Concluding Remarks for

Energy Markets in the 21st Century: Competition Policy in Perspective

by

I am delighted – and I at least think it is appropriate – that economics gets the last word at this conference. When I talk to people about energy policy, I often hear two quite distinct approaches. One is to forecast our energy needs, survey the available resources and supply, and then describe what investments we as a nation need to make. That is the planning approach. The other is to assess whether markets provide proper incentives for businesses and consumers to address our energy needs efficiently and, if
oil 4lT5.184eo relY he gbeicing op tretionsaMC ¢ -0ACII4result 7f di
not, whether the problem is an inherent imperfection in market mechanisms or, alternatively, the result of distortions created by unwise government policies. That is the economic approach.

It won’t surprise you that I lean heavily toward the latter. In part, that reflects my choice of career. I would also argue though that the economic approach lies at the heart of the mission of the Federal Trade Commission. In the United States, the broad strategy for arranging for adequate energy supplies is to rely on markets to do the job.

The reliance on markets requires something of a leap of faith, albeit one that is supported by the available evidence. As was discussed Tuesday morning, the United States experienced two major oil shocks in the 1970’s. Those experiences provide evidence of the difficulties of trying to manipulate markets. The gray-haired among us remember well the gas lines. And, viewed over a longer horizon, the oil shocks provide evidence of the power of the market to generate solutions. When gasoline prices were high, Americans started driving smaller cars; and the more recent trend toward large cars reflected both a decline in the real price of gasoline and regulatory distortions created by, for example, CAFE standards. The hurricanes of 2005 provide another dramTw 1h, albeit 1.15 Tdssand re2b