Campbell Harvey: Don't Give Up on Bitcoin

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By Dan Weil

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The digital currency bitcoin has had well-chronicled problems since it began six years ago, including fraud and a plunge in value of 77 percent since December 2013.

But fear not, says Campbell Harvey, professor of finance at Duke University and a frequent guest on Newsmax TV. Writing in The Wall Street Journal, he offers a list of problems that the bitcoin solves.

- You don't have to worry about personal data, such as your credit card and bank-account information, being purloined.
- "Anyone with a cellphone or Internet connection can execute seamless transactions, even in amounts less than a penny," Harvey says. "This is important for many who lack bank access, especially in the developing world."
- Fees on international transactions are negligible, compared to current fees of 10 percent.
- "There is no inflation risk," Harvey writes. That's because bitcoins are created slowly and supply is limited.

However, he notes, "The most exciting thing about bitcoin is the technology behind it, the block chain, an online, transparent record of every transaction on every bitcoin. It is a giant electronic financial ledger that is used to authenticate each transaction and, in the process, produce more bitcoins."

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Harvey adds that the block chain's potential "reaches far beyond bitcoin the currency. It is a way to both verify ownership and to set up contracts."

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Meanwhile, in the world of real currencies, most economists agree that global currency war broke out about two years ago — one that has intensified during the last year with the European Central Bank and Bank of Japan increasing their quantitative easing operations.

But First Trust economists, led by Brian Wesbury, beg to differ. "The currency war story makes good copy and finds supporters, but it lacks any consistent set of facts to back it up," they write in a commentary.

Monetary policy supposedly sparked the war, but the global economy isn't all about central banks, the economists explain.

"Some analysts think that central bank policy (specifically, quantitative easing) is the only thing that matters," they note.

"They overlook innovation, investment, and just plain old hard work and argue that stock prices, interest rates and economic performance are driven by central bank stimulus."

So the flawed analysis says "the world has returned to a Depression-era game of competitive devaluation (some call it 'currency wars')," the economists note.

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"But if expanding central bank balance sheets were the key factor driving equities and economic performance, wouldn't there be consistent evidence?"

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