

Strategies for OPEC's Pricing Decisions -- Revisited

by

Dermot Gately

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Abstract:

Following the lines of a 1977 paper with a similar title, this paper examines the effects of different price or output strategies for OPEC, under a variety of assumptions about the underlying conditions for non-OPEC supply and world oil demand. Given the dominant influence of its Gulf members, OPEC's interests will be best served by a policy of moderate output growth, at about half the rate of world economic growth. This rate of output growth will allow it gradually to regain the market share lost after its disastrous 1979-80 price doubling, but without jeopardizing its revenue, as might a policy of more rapid increases in output. It will yield a consistently good result for OPEC, relative to alternative strategies, over a fairly wide range of demand and supply conditions.

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send correspondence to:

Dermot Gately
NYU Economics Department
269 Mercer St.
New York NY 10003
212 998 8955
Internet: GatelyD@fasecon.econ.nyu.edu

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