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Amid Bitcoin surge, Dudley says offering digital currency on Fed's radar

By Jimena Rubio, LL.M. Candidate 2018 | November 30, 2017

At an event in New Jersey on November 18, William C. Dudley, President of the Federal Reserve Bank of New York, held a policy roundtable to discuss local economic trends, current monetary policy and the health of the U.S. economy.

A PhD graduate of the University of California, Berkeley, Mr. Dudley was formerly the chief economist of Goldman Sachs for ten years before being appointed president of the Federal Reserve Bank and vice-chairman of the Federal Open Market Committee.

At the event, Dudley stated that the Federal Reserve was considering what it would mean to offer digital currencies at some point in the future, and "whether it may be necessary as an alternative to cash." He also claimed that investors should be cautious because the value of virtual currency was not legal tender and it could still be highly unstable.

On November 27, the night before CoinDesk's crypto conference, Bitcoin hit the record of 10k. The digital currency has been increasing in value throughout the year and has more than doubled in value since the beginning of October. Additionally, the global crypto-currency market rose above $300 billion for the first time on Sunday evening.

Nonetheless, Bitcoins rapid ascent has also raised concerns that the digital currency might reach "bubble territory" and collapse. As Dudley stated during the event, "In terms of Bitcoin, I would be pretty cautionary about it. I think it's not a stable store of value and it doesn't really have the characteristics that you'd like to have in a currency."

Recently, at a separate forum, when asked if Bitcoin and other crypto-currencies were a *tulip*, Dudley quickly acknowledged that it was still uncertain and that "there was a possibility down the road that central banks could get more involved in offering digital currencies as a substitute for cash." Additionally, he said that the Federal Reserve Bank was considering whether digital currencies would be a more effective medium than cash.

Furthermore, Dudley said he wasn't that concerned about high leverage in financial markets and asset bubbles because the new regulations adopted since the 2007-2009 crisis "meant that the U.S. financial system could bear that stress much, much better than before."