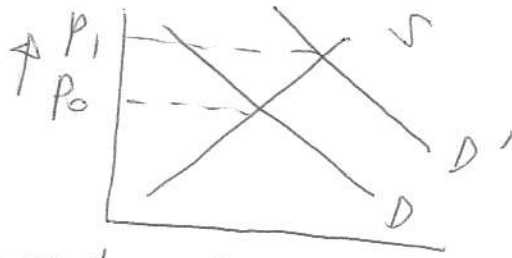


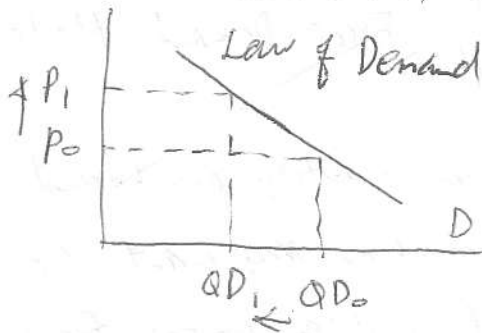
5. This is not hard to explain

The increase in rents is due to the increase in demand.

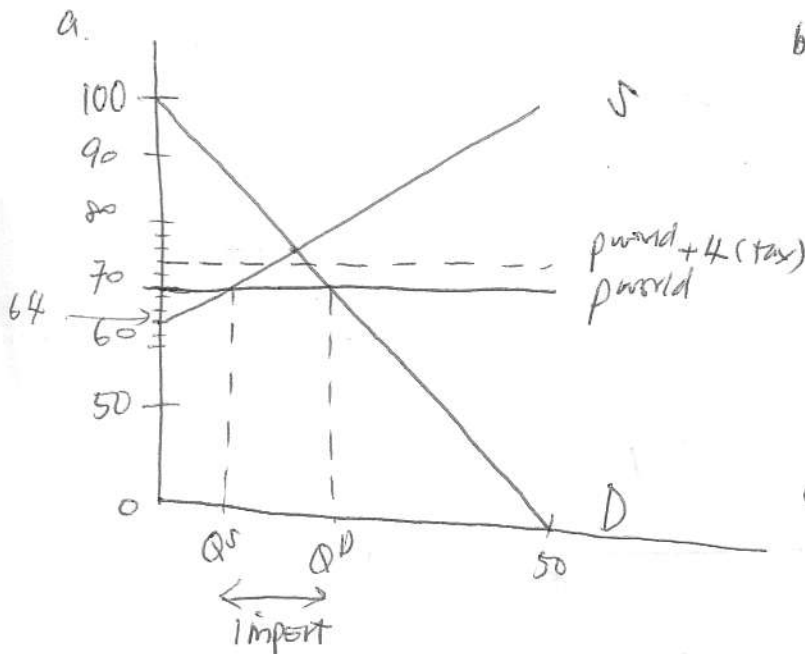


Don't confuse demand w/ quantity demanded.

Law of demand says the higher the price should lead to lower quantity demanded, not demand.



J. $p_{world} = \$70$



b. $0 - Q^S$: supplied by American producers
 $Q^S - Q^D$: import
 $0 - Q^D$: Q.D by American consumers

$0 - Q^S \Rightarrow Q^S = 6$

$0 - Q^D \Rightarrow Q^D = 15$

$Q^D - Q^S \Rightarrow \text{import} = 15 - 6 = 9$

c. $p_{world} + 4 = 74$

$Q^S = 10, Q^D = 13$

$\text{import} = Q^D - Q^S = 3$

$\text{Tax revenue} = 3 \times 4 = 12$

d. - American oil consumers are harmed due to higher oil price.

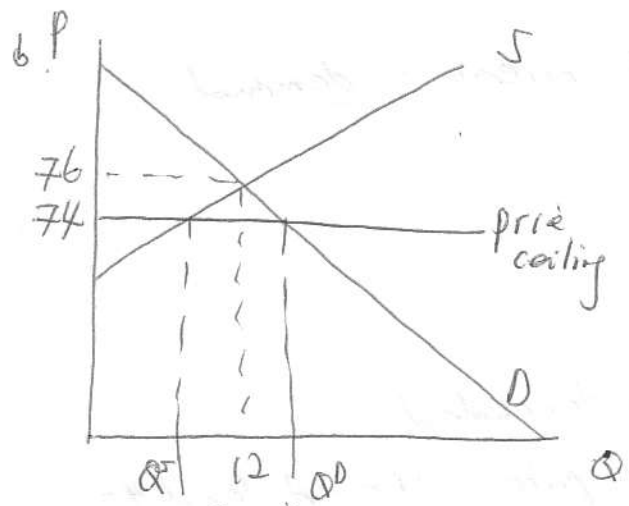
- American oil producers are helped due to higher oil price

- Foreign oil producer is harmed due to decreased imported oil

- U.S. government benefits from the tax revenue.

9. a. $p^* = 76$

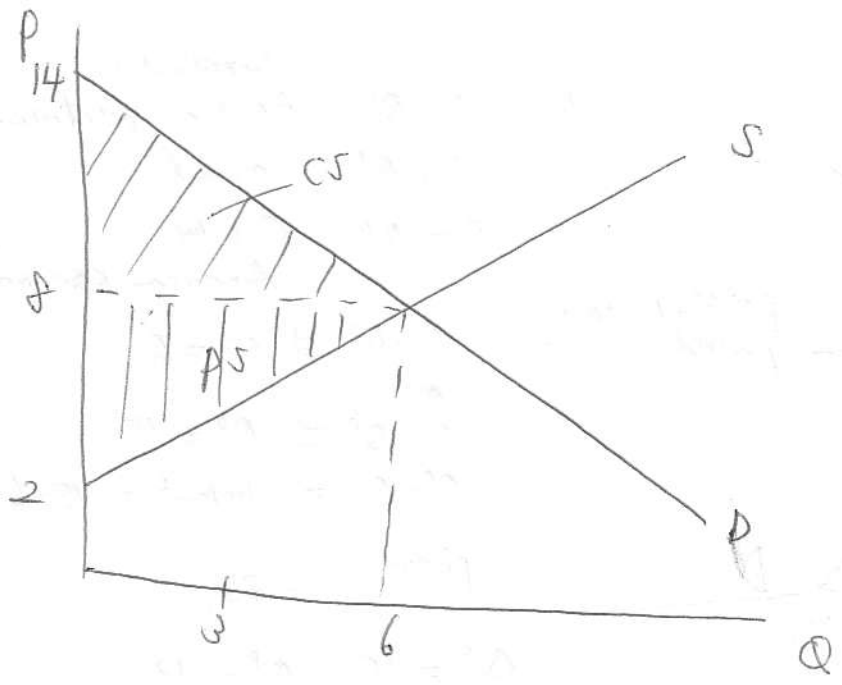
$Q^D = Q^S = 12$



excess Demand = shortage. $Q^D = 13$ $Q^S = 10$ Excess Demand = $13 - 10 = 3$.

c. Quantity Supplied will determine the quantity purchased. Suppliers will supply only as much as they want (Q^S), and some consumers demand will go unsatisfied.

10.

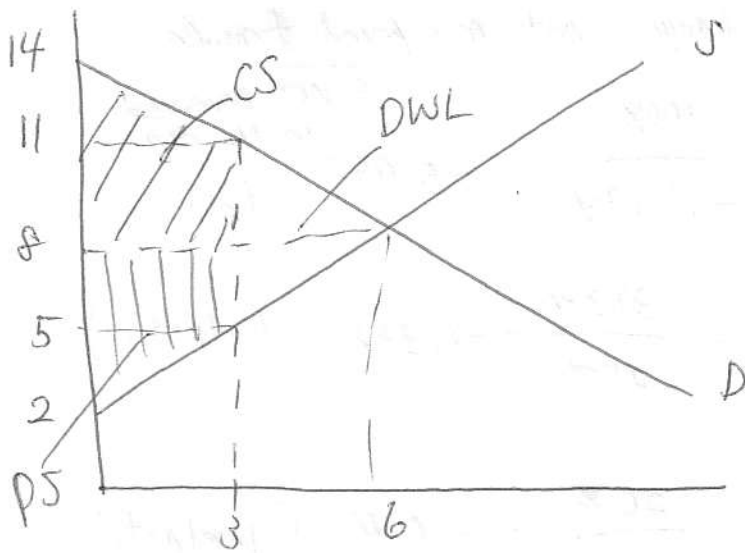


$CS (p=8) = (14-8) * 6 * 1/2 = 18$

$PS (p=8) = (8-2) * 6 * 1/2 = 18$

10 (continued)

(5)



$$CS = [(14 - 8) + 3] \times 3 \times \frac{1}{2}$$
$$= \frac{27}{2}$$

$$PS = [(8 - 2) + 3] \times 3 \times \frac{1}{2}$$
$$= \frac{27}{2}$$

$$DWL = (11 - 5) \times 3 \times \frac{1}{2}$$
$$= 9$$