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Watchdog Groups Call on Congress and Federal Regulators to Impose Moratorium on Facebook's Proposed Cryptocurrency

By Jessica Corbett
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According to 33 national organizations, the project "raises profound questions about national sovereignty, corporate power, consumer protection, competition policy, monetary policy, privacy, and more."

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In a letter Tuesday, a coalition of 33 consumer, privacy, economic policy, and other groups called on congressional leaders and top federal regulators to impose a moratorium on Facebook's proposed global cryptocurrency "until the profound questions raised by the proposal are addressed."

> "The Facebook proposal to create a new cryptocurrency as part of its broader Libra project raises profound questions about national sovereignty, corporate power, consumer protection, competition policy, monetary policy, privacy, and more," says the letter (pdf). "The U.S. regulatory system is not prepared to address these questions. Nor are the regulatory systems of other nations or international institutions."

The letter—which is also addressed to Facebook and Calibra, its newly formed subsidiary to provide financial services—urges the tech giant "to put its implementation of its plans for the new cryptocurrency, Libra, on hold until the Congress and regulators have an opportunity to assess and react to a far more detailed presentation than has yet been made public."

> We and partners are demanding that Congress and regulators impose a moratorium on Facebook's global currency, Libra.
>
> The risks posed by Libra are too great to allow the plan to proceed with so many unanswered questions. https://t.co/sEP6EyYkzH
>
> — Public Citizen (@Public_Citizen) July 2, 2019

The organizations assert in the letter that there is "a very long list of questions" Facebook must publicly answer before moving forward with the project, and include more than two dozen examples—"a small subsect" of the full list—that are grouped into categories such as governance and privacy.

Public Citizen, one of the letter signatories, highlighted a few of the questions in a statement announcing the letter Tuesday:

- How will national consumer protection laws apply to, be enforced against, and prevent misconduct by global sellers and lenders on matters relating to required disclosures, civil remedies, usury rules, access to credit, unfair and deceptive practices, and more?
- Given Facebook's record and stated views on privacy, why should anyone believe that the company's claims and commitments about privacy will be upheld?
- Will Facebook be able to use Libra and Calibra (a subsidiary involved in its cryptocurrency program) to pull consumers into a closed Facebook ecosystem that will disadvantage competitors and consumers?
- Wouldn't Libra provide an easy mechanism for money laundering?
- Wouldn't Libra similarly facilitate tax evasion and tax fraud?
- What impact might Libra have on monetary policy in smaller and developing countries?

> "We have too much recent experience with insufficiently regulated financial markets spinning out of control to let this happen again," the letter concludes. "The Facebook proposal must be put on hold until these numerous and fundamental questions are resolved."

Other signatories to the letter include Demos, the Economic Policy Institute, the U.S. chapter of Friends of the Earth, Global Witness, the National Consumer Law Center, RootsAction.org, and the Service Employees International Union (SEIU).

The lawmakers addressed in the letter are the tops Republicans and Democrats on the U.S. Senate's finance and banking committees as well as the U.S. House's Energy and Commerce, Ways and Means, and Financial Services committees. The regulatory entities named are the U.S. Securities Exchange Commission; U.S. Federal Trade Commission; Office of the United States Trade Representative; U.S. Commodity Futures Trading Commission; Board of Governors of the Federal Reserve System; Financial Stability Oversight Council; and Financial Crimes Enforcement Network.

The progressive organizations behind the new letter are far from alone in sounding the alarm about concerns related to Facebook's efforts to create a global cryptocurrency—among them, American economist and Columbia University professor **Joseph Stiglitz**, who charged in a piece for *Project Syndicate* Tuesday that "only a fool would trust Facebook with his or her financial wellbeing."

> "In just a few short years, Facebook has earned a level of distrust that took the banking sector much longer to achieve," wrote Stiglitz, who also raised questions about Facebook's business model for Libra. "Time and again, Facebook's leaders, faced with a choice between money and honoring their promises, have grabbed the money. And nothing could be more about money than creating a new currency."

In an article produced by the Independent Media Institute's Economy for All project and published Sunday by *Salon*, market analyst Marshall Auerback argued that although U.S. regulators have largely failed to rein in Silicon Valley giants—especially Facebook—when it comes to social media platforms, "it's hardly likely" that financial regulators around the world will be "pussyfooting" around issues raised by the cryptocurrency project.

> "If Facebook introduces a cryptocurrency that in effect seeks to privatize or displace existing central bank functions, it is inevitable that the company will face a ton of regulatory oversight crashing down on it," Auerback wrote. "Social media might be a newfangled type of business that doesn't lend itself easily to the regulatory strictures of the Sherman Act, but money is precisely the kind of thing guaranteed to bring the Federal Reserve, the IRS, and several other regulatory bodies crashing down on Facebook, given this systemic risk."

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