

January 11, 2019

Our View: OPEC Seeks to Put Lipstick on a Pig!

The Wall Street Journal headline reads “OPEC Weighs a First-Ever Influence Campaign in the U.S.”

The authors explain the organization would “approach industry organizations, think tanks, academics and other opinion makers about advocating on its behalf in the U.S., according to OPEC officials.”

The article adds that the officials want to communicate the fact that OPEC has helped stabilize oil prices.

This claim is wrong. OPEC is a force for instability, not stability, in the twenty-first century. OPEC is using economic techniques developed in the nineteenth century today as it attempts to deal with volatile oil prices. It is as if the organization has entered a horse in a Formula 500 race and believes it can win.

OPEC could become a force for more stable oil prices were it to employ twenty-first century market techniques. This would, though, require that the members figure out how to use the futures markets to their advantage.