PART II

1. Explain in words and a carefully labeled diagram the situation of a shortage.

2. The key to understanding who actually pays a sales or excise tax is knowledge of the details of the tax law, that is, the amount of the tax per unit exchanged, who collects the tax, and who delivers it to the government. **Evaluate this statement.**
3. With the housing boom of the last four years the demand for construction engineers increased dramatically. Show what’s going on in the market for these engineers a) in the short run, and b) in the long run assuming strong demand will continue.

4. OPEC (the oil cartel) has been talking about reducing the quantity of oil for sale in the marketplace.
   a. Show the consequences of this move in a diagram.

   b. Do you know of any mechanism that could cause oil prices to rise before OPEC actually cuts back on sales?
c. Is there any way, given a) and b) above, that the actual quantity of oil exchanged could go up? Use a diagram to help explain.

Please sign the following: I have neither given nor received unauthorized aid on this piece of work, nor have I knowingly tolerated any violation of the Honor Code.

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