

OPINION

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OUR VIEW

Power council has work cut out for it

Even before Ted Ferrioli and Richard Devlin officially joined the Northwest Power and Conservation Council last month, they were talking by phone several times a week about their upcoming work.

Two decades in the Oregon Legislature forged those connections. Ferrioli, of John Day, was the long-time Republican Senate leader. Devlin, of Tualatin, was Senate Democratic leader and later co-chairman of the Legislature's budget committee. Said Devlin: "We've always had a pretty good working relationship."

That relationship will be key as the pair move from the 90-member Legislature to the eight-member, four-state council. It comprises two members each from Oregon, Washington, Idaho and Montana.

The council influences billions of dollars in public and private spending on power generation, fish protection and restoration, water use and other areas.

"The job is an intersection with every single public policy issue that affects the quality of life in the upper Columbia River Basin," Ferrioli said.

"The future of the sustainability of communities really depends on our continued access to low-cost, highly renewable hydroelectric power —



An overhead crane is used to remove a piece of main unit power generator in 2014 at McNary Dam on the Columbia River outside of Umatilla.

and increasingly on alternative energy sources, including wind, geothermal and solar. If you look at the epicenter of all those issues, they all intersect in the upper Columbia River Basin."

Gov. Kate Brown appointed Ferrioli and Devlin to succeed Pendleton lawyer and rancher Henry Lorenzen and former Secretary of State Bill Bradbury

as Oregon's representatives.

They have their work cut out for them.

Congress authorized the council in 1980 as an independent agency to assess the Northwest's electricity needs — planning both for electricity and for protection of fish and wildlife. Congress acted in response

to the multi-billion-dollar fiasco of the Washington Public Power Supply System, better known as WPPSS, in which public officials grossly overestimated the region's future demand for electricity and the viability of nuclear power.

Five nuclear plants were started, one was completed and currently operates, and WPPSS now is called Energy Northwest. The region's ratepayers still pay the price for those past bad decisions made by good people.

As Lorenzen left the Northwest Power and Conservation Council on Jan. 16, he warned that state legislators and other policymakers once again were making decisions about renewable energy and other resources on the basis of politics, not the state-of-the-art methodologies developed by the council.

"Our challenge, I believe, is to make certain in the future, to the best we can, that the methodologies that we have developed also are taken into consideration by those entities, those persons who are making those decisions, whether it be the traditional utility managers or the legislators," Lorenzen said.

As veteran legislators with statewide perspectives, Ferrioli and Devlin should be the right people for that task.

LETTERS WELCOME

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Bubble, bubble, fraud and trouble with bitcoin

Recently my barber asked me whether he should put all his money in bitcoin. And the truth is that if he'd bought bitcoin, say, a year ago he'd be feeling pretty good right now. On the other hand, Dutch speculators who bought tulip bulbs in 1635 also felt pretty good for a while, until tulip prices collapsed in early 1637.

So is bitcoin a giant bubble that will end in grief? Yes. But it's a bubble wrapped in techno-mysticism inside a cocoon of libertarian ideology. And there's something to be learned about the times we live in by peeling away that wrapping.

If you've been living in a cave and haven't heard of bitcoin, it's the biggest, best-known example of a "cryptocurrency" — an asset that has no physical existence, consisting of nothing but a digital record stored on computers. What makes cryptocurrencies different from ordinary bank accounts, which are also nothing but digital records, is that they don't reside in the servers of any particular financial institution. Instead, a bitcoin's existence is documented by records distributed in many places.

And your ownership isn't verified by proving (and hence revealing) your identity. Instead, ownership of a bitcoin is verified by

possession of a secret password, which — using techniques derived from cryptography, the art of writing or solving codes — lets you access that virtual coin without revealing any information you don't choose to.

It's a nifty trick. But what is it good for? In principle, you can use bitcoin to pay for things electronically. But you can use debit cards, PayPal, Venmo, etc. to do that, too — and bitcoin turns out to be a clunky, slow, costly means of payment. In fact, even bitcoin conferences sometimes refuse to accept bitcoins from attendees. There's really no reason to use bitcoin in transactions — unless you don't want anyone to see either what you're buying or what you're selling, which is why much actual bitcoin use seems to involve drugs, sex and other black-market goods.

So bitcoins aren't really digital cash. What they are, sort of, is the digital equivalent of \$100 bills.

Like bitcoins, \$100 bills aren't much use for ordinary transactions: Most shops won't accept them. But "Benjamins" are popular with thieves, drug dealers and tax evaders. And while most of us can go years without seeing a \$100 bill, there are a lot of those bills out there — more than a trillion dollars' worth, accounting for 78 percent of the value of U.S. currency in circulation.

So are bitcoins a superior alternative to

\$100 bills, allowing you to make secret transactions without lugging around suitcases full of cash? Not really, because they lack one crucial feature: a tether to reality.

Although the modern dollar is a "fiat" currency, not backed by any other asset, like gold, its value is ultimately backed by the fact that the U.S. government will accept it, in fact demands it, in payment for taxes. Its purchasing power is also stabilized by the Federal Reserve, which will reduce the outstanding supply of dollars if inflation runs too high, increase that supply to prevent deflation. And a \$100 bill is, of course, worth 100 of these broadly stable dollars.

Bitcoin, by contrast, has no intrinsic value at all. Combine that lack of a tether to reality with the very limited extent to which bitcoin is used for anything, and you have an asset whose price is almost purely speculative, and hence incredibly volatile. Bitcoins lost about 40 percent of their value over the past six weeks; if bitcoin were an actual currency, that would be the equivalent of a roughly 8,000 percent annual inflation rate.

Oh, and bitcoin's untethered nature also makes it highly susceptible to market manipulation. Back in 2013 fraudulent activities by a single trader appear to have caused a sevenfold increase in bitcoin's price. Who's driving the price now? Nobody knows. Some observers

think North Korea may be involved.

But what about the fact that those who did buy bitcoin early have made huge amounts of money? Well, people who invested with Bernie Madoff also made lots of money, or at least seemed to, for a long time.

As Robert Shiller, the world's leading bubble expert, points out, asset bubbles are like "naturally occurring Ponzi schemes." Early investors in a bubble make a lot of money as new investors are drawn in, and those profits pull in even more people. The process can go on for years before something — a reality check, or simply exhaustion of the pool of potential marks — brings the party to a sudden, painful end.

When it comes to cryptocurrencies there's an additional factor: It's a bubble, but it's also something of a cult, whose initiates are given to paranoid fantasies about evil governments stealing all their money (as opposed to private hackers, who have stolen a remarkably high proportion of extant cryptocurrency tokens). Journalists who write skeptically about bitcoin tell me that no other subject generates as much hate mail.

So no, my barber shouldn't buy bitcoin. This will end badly, and the sooner it does, the better.

Paul Krugman is a syndicated columnist for the New York Times News Service.



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