

FORTUNE

Are Joe Biden and Janet Yellen actually good for Bitcoin?

Jen Wieczner and David Z. Morris

November 25, 2020

This time of year has me feeling more than a little nostalgic for Thanksgiving 2017. It was a simpler time, when many of us were manically checking the price of Bitcoin, which—as if spurred by bullish conversations at family gatherings—first rocketed past \$9,000, and then \$10,000, just days after the holiday. How quaint.

This year our feasts may be more intimate, but Bitcoin’s prospects seem as grand as ever: this morning, Bitcoin’s price is close to \$19,500, and it looks increasingly inevitable that the cryptocurrency will, in the not-so-distant future, set a new all-time high above \$20,000. (Bullishness is truly in the air, with the Dow Jones Industrial Average surpassing 30,000 yesterday.)

Part of the excitement involves a widely held belief in the financial industry that the incoming Biden administration is a “good thing” for cryptocurrency. The crypto community has even welcomed the President-elect’s choice of Treasury Secretary, former Fed chair Janet Yellen. Despite her past warnings against Bitcoin, she has signaled an interest in blockchain technology. “Crypto is gaining steam in D.C.,” Emilie Choi, the COO of cryptocurrency exchange Coinbase, said during a Fortune virtual event we hosted last week.

Yet cryptocurrency investors should be careful not to conflate potential government support for virtual assets in general with bullishness for Bitcoin in particular. This was crystallized for me last week during a second panel I moderated at the Cato Institute’s annual monetary conference on the subject of digital currency. One of the panelists was Charles Calomiris, the chief economist of the Office of the Comptroller of the Currency (OCC).

You’ll recall that the OCC made headlines in July when it announced a new policy authorizing banks to hold cryptocurrency, including Bitcoin. The OCC is also a vocal supporter of chartering fintech startups as banks, and was the agency that last month gave SoFi, the lending and investing unicorn, conditional approval to create a national bank.

But lest you think that adds up to a friendly attitude towards Bitcoin at the OCC, Calomiris will set you straight:

“The sooner we stop talking about Bitcoin, the better,” Calomiris said during the virtual conversation. “Bitcoin is not the future of cryptocurrency.”

Calomiris says the volatility of Bitcoin, as well as its use for criminal transactions, make it inferior to blockchain-based stablecoins, for which he does advocate.

“From a government regulatory standpoint, I find, talking to government officials, the most unproductive thing about the future of getting blockchain-based currencies to happen,” he explained, “is that everyone’s talking about Bitcoin.”

From his point of view, trying to convince regulators of the soundness and usefulness of Bitcoin may actually be damaging the case for digital currencies overall. “So let’s just stop talking about Bitcoin. It was a cute idea; it was a brilliant innovation; it is not the future, guys!” Calomiris concluded.

It’s unclear whether the current OCC leadership will be part of the future Biden administration. Calomiris and his boss Brian Brooks, the acting comptroller of the currency (and a former Coinbase executive) could stay on; just last week, President Trump nominated Brooks to fill the comptroller role for a 5-year term. Yet even if Brooks were confirmed, Biden could probably still replace him with a Democrat.

Would Biden’s appointees view Bitcoin as more than “cute?” I think the crypto community might consider it a win if that’s how the incoming White House sees Bitcoin—rather than as something more sinister.

Have a wonderful Thanksgiving.

Jen Wieczner