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Campbell Harvey to Newsmax TV: Lots of Reasons to Like Bitcoins

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By Dan Weil

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While the bitcoin has faced heightened turbulence recently, it is in some ways better than standard currencies, says Campbell Harvey, professor of international business at Duke University's business school.

"The transaction costs are very low, there's no fraud, there's no counterfeiting, there's no double spending, there's no centralized authority to do this," he told John Bachman on "America's Forum" on Newsmax TV. "It's extremely secure. It's essentially unhackable."

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The government enforces a number of laws with respect to the dollar that aren't relevant to bitcoins, Harvey says.

"Number one, you must accept U.S. dollars as payment. It is legal tender. Number two, the government has the ability to tax you, and you have to pay in dollars. And number three, if you don't pay your taxes, you can go to jail," he said.

Editor's Note: 18.79% Annual Returns . . . for Life?

There's no such structure surrounding the bitcoin, Harvey notes. "There's no centralized authority. There is no underlying collateral for it. . . . There's no chargebacks, there's no allowance for fraud, there's no back office to verify ownership, there's no transaction charges," he said.

"So you put all of that together, and it creates value. . . . The value of the bitcoin is the efficiency in terms of transactions. It's potentially an extremely disruptive force when it

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comes to financial intermediation."

As for the potential of government involvement with the bitcoin, Harvey said that former Federal Reserve Chairman Ben Bernanke wrote a letter in December saying there may be money-laundering issues for the digital currency.

Money laundering is "the main thing that's been raised as a negative," Harvey said. "But the chairman also said potentially this holds some promise, because it allows people to transact in a much more efficient way. So you save money on transactions. That's a good thing for the economy in general."

Turning to the gold market, Harvey said the reason why the Chinese and Indians buy so much of the metal is that they don't trust their governments.

"There's no way out," he said. "You can't take your local currency and buy U.S. dollars. There's no way to do it. So, basically, what people do is they go to gold, even though they know gold is quite volatile."

Investing in stocks would be less volatile, but, "they don't have any choice," Harvey said. "It's their only way to hedge the uncertainty that has to do with [currency] devaluation or political instability."

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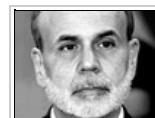
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