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BITCOIN AND STABILITY

Author(s): JIM HARPER

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cash grants are unlikely to provide a superior solution.

Heifer International, the nonprofit I head, works with communities to end hunger and poverty through asset transfers. Why don't we simply give our participants cash and let them choose whether or not to buy livestock with it? When people use cash grants to purchase livestock, they typically have access to only local breeds, most of which are not highly productive. Heifer, on the other hand, purchases livestock with better genetics and provides training to farmers, resulting in higher productivity and, ultimately, greater profits.

PIERRE U. FERRARI

President and CEO, Heifer International

BITCOIN AND STABILITY

To the Editor:

Benn Steil ("Taper Trouble," July/August 2014) makes an all-too-common error in dismissing the role of Bitcoin in world monetary affairs: equating the currency with one service provider. The collapse of Mt. Gox, a large Bitcoin exchange based in Japan, did roil the Bitcoin world. Mt. Gox tried to blame its downfall on the Bitcoin protocol, but it was actually the exchange's inattention to the protocol that caused its problems. If a large U.S. bank collapsed as a result of poor accounting and bad cash management, few would see cause to argue against the U.S. dollar; likewise, assessments of Bitcoin's role in monetary affairs should be based not on Mt. Gox but on the protocol itself.

The Bitcoin protocol can be thought of as a global public ledger optimized for value transfer. Anyone can add entries to the ledger, known as the "blockchain," and nobody can erase them. Cryptography secures assets recorded on the ledger and ensures its integrity. This system allows people and businesses to transfer value directly and globally, without the interference of a third-party intermediary.

The amount of Bitcoin that can be created is limited by the protocol itself. Bitcoin's mild inflationary policy is governed by math that can't be changed without an amendment to its software, which requires the consensus of the Bitcoin community. This gives Bitcoin investors confidence that no monetary authority can debase their assets.

Steil illustrates how central banks, such as the U.S. Federal Reserve, can institute policies that damage economies and interests they view as peripheral. Countries that integrate Bitcoin into their economies, however, will thereby move their economies away from the periphery. Of course, this is not an all-or-nothing proposition: Bitcoin can and will coexist with other currencies.

JIM HARPER

Global Policy Counsel, Bitcoin Foundation

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