

Facebook Wants Its Own Currency. That Should Scare Us All.

Instead of embracing Facebook's Libra, we should be rallying for a public option for digital currency.

By Rohan Grey

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David Marcus, CEO of Facebook's Calibra, testifies to the House Financial Services Committee hearing in July 2019. (Reuters / Joshua Roberts)

Last week, the [Senate Banking Committee](#) and [House Financial Services Committee](#) held hearings with David Marcus, the head of Facebook's proposed new digital currency, [Libra](#). Libra's [stated intent](#) is to establish a "stable currency built on a secure and stable open-source blockchain, backed by a reserve of real assets, and governed by an independent association," that will be accessible to "anyone using a \$40 smartphone." Its goal is to become nothing less than the "[Internet of money](#)."

Both committees grilled Marcus about various omissions, inconsistencies, and vagaries in [his testimony](#) as well as Libra's infamous [White Paper](#). In a surprising show of "bipartisanship," members of both parties expressed strong—and legitimate—concerns over Libra's potential to increase systemic risk, facilitate regulatory avoidance, and encroach on state sovereignty.

Marcus, on his part, was slick but unconvincing. For example, he [denied that Libra would operate as an Exchange Traded Fund](#) (ETF), despite admitting that each unit of currency would be backed by a fixed basket of financial assets—[exactly like an ETF](#). He also claimed Facebook's spin-off wallet, Calibra, would operate as a [licensed money transmitter](#), even though they are [prohibited from investing customer balances in securities](#), as Libra's Reserve Fund intends to do.

Furthermore, he denied that Libra or affiliated entities intend to engage in services that would require them to obtain [bank licenses](#) in each jurisdiction where they operate, contradicting [earlier claims](#) by Calibra executives that it may eventually offer credit services like its counterparts WeChat, Alipay, and M-Pesa.

Facebook's regulatory compliance strategy came across as underdeveloped at best, and illegal at worst: a dangerous position for a global mega-company seeking to become a

major financial player overnight, particularly in the post-crisis era. After two exhaustive days of interrogation, the overriding impression left by Marcus's testimony was that once the fancy marketing and propagandistic buzzwords are stripped away, Facebook simply believes it is entitled to create its own global currency because, well, it's Facebook. Everything else is mere details to be filled in later.

This arrogant approach has rightfully provoked the ire of leaders from both parties, albeit for different reasons. For Republicans, opposing Facebook is about defending American [national security interests](#), and preventing Facebook, which allegedly has a "left-wing bias," from [further deplatforming](#) right-wing celebrities and causes from its platforms. For Democrats, in contrast, the core issue is the ever-greater [concentration of economic power in the hands of private actors](#) who lack any meaningful commitment to democratic values. Both, however, recognize that Facebook's size and scope render it a direct threat to the sovereignty of public governing institutions.

Of course, Libra isn't the first example of a private digital currency created with the goal of subverting democracy. Bitcoin, which launched this generation's cryptocurrency mania a decade ago, was born out of a distrust of existing governments and financial institutions. Its underlying philosophy is perhaps encapsulated in the Winklevoss twins'—themselves former Facebook investors—[famous statement](#) that they had "elected to put [their] money and faith in a mathematical framework that [was] free of politics and human error." (Spoiler: Nothing is free of politics or human error.)

Since those early days, however, a lot of the technological creativity and investor money has shifted away from purely private currencies, to platforms and instruments that build upon existing public currencies and financial systems. Today, most "[stablecoins](#)" resemble incremental payment

system improvements rather than genuine monetary innovations; the revolutionaries who did not die as (libertarian) heroes have now lived long enough to see themselves become (statist) villains.

Libra, however, is different. From the outset, its desire has been not to supplant or enhance any one individual nation's currency, but instead to use its global reach and 2 billion-person customer base to issue currency in its own unit of account. Indeed, Facebook has made clear it intends for transactions made on the Libra platform to be denominated in Libra itself. In effect, Libra is designed to sit *above* any individual nation's currency, extracting value and wealth even as it depends on national monetary systems to function. In that respect, its business model is similar to Amazon, which built its package delivery empire on top of—[and at the expense of](#)—the public mail services of the US Postal Service.

Libra's governing organization is a corporation in Switzerland, with no democratically elected stakeholders or customer representation. It is accountable primarily to its corporate investor-members, none of whom come from countries where significant numbers of people are unbanked. In that sense, it's as if Facebook began with John Maynard Keynes's proposed global currency, [Bancor](#), or the International Monetary Fund's [Sovereign Drawing Rights \(SDRs\)](#), but then went on to remove any democratic accountability and add an [incoherent theory of monetary value](#) on top.

Libra, then, represents the preemptive privatization of a global public monetary layer that does not yet exist: a neoliberal corporatist's wet dream.

Ostensibly, Libra wallet balances will remain convertible into local domestic currencies on demand. But there is no guarantee that the exchange rate between Libra and any

particular currency will remain stable on a day-to-day basis, meaning that the vulnerable unbanked whom Libra is purported to serve may experience significant volatility in the value of their wallet holdings.

In a [telling moment](#) during the House Committee hearing on Wednesday, Representative Ocasio-Cortez asked Marcus whether he considered Libra a “public good,” like roads, parks, schools, and the legal system. He demurred, even though Libra’s white paper explicitly states that Libra “believe[s] that a global currency and financial infrastructure should be designed and governed as a public good.” It was the only moment during the entire hearing when Marcus appeared to veer off-message, likely out of recognition that it would be difficult to make such a bald lie directly to a panel of elected public officials.

The exchange underscored another [crucial point](#) made by Representative Ayanna Pressley (D-MA): Libra owes its existence to governments’ failures to develop their own public digital currency platforms that connect communities and people around the world together in ways that encourage global citizenship and coordination rather than price gouging and data mining. As John Kenneth Galbraith once observed: [Private affluence thrives amid public squalor](#).

To that extent, perhaps progressives should celebrate Libra —not for its “innovations,” but for revealing the stakes of [the struggle for the future of digital money](#). On one side, there are the global banks, telecoms, and tech companies, motivated by self-interest and profit, who see the future as belonging to them. Every day, they throw their considerable resources behind further enclosure and privatization of the global economy, including, in this case, the monetary system itself.

On the other are governments, public officials, social movements, and local communities seeking equity, self-determination, and freedom from discrimination and exploitation. For decades, such groups have been resistant to prioritizing monetary reform, despite its [long and laudable history in progressive politics](#). For better or worse, Libra has brought monetary reform to the forefront of our collective consciousness, and made it impossible to ignore.

[Now is the time](#) to articulate a bold, unapologetic vision for public digital money. This vision must include free [public bank accounts for all](#), ideally administered through a [network of locally situated postal banks](#). It must feature new [banking regulations](#) to properly regulate [private credit-money creation](#), and [international treaties](#) to extend liquidity assistance and limit currency volatility in more vulnerable nations. Equally importantly, it must also include some form of [digital cash instrument](#) that can be owned directly by users, and exchanged via an [open decentralized wallet network](#) without the approval of third-party intermediaries. Furthermore, transactions in digital cash should be anonymous in small denominations, [similar to physical cash](#), in order to protect regular people's [privacy and freedom](#) against the twin threats of [private data mining](#) and [public surveillance](#).

In the past, the challenge of progressive organizing has always been that [we had the people, but they had the money](#). This time is different. We have a chance to take the fight directly to them, and reassert public control over money itself—hopefully, once and for all.

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