**Prefatory Remarks:**

One of the most well-known examples of an oligopoly is the Organization of Petroleum Exporting Countries (OPEC), whose mission is to: “coordinate and unify the petroleum policies of its Member Countries and ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry” (<http://www.opec.org/opec_web/en/about_us/23.htm>).

Venezuela is one of OPEC’s members. While Venezuela has oil, the country has been experiencing a profound economic, political, and social crisis that stems from its dependency on oil. In the NPR Planet Money podcast about Venezuela, Alejandro Velasco, an NYU historian, said: “as long as the price of oil was high, there weren't, actually, a lot of serious problems.” Moreover, he says that Venezuelans wish for a time in which oil prices are high again.

**Information Given to Student Groups for this Application Exercise:**

After listening to the podcast, you have learned about Venezuela’s current crisis, oil dependency, and desire for high oil prices. In this activity, you will apply knowledge on price formation in oligopolistic markets to OPEC’s example. For simplicity, assume that other OPEC countries, different than Venezuela, act as one. Suppose Venezuela and other OPEC countries have two production strategies: i) collude and limit oil supply to a level that was agreed upon during OPEC meetings or ii) compete and increase oil supply. Construct a game using payoff rankings from 1 (worst) to 4 (best) and identify the Nash Equilibrium that best explains OPEC's inability to act as a monopoly.

After all teams are finished, a gallery walk will be used to report answers simultaneously.