6. Correct. The answer is false. Government regulation has been important but has not been the only factor influencing the change in market governance in the US gas industry; the decline in physical asset specificity, behavioral uncertainty, and introduction of systems effects has also been responsible for this evolution. For example:

Gas industry started out as town gas with regulated natural monopoly status in the 1800s.

At the turn of the century natural gas was used locally and tended to be traded spot because of high uncertainty and low investment in pipelines.

With high pressure long distance welded pipelines, which were very specific assets, companies tended to vertically integrate to avoid holdup.

In the 1930s, federal regulation, led distribution to be broken off from transmission and made pipelines regulated common carriers in the interstate market causing production to be broken off from transmission. Regulation rather than vertical integration curbed opportunism.

In the 1950's, wellhead prices were regulated. High asset specificity and low uncertainty led to 20 year contracts but by 1970's there were gas shortages.

In the late 1970's the Federal government began deregulating the U.S. gas markets. Pipelines signed high take or pay contracts to ensure supply. Such contracts require the buyer to pay for the gas whether they take it or not.

In the early 1980's recession and high prices caused gas surpluses to develop. Pipelines took high take or pay gas and shut in lower priced old gas, so you had prices rising in a surplus market.

The Federal government then allowed special marketing agreements and eventually allowed pipelines to get out of high take or pay contracts if they offered open access transportation. With high regulatory uncertainty a spot market developed.

With large price volatility, a futures market on NYMEX developed in 1990, and marketers entered to match up suppliers, transportation and customers and market hubs increased to facilitate trading.

The last of the U.S. gas price controls were removed in 1993. By the mid 1990's marketers were starting to consolidate and were more often affiliated with large pipelines. The market was moving back toward long term more standardized contracts in the range of 1 - 5 years. FERC required electronic bulletin boards and electronic trading began.