

Facebook Libra: How Cryptocurrency Could Go Mainstream

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This June, the tech community was taken by storm when Facebook [announced](#) that it would be launching a new cryptocurrency, Libra, in 2020. In the four months since, the proposed currency has faced staunch opposition both from [politicians](#) and from power players in the tech industry, such as Twitter CEO [Jack Dorsey](#). This opposition threatens to delay Libra indefinitely, something that could encourage competition from other tech companies and soon-to-be-released national digital currencies in countries such as China. Although Facebook has [retreated](#) from its initial vision of Libra, it is unclear whether Libra will be adopted globally and what the potential impact of a mainstream digital currency would be.

When Libra was initially launched, [its white paper](#) promised a bold vision of a “global currency of the future.” Facebook [claimed](#) that the world’s existing financial infrastructure had failed to modernize, causing access to financial services to be limited, especially among disadvantaged communities. Libra [promised](#) a bold vision of a global financial network accessible from any smartphone that could create immense economic opportunity, facilitate transactions across borders, and encourage commerce. However, Libra still [differed](#) significantly from existing cryptocurrencies such as Bitcoin; as unlike such cryptocurrencies, Libra would be pegged to existing currencies and regulated (albeit loosely) by a central organization, the Libra Association, based in Switzerland.

However, Libra has faced severe pushback, especially from the American government. American tech regulations are famously [more lenient](#) than those of other developed nations; however, regulations on the finance sector have become more stringent after the 2008 financial crisis. Major concerns have been raised by prominent government officials, such as Treasury Secretary Steven Mnuchin, that Libra’s insufficient regulation could be used for [illicit purposes](#) such as drug trafficking, human trafficking, or money laundering. Additionally, Congress raised concerns regarding privacy, consumer protection, and financial stability that Libra’s governance council, which is relatively hands-off [by design](#), could not properly address, as well as concerns about whether Facebook, a company with a stained reputation in the eyes of lawmakers, could be trusted to handle consumer data. When Rep. Nydia Velasquez [asked](#) Zuckerberg, “Do you understand why your record makes us concerned with Facebook entering the cryptocurrency

space? Do you realize that you and Facebook have a credibility issue here?”, it summed up the skeptical view that Congress has on Facebook and Libra. While Facebook has agreed to follow all financial regulations, members of Congress have been pushing for a [delayed release](#) of Libra in order to better study it. The United States is not alone in its opposition to an immediate release of Libra, either. In fact, representatives from France and Germany have gone even further, [suggesting](#) that Libra should not be allowed to exist at all in the current regulatory environment.

Regulatory concerns are already hurting Libra, and the pushback Libra has received has significantly weakened the resolve of its backers. In fact, [over a quarter](#) of the Libra Association's backers, including PayPal, Visa, Mastercard, Stripe, Mercado Pago, and eBay, left the association over these concerns. Still, Facebook has continued to push for a 2020 release, although it has altered its original vision in response to criticisms. Facebook originally [intended](#) to limit the governing Libra Association's role in regulatory matters, instead forcing issues of compliance to individual wallets and refusing to screen providers. However, the pushback they've received from national governments has led them to move to [a less open model](#) where the Libra Association must approve and audit individual wallet services, increasing security at the cost of greater barriers to entering the Libra market. Still, Libra cannot successfully launch without the approval of the American government, and experts doubt that Facebook can meet a 2020 release date, with even Mark Zuckerberg [suggesting](#) that “I believe this is something that needs to get built, but I understand we're not the ideal messenger right now.”

However, despite these changes and Facebook's PR efforts, lawmakers still appear [unconvinced](#), throwing Facebook's plan to release Libra in 2020 into jeopardy. Even if Libra is successfully released, however, other groups - including many [countries'](#) proposed national currencies, have emerged as potential challengers to Libra since Facebook's initial announcement. Most notably, the People's Bank of China (PBOC) has [made rapid progress](#) on their own Libra-esque digital currency, referred to as Digital Currency Electronic Payment ([DCEP](#)). This digital currency has seen more international support from bodies such as the [IMF](#) due to its status under a sovereign nation. However, [some](#) government figures, concerned that China could use DCEP to influence the global economy and surveil its users, have [called for](#) deregulation of Libra in order for America to outcompete China in mass-market cryptocurrency.

Libra and DCEP present entirely different visions of how a mainstream global digital currency would function - either the highly decentralized, tech giant vision offered by Facebook or the closely-controlled national digital currency that China is close to releasing. However, no matter whether it's big tech or a big country that gets there first, a mainstream digital currency could dramatically transform the world economy. Libra, DCEP, or any other competing alternative could potentially shift the global balance of power and bringing millions of new people into the global financial system. Yet despite how close these solutions are to release, lawmakers from across the world continue to struggle to understand and properly regulate them. How governments respond to the creation and widespread adoption of digital currencies such as Libra, DCEP, and many others to come could drastically change the global economy - and although Libra's release has only continued to be pushed back since its conception, we're running out of time before such currencies become a reality.