

Skip to main content

PS The Big Picture

Waiting for Libra

A month after announcing that it will launch a new cryptocurrency, Facebook is reporting strong second-quarter earnings and a slight increase in its active monthly user base, to 2.7 billion people. But is Facebook really ready for the global currency business – and is the global financial system ready for Facebook?

In this *Big Picture*, Nobel laureate economist **Joseph E. Stiglitz** suggests that Facebook's repeated failures to respect user privacy should disqualify it from a foray into finance and banking. Cornell's **Kaushik Basu** worries that a major private currency could severely weaken central banks' ability to conduct monetary policy. Moreover, Bruegel's **Elena Ribakova and Anne-Marie Slaughter** of New America point out that Libra represents one of several emerging projects that would diminish US control of the global financial system.

Meanwhile, Rutgers's **Roberto Chang and Andres Velasco** of the LSE see in Facebook's designs all the hallmarks of a standard "currency board," an approach that has repeatedly failed to maintain monetary stability. Sounding a similar note, **Stephen Grenville** of the Lowy Institute argues that insofar as Libra would allow for frictionless cross-border transactions, it could be a disaster for countries at risk of capital flight. Likewise, **Katharina Pistor** of Columbia Law School warns that Libra itself could be vulnerable to a bank-run-like meltdown, requiring a bailout larger than any government could provide.

Finally, Princeton's **Harold James** plays devil's advocate, arguing that a truly universal currency could eliminate a longstanding source of conflict between countries.

Featured in this Big Picture



KAUSHIK BASU



ROBERTO CHANG



STEPHEN GRENVILLE



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ANNE-MARIE SLAUGHTER



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