

## **Our View: Economists as Fools**

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On the day three economists were awarded the Nobel Prize in economics for research that helped moderate the 2008 financial collapse, another group of economists wrote Treasury Secretary Janet Yellen in support of the Biden administration's proposal to cap the prices paid to Russia for its crude oil.<sup>1</sup>

The letter signatories are economic "fools." None are familiar with how oil is purchased and sold. None have published anything on the oil market. None have studied the details of commodity markets.

Russia can easily circumvent a price cap by requiring its oil buyers to acquire entitlements from the Russian central bank. It can set the price of the entitlements at, say, \$70 per barrel. The purchase details will be hidden from those trying to enforce the limit. As Russia receives \$80 or \$90 or \$120 for its oil, all the G-7 price police will see is a bill of lading for, say, \$30 per barrel.

The oil price cap is a fool's errand. The economists writing to support it expose their ignorance of the oil market.

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<sup>1</sup> "Letter to Treasury Secretary Janet Yellen: In Support of a Price Cap on Russian Exports," The Baseline Scenario, October 11, 2022 [<https://tinyurl.com/a5twjtph>].