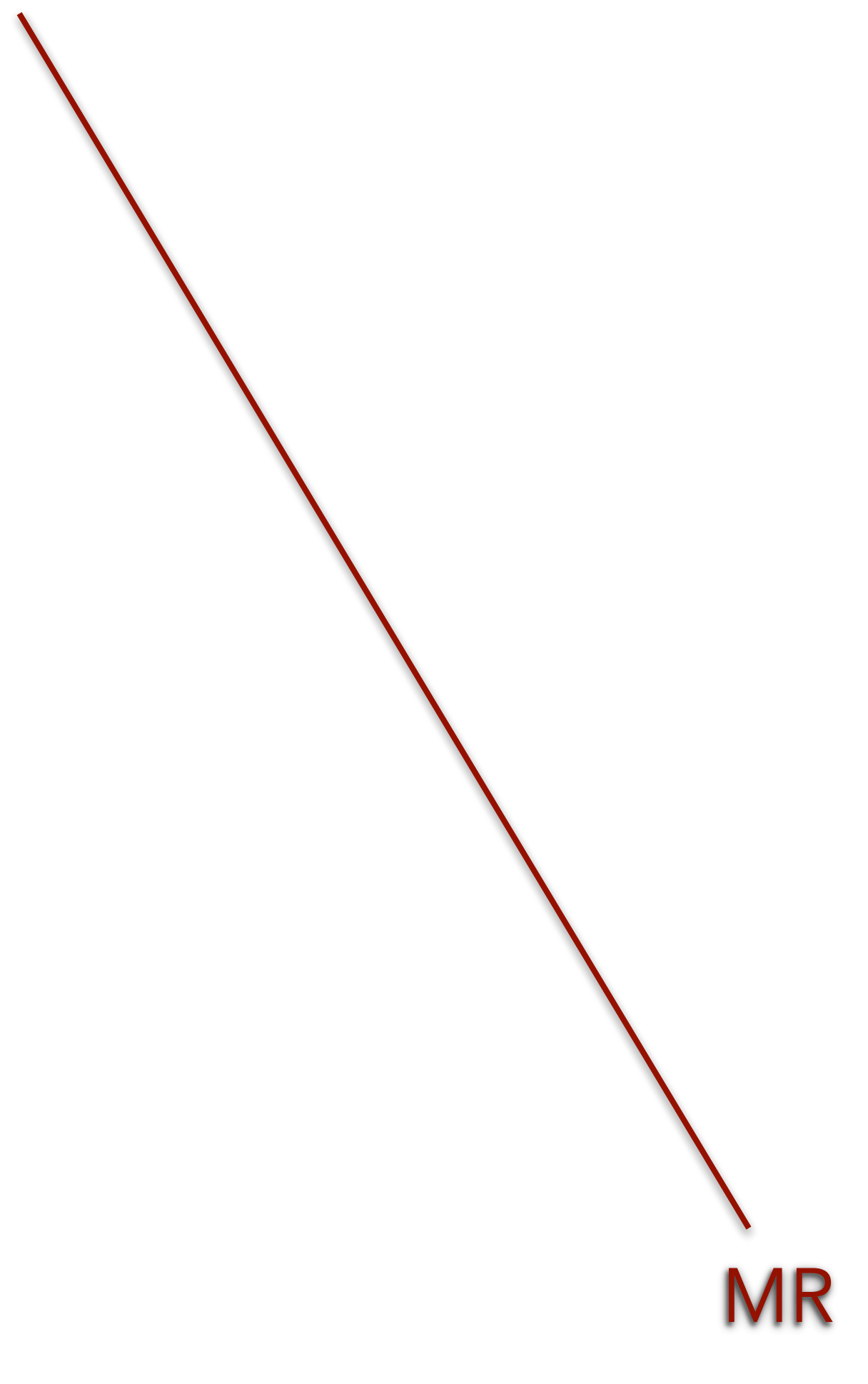
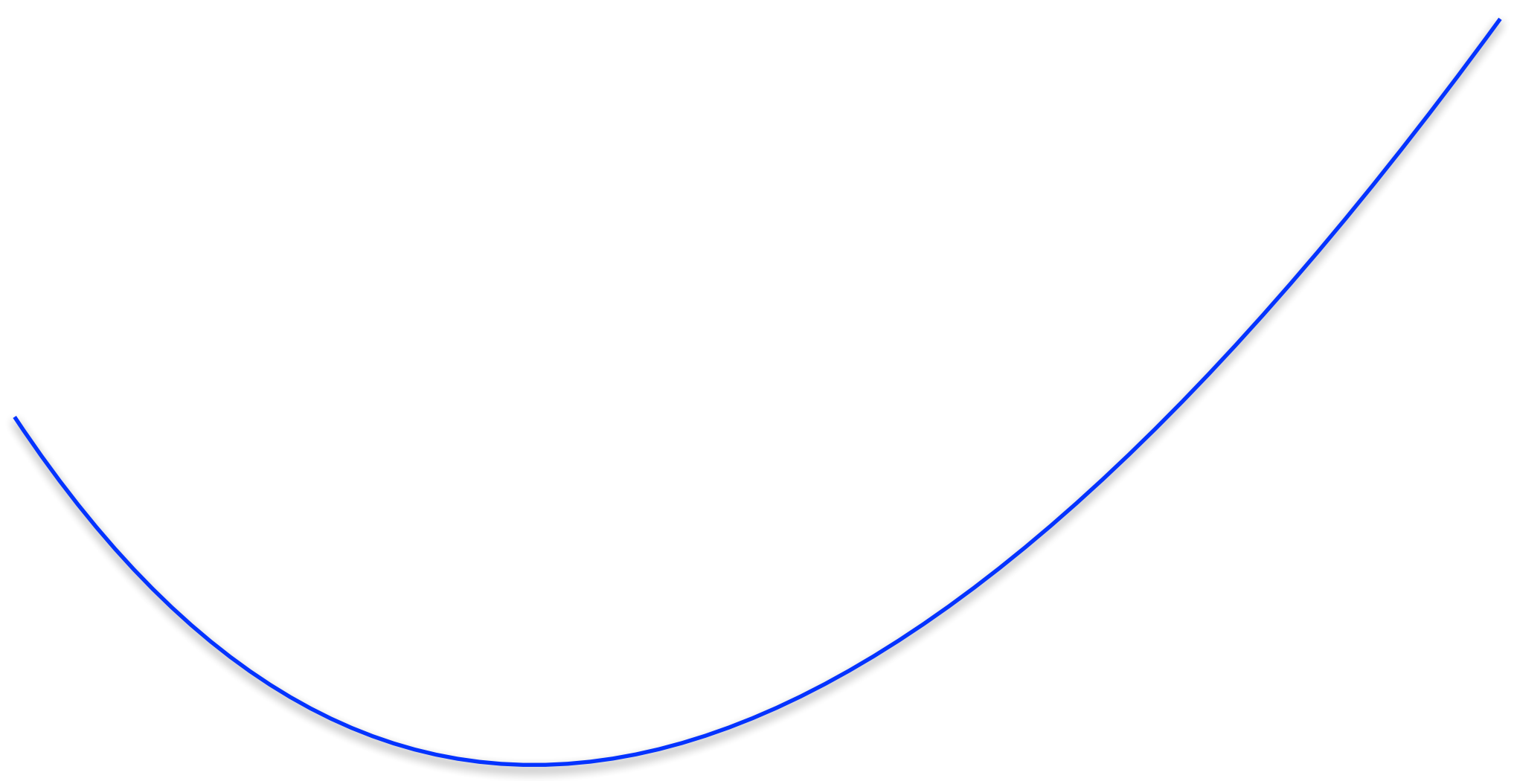


MC



MR

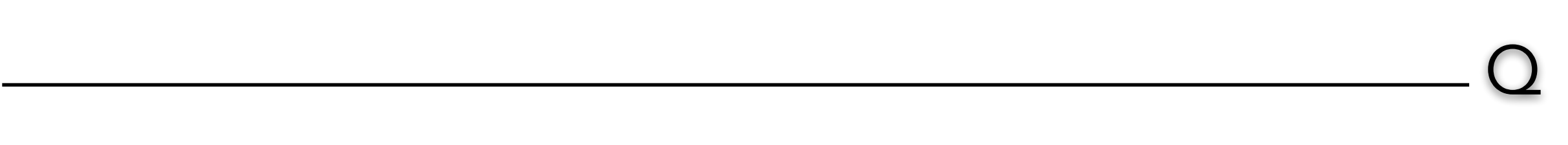


MC



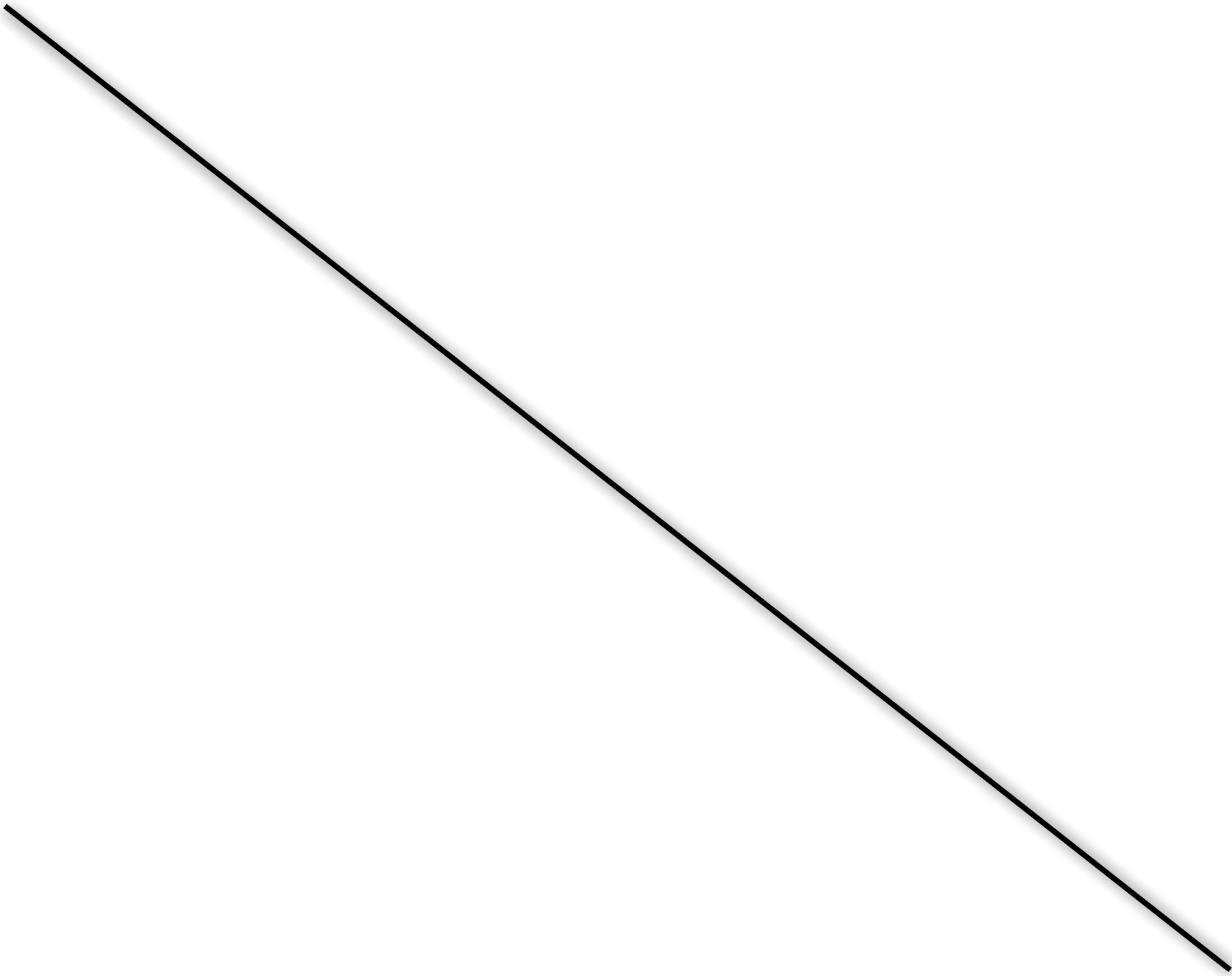
MC

/P





To Maximize
Profit, the Cartel
must produce Q_0



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MC

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MR



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P_0





If the quantity that reaches the market is Q_0 , each member gets this price per unit sold: P_0

P

















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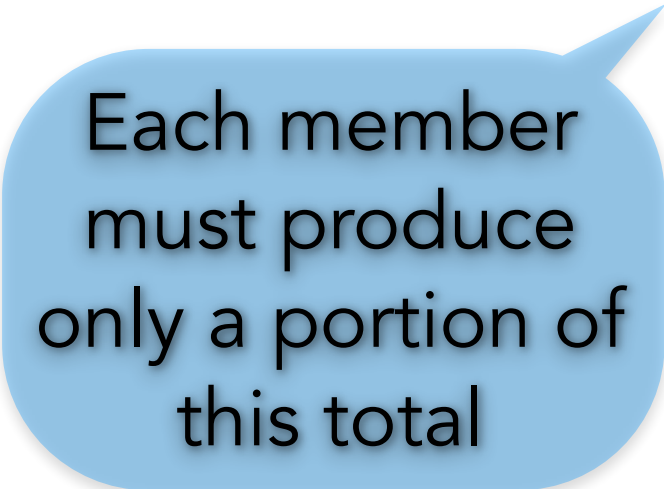








/MR



Each member
must produce
only a portion of
this total

If any member produces
more than its allotted
quota, the quantity
reaching the market would
be higher than Q_0



P_1









...and the price for
ALL members will
be lower than P_0





OPEC does not
have an effective
enforcement
mechanism except
for occasional
price wars...



Drug Cartels use
violence as a very
effective
enforcement
mechanism

Price and Output Determination for a Cartel

Price and Output Determination for the a Cartel

OPEC does not have an effective enforcement mechanism except for occasional price wars...

If the quantity that reaches the market is Q_0 , each member gets this price per unit sold: P_0

...and the price for ALL members will be **lower** than P_0

Drug Cartels use violence as a very effective enforcement mechanism

