

Name:

### **Five Minute Exercise**

*Finding the Equilibrium in a Two-Period Oil Market*

**Given:**

Total oil available: 70 units

Two periods, each with demand  $W2P_i = 200 - 2 \cdot Q_i$

MEC: \$40 per bbl

Oil in the reservoir is NOT common property.

Interest rate is 100%

**Determine:**

The equilibrium price of oil in the first period.

Answer: