



This Time is Different: Facebook's Libra Can Improve Both Financial Inclusion and Global Financial Stability as a Viable Alternative Currency to the U.S. Dollar

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Abstract

Purpose: The aim of this study is to determine the relationship between the propagation of high-magnitude crises since the late 1990s and emergence of cryptocurrencies in the aftermath of the global financial crisis of 2008.

Design and Methodology: The study was based on a literature review of the interaction between financial crises and evolution of money in the digital age. A high-level technical overview of Libra and blockchain is provided. The broad analysis of Libra coin looks at various models and categories of implementation approaches. The study discusses the components of blockchain technology and provides illustrative visuals when possible. We also compare consensus models used in the Libra and Bitcoin blockchain networks. The analysis also touches on the use of blockchain technology in applications such as smart contracts.

Findings: The study shows that cryptocurrencies are not only a natural but an inevitable transformation in the evolution of money. As with any new technology, Facebook's Libra is going to cause a great deal of disruption in the existing ecosystem of cryptocurrencies that has taken a decade to form. On the other hand, Libra's financial inclusion and global stability as a public good promises to revolutionize the cryptocurrency world.

Practical Implications: If Facebook's Libra doesn't sputter out, it will spur central banks to introduce their own cryptocurrency projects. Libra's vast scale will make access to intermediation by banks easier, faster, and cheaper. Unlike Bitcoin, Libra will be backed by a basket of stable currencies as well as low-risk government bonds and central bank reserve assets.

Originality/Value: This study presents a clear picture of both advantages and potential risks of Libra which is considered to be a new invention eventhough Bitcoin has been around more than a decade. The study warns regulators and law makers along with central banks who are running headlong into backlash to Libra can harm consumers more than protect them. Punishing Facebook with a troubled past for violation of privacy and exploitation of users' data could adversely affect innovation and discourage developments of cryptocurrencies.