

Name:

### **Five Minute Exercise**

*A Two-Period Oil Market with Increasing Demand*

**Given:**

Total oil available: 50 units

Period 1 demand:  $W2P_1 = 200 - 2 \cdot Q_1$

Period 2 demand:  $W2P_2 = 280 - 2 \cdot Q_2$       *Note different intercept*

MEC: \$40 per bbl

Oil in the reservoir is NOT common property.

Interest rate is 100%

**Determine:**

The equilibrium quantity of oil used in period 1.

Answer: