

Abstract

The OPEC cartel was formed to promote two economic goals, one microeconomic — low oil market volatility — the other macroeconomic — promotes economic development of its members. These goals create a tension since the cartel's single tool is output quotas. Using this dual micro/macro perspective we analyze oil exporting countries' behavior. We find that the effects of the cartel's choices will be reflected in oil market stability, long-term macroeconomic development, and international oil market structure. If an oil producing country cares about both oil industry profits and macroeconomic stability, the goal of output stability may be inconsistent with cartel membership.

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Corrigendum

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