

Facebook's Libra Isn't a "Cryptocurrency"

In mid-June, Facebook — in cahoots with 28 partners in the financial and tech sectors — announced plans to introduce Libra, a blockchain-based virtual currency.

The world's governments and central banks reacted quickly with calls for investigation and regulation. Their concerns are quite understandable, but unfortunately already addressed in Libra's planned structure.

The problem for governments and central banks:

A new currency with no built-in respect for political borders, and with a preexisting global user base of 2.4 billion Facebook users in nearly every country on Earth, could seriously disrupt the control those institutions exercise over our finances and our lives.

The accommodation Facebook is already making to those concerns:

Libra is envisaged as a "stablecoin," backed by the currencies and debt instruments of those governments and central banks themselves and administered through a "permissioned" blockchain ledger by equally centralized institutions (Facebook itself, Visa, Mastercard, et al.).

To put it a different way, Libra will not be a true cryptocurrency like Bitcoin or Ether. Neither its creation nor its transactions will be decentralized and distributed, let alone easily made anonymous. A "blockchain" is just a particular kind of ledger for keeping track of transactions. It does not, in and of itself, a cryptocurrency make.

In simple terms, Libra is just a new brand for old products: Digital gift cards and pre-paid debit cards.

The only real difference between Libra and existing Visa or Mastercard products is that Libra's value will fluctuate with the "basket" of currencies and bonds it's backed by, instead of being denominated in one particular (also fluctuating — you experience the fluctuations as changes in the prices of goods) currency like the dollar or the euro.

When it comes to the goal envisaged by cryptocurrency's creator, the pseudonymous Satoshi Nakamoto — to free money from control and manipulation by governments and central banks — Libra is a dead end. Instead of being manipulated by one government or central bank, Libra will be manipulated by all of them.

Cryptocurrency is, to get biblical, new wine in old wine skins — it bursts those skins, by design. Libra isn't new wine. It isn't even a new wine skin. It's a blend of the same old

wines, in the same old skins, with a fancy new label. And there's nothing to suggest that the old wine is getting better with age.

Fortunately, these structural defects also mean that Libra isn't a threat to real cryptocurrency. Accept no substitutes.