Facebook May Pose a New Financial Danger Greater Than Wall Street

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> *Believe it or not Money flows more freely in China than it does in America and the West where currency control is at the Heart of all political and power control. The Reserve Banking Cartel, headquarters in NY, is clearly on notice as China shows the way to financial freedom, which involves removing the debt-chains that shackle/ENSLAVE entire western populations. Read the following with the focus it deserves as it involves either more draconian financial enslavement or total financial freedom outside the clutches of traditional financial power structures. Presently we are dealing with a two-edged sword, which way it cuts could be determined by the people NOT existing IT or Wall St power centers. Nevertheless, this new formula/model is clearly outlined for everyone to appreciate and possibly utilize to free the people.*

Payments can happen cheaply and easily without banks or credit card companies, as has already been demonstrated—not in the United States but in China. Unlike in the U.S., where numerous firms feast on fees from handling and processing payments, in China most money flows through mobile phones nearly for free. In 2018 these cashless payments totaled a whopping $41.5 trillion; and 90% were through Alipay and WeChat Pay, a pair of digital ecosystems that blend social media, commerce and banking. According to a 2018 article in Bloomberg titled “Why China’s Payment Apps Give U.S. Bankers Nightmares”:

> The nightmare for the U.S. financial industry is that a technology company—whether from China or a homegrown juggernaut such as Amazon.com Inc. or Facebook Inc.—replicates the success of Alipay and WeChat in America. The stakes are enormous, potentially carving away billions of dollars in annual revenue from major banks and other firms.

That threat may now be materializing. On June 18, Facebook unveiled a white paper outlining ambitious plans to create a new global cryptocurrency called Libra, to be launched in 2020. Facebook reportedly has high hopes that Libra will become the foundation for a new financial system free of control by Wall Street power brokers and central banks.

But apparently Libra will not be competing with Visa or Mastercard. In fact, the Libra Association lists those two giants among its 28 soon-to-be founding members. Others include Paypal, Stripe, Uber, Lyft and eBay. Facebook has reportedly courted dozens of financial institutions and other tech companies to join the Libra Association, an independent foundation that will contribute capital and help govern the digital currency. Entry barriers are high, with each founding member paying a minimum of $10 million to join. This gives them one vote (or 1% of the total vote, whichever is larger) in the Libra Association council. Members are also entitled to a share proportionate to their investment of the dividends earned from interest on the Libra reserve—the money that users will pay to acquire the Libra currency.

Needless to say, all of this has raised some eyebrows, among both financial analysts and crypto-activists. A Zero Hedge commentator calls Libra “Facebook’s Crypto Trojan Rabbit.” An article in The Financial Times’ Alphaville calls it “Blockchain, but Without the Blocks or Chain.” Economist

Nouriel Roubini concurs, tweeting:

Another Zero Hedge writer calls Libra "The Dollar's Killer App," which threatens "not only the power of central banks but also the government's money monopoly itself."

From Frying Pan to Fire?

To the crypto-anarchist community, usurping the power of central banks and governments may sound like a good thing. But handing global power to the corporate-controlled Libra Association could be a greater nightmare. So argues Facebook co-founder Chris Hughes, who writes in The Financial Times:

> This currency would insert a powerful new corporate layer of monetary control between central banks and individuals. Inevitably, these companies will put their private interests — profits and influence — ahead of public ones. …
>
> The Libra Association's https://libra.org/en-US/white-paper/#introduction goals specifically say that [they] will encourage "decentralised forms of governance." In other words, Libra will disrupt and weaken nation states by enabling people to move out of unstable local currencies and into a currency denominated in dollars and euros and managed by corporations. …
>
> What Libra backers are calling 'decentralisation' is in truth a shift of power from developing world central banks toward multinational corporations and the US Federal Reserve and the European Central Bank.

Power will shift to the Fed and ECB because the dollar and the euro will squeeze out weaker currencies in developing countries. As seen recently in Greece, the result will be to cause their governments to lose control of their currencies and their economies.

Pros and Cons

Caitlin Long, co-founder of the Wyoming Blockchain Coalition, recently agreed that Libra was a Trojan horse but predicted it would have some beneficial effects. For one, she thought it would impose discipline on the U.S. banking system by leading to populist calls to repeal its corporate subsidies. The Fed is now paying its member banks 2.35% in risk-free interest on their excess reserves, which this year is projected to total $36 billion of corporate welfare to U.S. banks—about half the sum spent on the U.S. food stamp program. If Facebook parks its entire U.S. dollar balance at the Federal Reserve through one of its bank partners, it could earn the same rate. But Long predicted that Facebook would have to pay interest to Libra users to avoid a chorus of critics, who would loudly publicize how much money Facebook and its partners were pocketing from the interest on the money users traded for their Libra currency.

But that was before the Libra white paper came out. It reveals the profits will indeed be divided among Facebook's Libra partners rather than shared with users. At one time, we earned interest on our deposits in government-insured banks. With Libra, we will get no interest on our money, which will be entrusted to uninsured crypto exchanges, which are coming under increasing regulatory pressure due to lack of transparency and operational irregularities.

United Kingdom economics professor Alistair Milne points to another problem with the Libra cryptocurrency: Unlike Bitcoin, it will be a "stablecoin," whose value will be tied to a basket of fiat currencies and short-term government securities. That means it will need the backing of real money to maintain its fixed price. If reserves do not cover withdrawals, who will be responsible for compensating Libra holders? Ideally, Milne writes, reserves would be held with the central bank; but central banks will be reluctant to support a private currency.

Long also predicts that Facebook's cryptocurrency will be a huge honeypot of data for government officials, since every transaction will be traceable. But other reviewers see this as Libra's most fatal flaw. Facebook has been called Big Brother, the ultimate government surveillance tool. Conspiracy theorists link it to the CIA and the U.S. Department of Defense. Facebook has already demonstrated that it is an untrustworthy manager of personal data.

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Why Use a Cryptocurrency at All?

Why has Facebook chosen to use a cryptocurrency rather than following WeChat and AliPay in doing a global payments network in the traditional way? Yan Meng, vice president of the Chinese Software Developer Network, says Facebook's fragmented user base across the world leaves it with no better choice than to borrow ideas from blockchain and cryptocurrency.

"Facebook just can't do a global payments network via traditional methods, which require applying for a license and preparing foreign exchange reserves with local banking, one market after another," Meng said. "The advantage of WeChat and AliPay is they have already gained a significant number of users from just one giant economy that accounts for 20 percent of the world's population." They have no need to establish their own digital currencies, which they still regard as too risky.

Meng suspects that Facebook's long-term ambition is to become a stateless central bank that uses Libra as a base currency. He writes, "With sufficient incentives, nodes of Facebook's Libra network would represent Facebook to push for utility in various countries for its 2.7 billion users in business, investment, trade and financial services," which "would help complete a full digital economy empire."

The question is whether regulators will allow that sort of competition with the central banking system. Immediately after Facebook released its Libra cryptocurrency plan, financial regulators in Europe voiced concerns over the potential danger of Facebook running a "shadow bank." Maxine Waters, who heads the Financial Services Committee for the U.S. House of Representatives, asked Facebook to halt its development of Libra until hearings could be held. She said:

> This is like starting a bank without having to go through any steps to do it. … We can't allow Facebook to go to Switzerland and begin to compete with the dollar without having any regulatory regime that's dealing with them.

A Stateless Private Central Bank or a Publicly Accountable One?

Facebook may be competing with more than the dollar. Jennifer Grygiel, assistant professor of communications at Syracuse University, writes:

> [It] seems that the company is not seeking to compete with Bitcoin or other cryptocurrencies. Rather, Facebook is looking to replace the existing global financial system with an all-new setup, with Libra at its center.
>
> At least at the moment, the Libra is being designed as a form of electronic money linked to many national currencies. That has raised fears that Libra might someday be recognized as a sovereign currency, with Facebook acting as a "shadow bank" that could compete with the central banks of countries around the world.

Long thinks Bitcoin, rather than Libra, will come out the winner in all this; but Bitcoin's blockchain model is too slow, expensive and energy intensive to replace fiat currency as a medium of exchange on a national scale. As Josh Constine writes on TechCrunch:

> [E]xisting cryptocurrencies like Bitcoin and Ethereum weren't properly engineered to scale to be a medium of exchange. Their unanchored price was susceptible to huge and unpredictable swings, making it tough for merchants to accept as payment. And cryptocurrencies miss out on much of their potential beyond speculation unless there are enough places that will take them instead of dollars. ... But with Facebook's relationship with 7 million advertisers and 90 million small businesses plus its user experience prowess, it was well-poised to tackle this juggernaut of a problem.

For Libra to scale as a national medium of exchange, its governance had to be centralized rather than "distributed." But Libra's governing body is not the sort of global controller we want. Jennifer Grygiel writes:

> Facebook CEO Mark Zuckerberg . . . is declaring that he wants Facebook to become a virtual nation, populated by users, powered by a self-contained economy, and headed by a CEO–Zuckerberg himself– who is not even accountable to his shareholders. . . .
>
> In many ways the company that Mark Zuckerberg is building is beginning to look more like a Roman Empire, now with its own central bank and currency, than a corporation. The only problem is that this new nation-like platform is a controlled company and is run more like a dictatorship than a sovereign country with democratically elected leaders.

A currency intended for trade on a national—let alone international—scale needs to be not only centralized but democratized, responding to the will of the people and their elected leaders. Rather than bypassing the existing central banking structure as Facebook plans to do, several groups of economists are proposing a more egalitarian solution: nationalizing and democratizing the central bank by opening its deposit window to everyone. As explored in my latest book, "Banking on the People: Democratizing Money in the Digital Age," these proposals could allow us all to get 2.35% on our deposits, while eliminating bank runs and banking crises, since the central bank cannot run out of funds. Profits from the public medium of exchange need to return to the public rather than enriching an unaccountable, corporate-controlled Facebook Trojan horse.

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