporters this week that Libra would receive the treatment afforded any other digital asset. Such regulatory treatment has legislatively stalled thus far, but the minister was emphatic enough. "Nobody is going to ban it."

This was not be confused with the status of the currency: as with other crytocurrencies, legal tender was out of the question. Purchasing goods and services with such assets would be impossible, though it would "be possible to buy it, sell it, keep it".

Like other behemoths of history, Facebook realises that a degree of dissimulation is necessary. Knowing privacy to be its Achilles heel in any regulatory scrap, it has come up with its own variant of a regulator, advertised as a cure-all. Libra Association, a non-profit, Geneva-based body is supposedly one step removed in keeping Facebook out of overseeing the currency. The digital wallet of the new currency, Calibra, is said to share limited data with the mother ship, even if it entails using Facebook's Messenger and WhatsApp applications. (A standalone application is set to follow in 2020.) Protections such as fraud checks are also built in, including a consensus model described as a "proof of stake" featuring transactions authorised by those with a stake in the currency.

The Libra Association has been gathering the names, having 28 weighty co-founders. To Facebook can be added such corporate entities as MasterCard, Paypal, Visa, Spotify, Uber, Vodafone Group, Andreessen Horowitz and eBay. Notable absentees are the banks themselves, deemed the stuff shirts of the modern money market.

States, and their banking arms, are unlikely to have their currency gates stormed by this new cryptocurrency, though some nibbling of market share is anticipated. The main banking priority remains issuing loans to customers and companies. While electronic money payments, in their nature, can threaten the money lending function of banks, a point that would also affect interest rates, Facebook will have to do a bit more if it seeks an insurrection that lasts.

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