

Should big tech be allowed to issue crypto?

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If big tech can issue their own currencies for use around the world, what chance is there that macroeconomic control of the national economies of the world can be maintained? The threat of global meltdown is very real.

https://www.youtube.com/watch?v=r_AtgPWRpd0?si=VjjGHavff1P5sRra

This is the audio version:

https://www.podbean.com/player-v2/?i=hcexs-18c2a44-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

In the USA, they're trying to pass something called the GENIUS Act. But let me assure you, this is not a work of genius. In fact, it's something very different to that. This is something that is very dangerous, for you, for me, for global financial stability and for the macroeconomic control of any country. This needs to be talked about as a result.

So, what is the Genius Act? It is the Guiding and Establishing National Innovation for US Stable Coins Act, which is a contorted way of coming up with 'genius', which is what they obviously wanted to spell out.

But the reality is that this is all about providing the power to major US social media

companies to create their own stablecoins, which are, of course, a form of cryptocurrency.

What it comes down to is that big tech isn't happy with just taking over our lives through the supply of social media, and it isn't happy with taking over democracy in the USA. Now it wants to take over banking and money itself, and all within an environment of light-touch regulation.

This bill is a massive threat to democracy and to our economy.

What the Genius Act permits is essentially this. Non-banks will be able to issue what are called stablecoins. Now these are cryptocurrency. Make no mistake about that.

We could have a Meta buck, or a Google buck, or an X, whatever you wish to call it. These things would be created by these companies and be named by them.

They would be subject to light-touch regulation, but the point is that, supposedly, and because they are stablecoins, each of them will be linked to the value of the dollar. In other words, the Meta buck might be one Meta buck for \$1, but it could be two Meta bucks for \$1, and the Google buck could be four Google bucks for \$1, or whatever they wished.

The point is, what this creates is the opportunity for tech giants to act like private central banks, creating and issuing their own money. And the temptation to do this once the Act is passed is going to be absolutely enormous because what we already know is that of course, all these social media companies exist not to supply us with information, which they do by and large for free, but to control the digital transactions that flow from that information.

And so what's going to happen is that these tech firms will create not just a means for payment, which they already have done, but linked in most cases to some form of credit card or other banking facility outside their control, and instead will create such a facility under their control.

They will not only make profit from supplying the content for their sites, they will make profit from the products sold from their sites, and they will make profit from the payments on their sites, and they will even make profit from the control of the medium in which that payment is made on their sites. And they will set the rates, the fees, and the terms for the use of this money.

It isn't like our current money, which you can get simply in exchange for your earnings, or for however else you make money. No. The access to these types of money will be determined by the companies that issue them, and they might, of course, make them the exclusive mechanisms for payment on their sites, and that is quite extraordinary. This is a monopoly that will exist from beginning to end for every type of transaction on

their social media sites.

And what the big tech companies have lobbied the US government to deliver, and both of the major political parties in the USA have signed up for this because this is both Democrat and Republican backed, is to take these new currencies out of mainstream regulation. There is something called the CFPB in the USA, the Consumer Financial Protection Bureau, which exists to prevent people being ripped off. To stop fraud taking place. To stop exploitation. And, very obviously there is a significant market which that bureau has to regulate with regard, at present, to online payments, because we all know that online payments are an area where fraud is prevalent. But this Act will take these currencies out of the oversight of that board. In other words, there will be no effective regulation on what these companies will be doing.

And this, I would suggest to you, is deeply dangerous; the historical precedents are dire. Before the Great Depression in the 1930s, there were problems in the USA with a lack of division between banking and business.

After the Great Depression, the US learned its lesson. What it realised was that commercial banks, the people who held money on behalf of Joe Public and who managed the payment systems for them, had to be separated from all other risks to guarantee that they could not fail when everybody else around them was. That was the great lesson that came out of the 1930s, and it was wrapped up in something called the Glass Steagall Act, which didn't even allow banks to undertake investment activity; that is, until 1999, when Bill Clinton withdrew the act in question.

And that deregulation is now too commonplace already within the system, but what we're seeing here is something that is going to force deregulation very much further. The barrier between trade and the whole system of payment is basically going to disappear. This is the inevitable consequence of what crypto has been lobbying for.

If the 2024 presidential election in the USA was about anything, it was about cryptomoney. Millions of dollars were poured by crypto companies into the election campaigns; again, I stress, to both sides of the debate, and the consequence is that now we have this potential risk to the US economy, which will, of course spread.

Let's be clear, once these companies, whether they be Meta, Facebook, X or whatever, get used to charging using their own currencies in the USA, you cannot imagine them stopping there. They are going to demand the right to use these currencies in other countries, but that, of course, creates major problems because what is going to be used for payment in other countries? Or is there going to be a fixed exchange rate? And if there isn't, how are we going to know precisely what it is we're being charged for?

Suppose Amazon create an Amazon, whatever they wish to call it. Just maybe call it an Amazon, as a unit of currency. They will use this to price in the USA. But suppose they priced in the same way in the UK. There would obviously need to be a price differential.

How would you get around that?

How would you manage that?

How would you understand what today's transaction and translation rate is?

Would you know for sure, or is there, in this, the most extraordinary ability to undermine the stability of actual currencies?

But most of all, what we end up with is the risk that we'll end up with undemocratic control of worldwide currencies that will deeply threaten the stability of nationally issued currencies, and that would destabilise central bank control of interest rates, and inflation rates, and recessions, and everything else around the world.

The whole idea that we currently have of the management of an economy is based around the fact that there is only one legal tender in a country, and that is the basis on which central banks can manage the way in which the economy works. But once we have major corporations issuing their own currencies, which will become commonplace in use because they might require that they be used and that you maintain some form of bank account with them to be able to spend on their site, which you can easily imagine, they might, then the control of the economy is going to be very much harder.

And in particular, that will be the case if they begin to offer loans in this currency, with their own interest rates, and their own effective banking operations. How then will you be sure that there is, well, simple financial control on the amount of money in use in the economy, which is one of the bases of general monetary policy?

But there's more risk than that. Everything would probably work fine with these currencies if all were going well, but what happens when a stablecoin becomes illiquid? Suddenly, everybody wants to take their money out. Will these tech companies have the depth of resources available to them to actually pay everybody out on demand? Or could we suddenly find that we could end up with runs on the bank?

Remember, runs on banks are not unknown in history. In the UK, there have been very few of them. There have been more in the States, but in the UK, we did have one in 2007. Northern Rock had a run on the bank, and the only way in which that situation was maintained was for the UK government to guarantee that everybody would get their money.

What would happen if one of these stablecoin, supposedly linked currencies, began to fail? Would that then translate into a traditional financial system crisis?

Would these private companies distort real pricing and demand?

Would they issue signals to the markets, which in fact might lead to economic mismanagement by central banks?

And could the tech firms in fact capture data which will let them manage the economy to an extent beyond the control of central government operation, altogether?

And remember, that is, of course, very clearly within the goals of some of the big tech companies. Remember, the big tech companies are, in many cases, closely aligned with the interests of the far-right in the USA. They're very pro-libertarian, which actually, for most people, means they're anti-freedom, because for most people, that's what pro-libertarian means. And they are very anti-government. So the opportunity that this will provide to tech companies to potentially undermine the economic and tax sovereignty of a state would, for some of the operators, be very attractive indeed.

These currencies might, like all cryptocurrencies, then become used for illicit financial flows or plain, straightforward tax evasion activity. There would then be a threat to tax revenue.

Now, in that case, this is not innovation. What we are seeing in the Genius Act is nothing like genius. What we're seeing is a plain, straightforward, frontal assault on the power of the state, and a claim that monopolies should have their reach extended. It's all about granting a few companies around the world the right to make profit almost without limit; the right to grant them economic control and power, and the right to remove from the public the information that they need to make their own choices, because in many cases, the existence of these multiple currencies will be deeply confusing.

How will you compare a price on one platform with another one if they're using different currencies?

Is everybody going to get out their calculator and check?

Are they going to be mechanisms for exchanging money that you had left on Amazon to now buy it on another site?

Who knows?

All of these risks are real, or they're an impediment to trade.

The point is, the Genius Act is by no means in your best interests.

This Act is stacked against your best interest.

It's stacked against the best interests of our government.

It's stacked against the best interests of our tax system.

It's stacked against the best interests of all the people who rely upon government services.

It is therefore a deliberate power grab to undermine everything that is of value in our society.

In that case, shouldn't you be shouting out and saying no to the Genius Act, wherever you are? Because it might just be a US Bill at present, but you can sure as heck bet it's going to spread around the world pretty quickly.