



## Modified Libra Cryptocurrency Still an Innovation, but Clear away Regulatory Barriers for More

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When the governing body of Libra, the Facebook-developed cryptocurrency, released a new white paper on April 16, the reaction was sort of a yawn. Press accounts referred to the significant changes announced by the Libra association as that of “watering down” or “scaling back” plans for the cryptocurrency.

I don’t quite read it the white paper that way. Although Libra is adding some new features, and some of these are more pleasing to regulators, it still has the potential to be an amazing technology and change finance and payments as we know it. As I said in my initial statement, “Changes to the Libra’s initial design, such as the new option of single-currency “stablecoins” that can be denominated in the currency of one’s country, could result in faster payments and lower fees to transfer at a time when it is desperately needed.”

I added, however, that Libra and other cryptocurrencies could serve functions other than initially imagined when cryptocurrencies were created a decade ago. Back then, it looked like serving as an alternative to central bank currency would be the most valued feature, as folks were worried about inflation in the wake of massive quantitative easing by the Federal Reserve. Today, given the Fed’s actions that dwarf those of the 2008 crisis (but more justifiable to many due to businesses and individuals being hit by something that was clearly not their fault), there still is some desire to hedge potentially debased national currencies.

But the potential for faster payments from Libra and other cryptocurrencies, at a time when the public and policy makers are looking to move money faster, may be the biggest draw. My friend Diego Zuluaga, policy analyst at the Cato Institute, writes that Libra’s changes make it more like “PayPal and other electronic payment networks.”

That may be so, and that’s okay, as long as lawmakers and regulators don’t manufacture more red tape to burden upstarts in financial technology. The history of capitalism is filled with consumers and producers changing their products’ purposes and what businesses were set up to do. Who would have thought even 10 years ago that a phone would be the prime place for listening to recorded music? And who before last month thought that distilleries could repurpose themselves so quickly to become makers of hand sanitizers with alcohol?

Even before the COVID-19 crisis, blockchain technology associated with cryptocurrency was already being utilized in countless new ways, from medical recordkeeping to land titling, as I noted in a CEI study last year. Now people are finding many ways that blockchain can be part of

the solution in defeating COVID-19. For instance, scholars at Aston University in Birmingham, U.K., are researching a blockchain application to verify that medical equipment came from legitimate factories and is not defective.

Governments of the world have a duty to ensure that #NeverNeeded red tape doesn't keep cryptocurrency and blockchain creators from making these valuable contributions to our public health and prosperity.