

Hayek and the Texas blackout

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Abstract Was the Texas blackout a market failure or regulatory failure? The economist Hayek has been adduced in support of both views. Hayek would have approved the competitive Texas system, including ERCOT. His likely view on the scarcity pricing framework is less clear, and the recent regulatory implementation of the “circuit breaker” was problematic. There is now a need to revise the scarcity pricing framework in the light of recent events, and to reflect ever-changing market conditions.

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