NYT's Popper: Bitcoin Gains Traction in Argentina

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By Dan Well
You might think the bitcoin digital currency would gain acceptance most easily in the United States, given our eagerness for new technology.

But it looks like Argentina may blaze the trail.

"Thanks in large part to their country's history of financial instability, a small yet growing number of Argentines are now using bitcoin to . . . function as both a store of value and a medium of exchange," writes Nathaniel Popper in The New York Times Magazine.

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To be sure, "the number of bitcoin users in Argentina is relatively small," he acknowledges. "But Argentina has been quietly gaining renown in technology circles as the first, and almost only, place where bare being regularly used by ordinary people for real commercial transactions."

In the United States, some companies are embracing the digital currencies, but consumers — not so much.

As for Argentina, think economic basket case.

"It makes sense that a place like Argentina would be fertile ground for a virtual currency," Popper explains. "Inflation is constant." The peso plunged 25 percent last year.

"And that adversity pales in comparison with past bouts of hyperinflation, defaults on national debts and currency revaluations. Less than half of the population use Argentine banks and credit cards. Even wealthy Argentines fear keeping their money in the country's banks," he points out.

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Bitcoin took another step toward legitimacy Wednesday, when Goldman Sachs became the first major U.S. bank to invest in the bitcoin industry. It announced that it's putting money into Circle Internet Financial, a startup seeking to improve the consumer payment system for bitcoin.

Meanwhile, Campbell Harvey, professor of finance at Duke University, 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, he writes in The Wall Street Journal.
- "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 with current fees of 10 percent.
- "There is no inflation risk," Harvey writes. That's because bitcoins are created slowly and supply is limited.

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