

## Keep Big Tech Away from Our Money

*By: Osmond Plummer  
Professor of Finance*

EU Business School, Switzerland  
January 2020

---

Facebook wants to launch a new currency which it has called Libra. They say that it will be based in Switzerland and allegedly be independent of Facebook itself, but it aims to serve the needs of some 2 billion people and will thus have access to their data and spending habits. Facebook is thereby looking at going into the world of financial services, where rules and regulations are really important – and regulation is a thing that the internet platforms have tried desperately to avoid. Recently a number of the launch partners, including VISA, pulled out of the project and it now looks dead in the water as lawmakers and regulators circle, but the proposal still stands and that should worry you.

There is nothing wrong with the concept of a private currency. There is no intrinsic reason why countries and national central banks should have a monopoly on fiat currency and the demise of national currencies is the subject of a new book by Thomas Anderson. This book has many valid and pertinent observations such as that gold has no intrinsic value let alone fiat currencies (he describes the US dollar as an “accounting trick”). These things have value because we all agree to believe in them. As Adam Smith said, “All money is a matter of belief.” Several C20th economists have argued that money is too important to be managed by governments and Hayek proposed abolition of national currencies in the 1970s. The problem with private ones,

however, is fundamentally a problem of trust in the issuers and that put paid to that idea at the time.

T.J Anderson’s book *Money Without Boundaries: How Blockchain Will Create a New Global Currency* is a recommended read to those who would be philosophers of the money phenomenon. This author has read and reviewed the book, finding its prescriptions lacking for one simple reason. Whilst the blockchain is a workable way of creating verifiable trust between parties who do not know each other, his asset backed prescription for private currencies is based on one thing that may not be reliable in the real world – trust that the values of these assets can be verified and relied upon and that, to cite two of many examples, the ratings agencies would never be biddable and asset bubbles would never form. And then there is the fact of human nature and the seemingly infinite possibilities for creative gaming of any system – if one is determined enough. So, like the driverless car, mainstream private currencies are probably always going to be 5 years away.

The main problem with Facebook launching a currency is again one of data and trust. Facebook already knows more about its users than they probably know about themselves. It has the capacity through algorithms to affect elections and subvert governments. It tells its users what they want to hear, feeding them news that fits with and confirms their world view and never challenging them to civil discourse with the other side or to think any differently. It is, in short, a cancer on society. And they now want your financial spending data?

Fintech is a marvellous business area in which innovation is continuing apace. The author recently sat on a panel of judges for some Fintech awards in London and the variety and

inventiveness of what is being achieved in this area is fascinating to behold. Unserved areas of the market deemed not profitable for the established institutions are being served via new networks and access to technology and big data. Market analysis through complex algorithms (with a fair amount of human input) is helping SMEs find credit, the unbanked obtain access to financial services and providing a host of solutions to niche markets that previously were excluded – either underserved or not served at all. The Fintech revolution is by and large a force for good in society. Economic empowerment is generally a good thing. But when big tech wants to muscle in on the action we need to be very, very, wary of these companies and their motivations.

Elizabeth Warren – a leading candidate for the democratic nomination for the next US presidential election – wants to break up the big tech companies. You may or may not agree with her arguments or viewpoint, but she does have a point when she observes the level of power and influence these companies exert in society and the potential they have to manipulate society whether by accident or design. Now we have Google, the search engine owned by Alphabet and the engine used for the vast majority of global internet searches, seeking to expand into retail financial services. The response from regulators, governments and the people that they govern should be a very simple loud, clear and resounding “No!”.

Think this one through. Google already knows who you are, your IP address and what you do when you are online. It knows what you search for and uses the data it has on you to tailor the search results you see. It sells its knowledge about you to advertisers so that they can profit from you. Recently the author needed to apply for a visa to visit Cambodia. The official site of the Cambodian Government site for visa

applications did not even feature on the first page of a Google search. That page was made up of a series of sponsored links that had plausible names and were or were not reliable destinations for your credit card details. Google is just a platform and takes no responsibility for the reliability of the sites that appear in its search results. Google may have as a motto “Don’t be evil” but the subtext would appear to be “Milk the market.”

Data is the new gold – that has been a mantra from some time now. Your author recently came across a new word, a Zettabyte. You can look that one up. It has quite a few 0’s. We now measure data in that order of size and Google has a big chunk of that data on its billions of users. Data is ubiquitous and stored in multiple locations and access to that data is the *modus operandi* of the technology sector. It was reported a few years ago that Uber engineers had created an algorithm that allowed them to work out who amongst its users was sleeping with whom (which was also reported to have been deleted when they realised the implications of that one). Google already knows a lot about you and now they want to know about your spending habits. This is not about Google providing consumers with better financial services, it is about Google getting access to more and more of your data.

If you are a user of contactless plastic, you will know how useful and practical it is. But if you think about it, it does not take much reflection to consider how much personal data you are giving away every time you flash the card at a reader. If big tech gets hold of that data in addition to what they already have on you they will know more about you than the Chinese government knows about its heavily surveyed population. That is more than a call for alarm. To allow big tech to access that level of data will make those companies more powerful than nation states, able to unleash

Orwellian manipulation of their users' views and choices and accountable to no-one in particular save for their shareholders who, of course, are driven by the profit motive.

Of course these companies' response is simple and bare faced – “Trust us.” the correct response to which is “Cambridge Analytica.” Whatever the stated intentions of the big tech companies, willingly or unwillingly, the profit motive will eventually subsume all others and the sheep that we have become in the great field of the World Wide Web will be herded into the pen by the sheepdog of big tech.

Money may indeed be too important to be managed by governments. It is certainly too important to be left to the big technology companies. And as for giving them more data – maybe it is time to try to encourage that one thing that they fear the most instead: regulated competitive markets.

## References

Anderson, T.J. (2019). Money Without Boundaries : How Blockchain Will Create a New Global Currency. Wiley.

Arslanian, H. & Fischer, F. (2019). The Future of Finance : The Impact of FinTech, AI, and Crypto on Financial Services. Springer International.