

## The Battle Behind the Pumps

### Overview

In a guided reading activity, students will gain an understanding of how the economic concepts of supply and demand can be used to explain the drastic increases in the price of oil. Then, assuming the roles of General Assembly representatives or lobbyists, students will participate in a committee simulation debating and voting on a proposed gasoline tax suspension bill. (For an alternative General Assembly simulation, see *Exploring the NC General Assembly through a Bill on Flag Desecration*, available in CAROLINA K-12's Database of K-12 Resources.)

### Course

Civics and Economics

### NC Essential Standards for American History: The Founding Principles, Civics and Economics

- FP.E.1.1 Compare how individuals and governments utilize scarce resources (human, natural and capital) in traditional, command, market and mixed economies.
- FP.E.1.2 Analyze a market economy in terms of economic characteristics, the roles they play in decision-making and the importance of each role
- FP.E.1.3 Explain how supply and demand determine equilibrium price and quantity produced
- FP.E.1.6 Compare national, state and local economic activity

### Essential Questions

- How are prices determined in the US?
- What affect do prices have on consumer decisions?
- In what ways does the price of gas differ from the price of other consumer goods?
- What services are funded by the gas tax?
- How do state legislators debate, change, and vote on bills in committee?

### Materials

- *Why is the Price of Oil Increasing? Reading and Activity*, attached
- US Map of gasoline taxes, October 2016 map attached (check [www.api.org](http://www.api.org) for updated maps)
- Proposed Bill on suspending the NC fuel tax, attached
- General Assembly Finance Committee Meeting Instructions, attached
- Internet access (optional)
- *5 Reasons to Love \$4 Gas*, attached
- Sample Test Questions and Answer Key, attached

### Duration

Two block periods

### Preparation

Students should have a basic knowledge of supply and demand and its effect on price setting in a market economy. Students should also have an understanding of the structure of the General Assembly and the state legislative process (see *The North Carolina General Assembly-How Your Laws are Made* power point; available in CAROLINA K-12's Database of K-12 Resources)

### Procedure

#### Exploring Soaring Gas Prices

1. As a warm up, creatively set up the following scenario for students to imagine in order to spur their thinking regarding gasoline prices:

I want you to imagine that it is a beautiful summer day and you are cruising in your dream car. Is it a convertible? An SUV? A Hummer or a Porsche? Whatever car your heart desires, that's what you are currently driving. You've got the windows down and the music up, because the weather is perfect. School is out, you have the boy or girl of your dreams in the seat next to you, and you have no responsibilities on this awesome day. Now imagine that because it's so beautiful outside, and because you and your sweetie have nowhere to be, you decide to take an impromptu drive to the beach. You pull into the gas station and prepare to fill your tank up, but then you see that gas has jumped \$1.00 in price over night! It's now so expensive, you realize that you can barely afford to drive home, and certainly not all the way to the beach. Sadly, the boy or girl of your dreams becomes angry that the joy ride to the beach is canceled. He or she stomps away from the car to call a ride and suddenly, your perfect day is now all but perfect.

Discuss:

- Why was gasoline crucial to continuing your perfect day? How did you feel when you saw that the prices of gas had skyrocketed? Does this ever happen in reality?
  - Does anyone know what determines the price of gas, and why it can vary from day to day?
  - How do individual consumers use gasoline in their everyday lives?
  - How do businesses use gasoline (encourage students to consider production, distribution, etc.)?
  - Where does gasoline come from? How is it produced?
  - What individuals and businesses would benefit from higher gas prices and in what ways?
  - What individuals and businesses would be hurt by higher gas prices and in what ways?
  - What has happened to the price of gasoline over the past few years?
  - How are oil and gasoline related?
2. After students have shared their prior knowledge about gasoline, pass out *Why is the Price of Oil Increasing? Reading and Activity*. Either individually or in pairs, students should read the handout and complete the questions. Review answers to the questions after students are finished. Concepts may be difficult for students weak in math. Provide one-on-one assistance to students who have struggled grasping basic concepts of supply and demand, or assign them a learning partner.
  3. Introduce students to the concept of fuel taxes. The gasoline (or fuel) tax is placed on importers of gasoline to be passed on to consumers, unlike a sales tax which is charged at the time of purchase. In North Carolina, revenue from the gasoline tax is used to fund roads. Local governments receive funding based on the amount of gas sold in their area. Project the US map of gasoline taxes (attached). Have students discuss:
    - What do you notice first about this map? Does anything surprise or concern you?
    - What is the NC gasoline tax based on the map?
    - How does the NC gasoline tax compare to other states in the southeast?
    - How does the NC gasoline tax compare to other regions of the US?
    - What states have a higher tax on gasoline? Lower tax?

#### **NC General Assembly Finance Committee Meeting Simulation**

4. Tell students that they will be thinking more about these issues by participating in a General Assembly simulation. Tell students some of them have been recently elected to the House of Representatives and were assigned by the Speaker of the House to the Finance Committee. Explain to students that there are more than a dozen committees for each house of the General Assembly, and their work is very important, as every bill introduced will be studied by at least one committee in the Senate and in the House of Representatives. Inform the students that they will be studying and debating a bill that has been introduced to suspend the NC fuel tax for 90 days. The rest of the class will act as lobbyist groups who

want to express their views about the proposed bill to the committee members, in hopes of influencing the legislators' opinions.

5. Give each student a copy of the attached draft bill for a 90-day suspension of the gas tax. Have a student volunteer read the bill out loud and ensure all students understand what the bill is proposing as currently written. Allow students to ask questions if clarification is needed.
6. Next, divide students into seven groups. One group will act as the members of the House Finance Committee and the other 6 groups will be **special interest groups**. Give groups the attached appropriate instructions. Instruct students to silently read the handout provided for approximately 5 minutes, then explain the directions:

- **Committee members/legislators:** (provide these students with *Instructions for Members of the House Finance Committee & Summary of Special Interest Groups*. Also assign one student in this group to be the Committee Chair and give him/her *Instructions for the Committee Chair\**.)

You will spend the following work time reviewing the bill that was introduced by House member Boylan. Under the leadership of your Chair, you should discuss your initial opinions of the bill. Remember as you discuss the bill that amendments to the bill can be made by you, as legislators, at any point by crossing through the text and rewriting it at will.

You should also review the *Summary of Special Interest Groups*, and determine how to best address these opposing views, considering the "common good" of North Carolina. As a group, you should form at least two follow-up questions for each special interest group in preparation for their testimonies.

- **Special Interest Groups:** (provide these students *Instructions for \_\_\_\_\_*, as well as *Summary of Special Interest Groups*.)

Each of you, as lobbyists for special interest groups, will work on creating a 3-minute presentation to present to the panel of legislative committee members. Your goal is to convince members of the House Finance Committee to either support or not support a bill for suspending the NC gas tax for 90 days. You should form arguments based on the facts given about the views of your special interest group, as well as make inferences that might help your position. Organize these thoughts into a presentation that will convince this committee to see things your way. In addition to considering your group's views, you should think of ways to argue against your opponent's views.\* Make sure you have a concise presentation prepared, since you will be stopped when you have reached your 3-minute time allotment, whether you are finished or not.

7. Review your expectations for respectful group work and allow students to prepare for the simulation in their groups. Tell the groups they will have the remainder of class to prepare for the committee meeting, which should take place at the beginning of the next class. Circulate around the room to assist groups as they prepare, giving periodic time warnings. This simulation is designed to be entirely student lead, with the student playing the Chairman to lead the simulation. During the preparation phase, the teacher should discuss appropriate procedure with the Chair so he/she knows how to call the meeting to order, make introductions, summarize the purpose of the meeting, etc.

Circulate around the room as groups work, ensuring they are on the right track. Let students know they will have a brief amount of time in the beginning of the next class to organize themselves, but that any loose ends regarding their presentations should be tied up for homework. You may also wish to instruct students to come "dressed" in character tomorrow, as they would dress if they were actually participating in a committee meeting.

### Conducting the Simulation

8. On Day 2, use your discretion regarding whether your students need more preparation time. Once it is time for the committee meeting to begin, review behavior expectations for being a respectful participant. Have the legislator group take seats in the front of the classroom facing the lobbyists. Ask the student assigned as Chair to call the meeting to order, giving an overview of the bill that is being discussed, as well as reminding students of the format and order for the testimonies (teachers may want to display this on the board or on chart paper).

Chairman calls meeting to order and gives overview	1minute
Presentation from the North Carolinian Citizen Coalition	2-3 minutes
Follow-up questions from legislators	2 minutes
Presentation from the NC-DOT	2-3 minutes
Follow-up questions from legislators	2 minutes
Presentation from NC Poverty Project	2-3 minutes
Follow-up questions from legislators	2 minutes
Presentation from Tar Heel Economic Association	2-3minutes
Follow-up questions from legislators	2 minutes
Presentation from American Petroleum Institute	2-3minutes
Follow-up questions from legislators	2 minutes
Presentation from Sierra Club	2-3minutes
Follow-up questions from legislators	2 minutes
Chairman can call for any final comments or questions from presenting groups and legislators (teacher's preference if time permits)	5 minutes
Chairman leads open deliberation of committee	Up to 10 minutes (if consensus cannot be met, Chair can "table conversation until next meeting")

- It is recommended that teachers time student presentations, keeping them at 3 minutes; otherwise the simulation can become lengthy.

9. Allow for around 45 minutes for the simulated committee meeting. Once the comment session has ended, the Committee members will deliberate the proposed bill in front of the class, determining how they will present it to the General Assembly. Teachers can focus the class discussion depending on time limitations; if the Committee members cannot come to an agreement, the Chair can end the discussion by saying the issue will be "placed on the agenda of the next meeting" (if this occurs, discuss why consensus was so difficult during the debriefing). Otherwise, the chairperson will have the committee vote on the proposed bill.

### Debriefing the Simulation

10. After the simulation has ended, have students applaud themselves for their hard work and debrief using the discussion questions below:
- What is your opinion of the committee's decision? Explain.
  - Imagine the NC General Assembly passed such a bill. Would you support it? Why or why not?
  - Those of you who presented to committee, what do you think the best part of your presentation was and why? How would you change your presentation to improve it for next time?
  - What skills are important when presenting to a body of professionals? (*Discuss presentation skills such as being prepared, speaking clearly, being brief and concise, etc.*)
  - Why is it important when preparing a presentation to consider what the opposite view might be?
  - Were you actually serving on the General Assembly, what other factors might influence you that were not necessarily represented in this activity?
  - Most citizens are not elected officials. In what ways might individual citizens outside of these bodies have influenced this process? How can you let your opinion be known?
  - What is your opinion of the government influencing the price of gas?

- What are some viewpoints that were not shared during the committee meeting?
- What economic concerns can you think of regarding high gas prices? Explain
- What are environmental concerns can you think of regarding high gas prices? Explain.
- Do you think it is important that individual citizens lobby their state governing bodies about taxes and spending? Why or why not?
- What factors influence legislators in the decisions they make?
- How might a legislator decide what is best for the state as a whole (the "common good")?
- What would happen if citizens did not make their opinions known to legislators? How might our society be affected?
- Which of the special interest groups would you say had **economic interests**? Explain.
- Which of the special interest groups had **public interests, single-issue interests, or ideological interests**? Explain.
- Would you want to be a state legislator who makes these kinds of decisions? Why or why not?
- Why is it important for North Carolina citizens to participate in the election process of their legislators?
- How is the work of state legislators relevant to each of us?

### **Culminating Activities**

- Have the students create a "T" Chart with a "+" over one column and a "-" over the other column. Have them list all the good things about more expensive gas under the "+" and all the bad things about more expensive gas under the "-". Then, have them read the article *Five Reasons to Love \$4 Gas* and return to their chart and revise the "+" side with any of the topics from the article that they found convincing.

### **Differentiation**

#### **Students with special needs**

- Ensure that students are placed in mixed ability groups.
- Students who do not work well in small groups may work alone as legislative reporters. They can research the gas tax controversy on the internet while the remainder of class prepares for the simulation. During the simulation they should observe and take notes of the opinions represented by participants. They should then compose a newspaper article about the different opinions about the gas tax holiday bill.

#### **AIG**

- Research alternative fuel sources such as ethanol and hydrogen. Have student create a cost analysis comparing the rising gasoline prices with that of alternative energy initiatives.

Name: \_\_\_\_\_

### Why is the Price of Oil Increasing?

*Adapted from "We Can Lower Oil Prices Now" By MARTIN FELDSTEIN July 1, 2008*

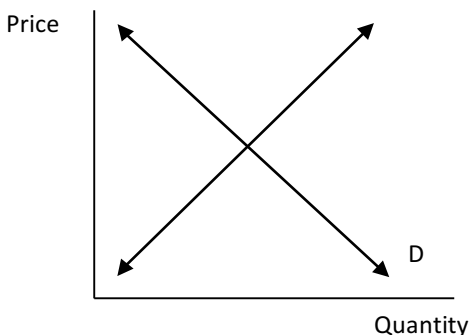
Why has the price of gas increased so rapidly over the past few months? Economics offers a simple supply-and-demand explanation.

**1. Make a quick prediction regarding why you think the price of gas often increases:**

We all know that rising incomes in China, India and the Gulf states have increased the demand for oil and many other commodities.

**2. Below is a generic supply and demand graph for oil.**

- Would more consumers in the market for oil (China, India and the Gulf states) change supply or demand? \_\_\_\_\_
- Would there be an increase or decrease? \_\_\_\_\_
- Show the change on the graph below based on your last two answers. Label the new curve D\*.
- How does the change affect the equilibrium price in the market for oil? Using dashed lines, show the old equilibrium price and the new equilibrium price.



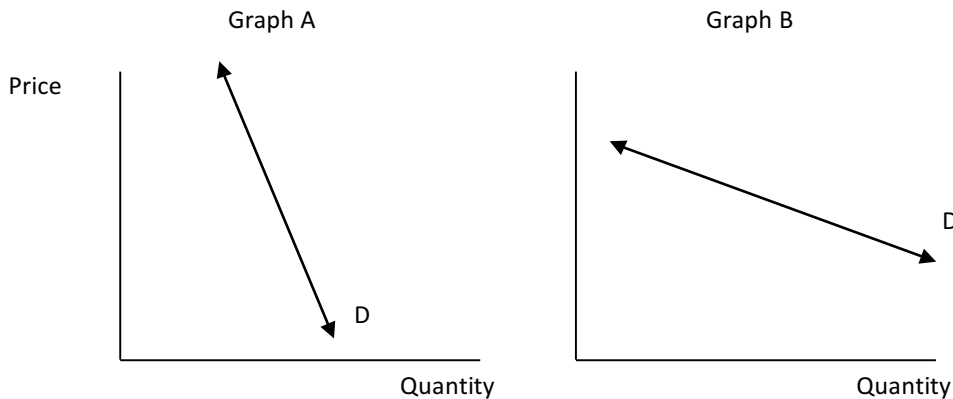
But how could the modest, one-year rise of these demands lead to such drastic increases in the price of oil? Let's take a look at the market for oil. In the short run, there is little scope for increasing the supply of oil in response to a global increase in demand. For demand and supply to balance – for the market to clear – the price of oil must rise.

If the demand for oil were very price-sensitive, a relatively small increase in price would reduce global demand by enough to offset the initial rise in demand. However, since demand is actually quite insensitive to price in the short run, it takes a very large price rise to bring global demand into line with supply. Demand for oil is not very sensitive to price changes because there are few practical substitutes. If the grocery store raises the price of Coca-Cola, a customer can choose to buy Pepsi Cola instead. If the gas station on the other hand raises the price of gasoline due to more expensive oil, a customer has no other alternative to power their existing automobile. Oil is also a necessity for many consumers in the form of gasoline to power cars for transportation to work. With few easy replacements and a strong need, price changes have little effect on the quantity of oil demanded.

**3. The article states that the demand for oil is very insensitive to changes in price. This means a change in price has very little effect on the quantity demanded for oil. In economics, this is called inelastic demand.**

Other goods though have elastic demand, meaning a change in the price of a good has a very large effect on the quantity demanded.

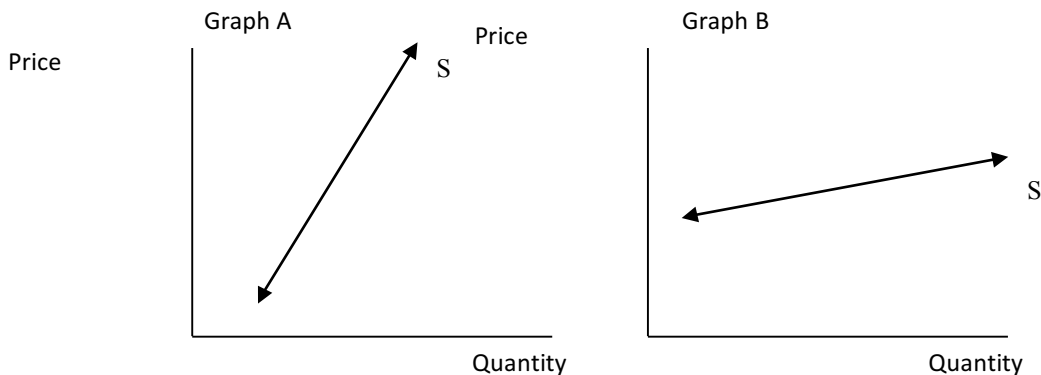
- Which of the graphs below shows elastic demand? How can you tell?
- Which of the graphs below shows inelastic demand? How can you tell?
- Which graph would best represent the demand curve for oil? Explain



Supply for oil is also not very price sensitive. Because of the relative scarcity of oil and the expensive equipment necessary to retrieve oil, production cannot increase rapidly to respond to increases in price. Since both production and consumption are relatively inelastic (ignoring the impact of political, cultural and environmental disruption), changes in investment – even huge changes in investment- are unlikely to bring about a corresponding increase in supply. The world oil market has become relatively inelastic in the sense that large increases in investment no longer produce simultaneous increases in supply. Even assuming there are no political obstacles, cultural disruptions, weather problems, or geographical challenges to delay exploration and production, it still typically takes many years to develop a new oil field. For example, preliminary estimates show that exploration and drilling off the coast of North Carolina would take nearly eight years before oil would actually be available for refining. In addition, our ability to bring new production on-line is further limited by the political objectives and cultural challenges of the producer nation. Take a look at nations such as Iran, Iraq, Venezuela, or Nigeria. As described by cultural economics, any potential elasticity has been decreased by local restrictions. With a very low short-run price sensitivity of demand and little scope to raise supply in the short run, even a relatively small increase in oil demand by the high-growth economies can lead to a very large short-run rise in the price of oil.

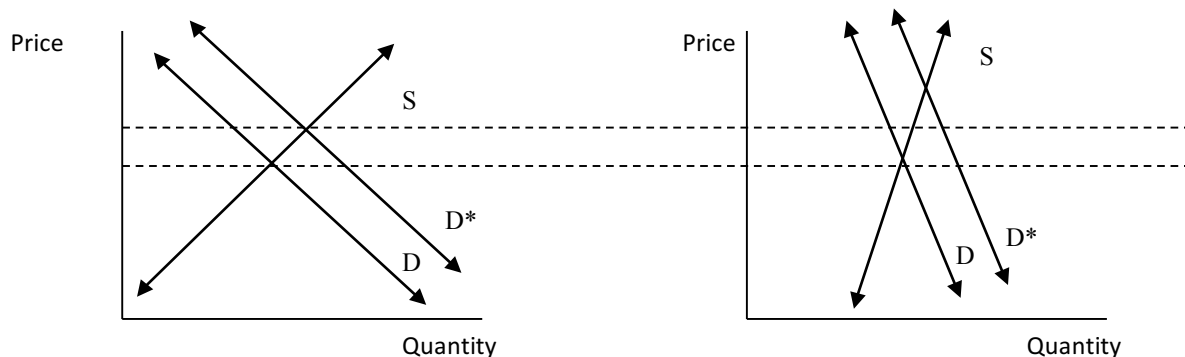
**4. The reading states that the supply for oil is also very insensitive to changes in price. This means a change in price has very little effect on the quantity supplied for oil. In economics, this is called inelastic supply. Other goods though have elastic supply, meaning a change in the price of a good has a very large effect on the quantity supplied.**

- Which of the graphs on the following page shows elastic supply? How can you tell?
- Which of the graphs on the following page shows inelastic supply? How can you tell?
- Which graph would best represent the demand curve for oil? Explain.



5. Let's return to our analysis of the market for oil. Below is our first generic supply and demand graph for oil to the left and our revised supply and demand graph for oil to the right. The dashed lines highlight the change in price that occurred on our generic supply and demand curve. Use them to compare to the change in equilibrium price on our new supply and demand curve

- If we increase demand on both graphs the same amount, what happens to price?



The situation for oil is more complex though. When will an owner of oil reduce production or increase inventories instead of selling his oil? A simplified answer is that he will keep the oil in the ground if its price is *expected* to rise in the future compared to the current price. The *actual* price of oil may rise faster or slower than is expected, but the decision to sell (or hold) the oil depends on the expected price rise.

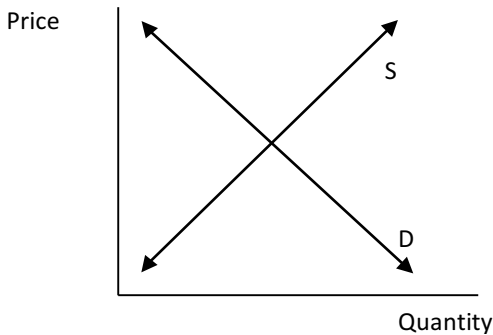
There are of course considerations of risk, and of the impact of price changes on long-term consumer behavior, that complicate the oil owner's decision – and therefore the behavior of prices. The Organization of Petroleum Exporting Countries (the OPEC cartel), with its strong pricing power, still plays a role. But the fundamental insight is that owners of oil will adjust their production and inventories based on how much the price of oil is expected to rise. If the price of oil is expected to rise faster, they'll keep the oil in the ground. In contrast, if the price of oil is not expected to rise as fast as the rate of interest, the owners will extract more and invest the proceeds.

The relationship between future and current oil prices implies that an expected change in the future price of oil will have an immediate impact on the current price of oil. Thus, when oil producers concluded that the demand for oil in China and some other countries will grow more rapidly in future years than they had previously expected, they inferred that the future price of oil would be higher than they had previously believed. They have responded by reducing supply of oil in anticipation of greater returns in the future.



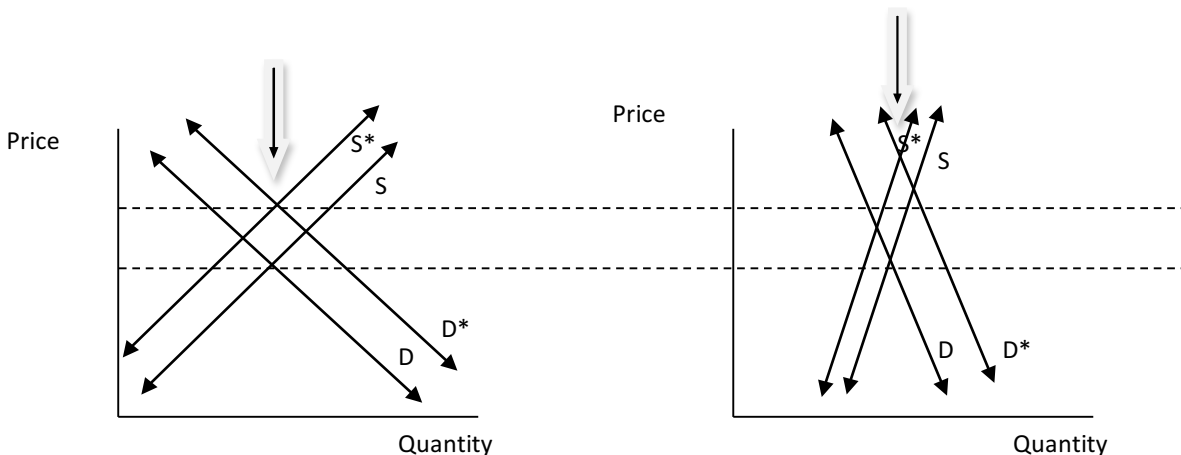
6. Below is the generic supply and demand graph for oil.

- Will the expectation by producers of high prices in the future change the supply or demand for oil?
- Would there be an increase or decrease?
- Show the change on the graph below based on your last two answer. Label the new curve  $S^*$ .
- How does the change affect the equilibrium price in the market for oil? Using dashed lines, show the old equilibrium price and the new equilibrium price.



7. Let's return to our analysis of the market for oil. Below is our first generic supply and demand graph for oil to the left and our even newer revised inelastic supply and demand graph for oil to the right. The dashed lines highlight the change in price that occurred on our generic supply and demand curve. Use them to compare to the change in equilibrium price on our new supply and demand curve. The arrows show the new equilibrium price on each graph.

- If we increase demand on both graphs the same amount, what happens to price?
- Which graph predicts a larger increase in price?



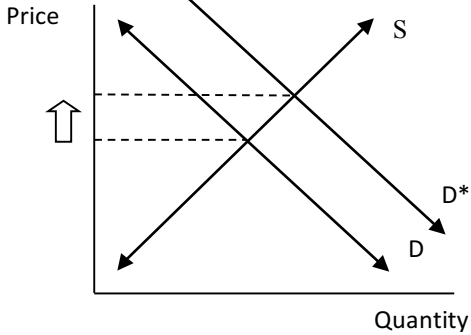
8. So, from what we have just learned, why is the price of oil increasing? Why is the price of oil increasing at such a fast pace?

**Why is the Price of Oil Increasing? ANSWER KEY**

1. **Answers will vary.**

2. Below is a generic supply and demand graph for oil.

- Would more consumers in the market for oil change supply or demand? **Demand**
- Would there be an increase or decrease? **Increase**
- Show the change on the graph below based on your last two answer. Label the new curve D\*.
- How does the change affect the equilibrium price in the market for oil? Using dashed lines, show the old equilibrium price and the new equilibrium price.

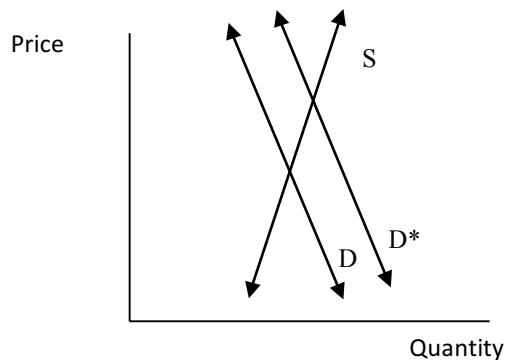
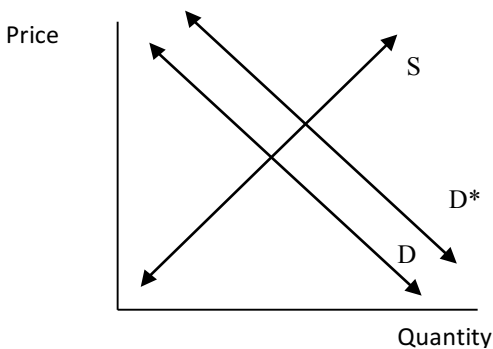


3. **Graph B shows an elastic demand curve, because as the price on the y-axis changes, the quantity on the x-axis changes a large amount. Graph A shows an inelastic demand curve, because as the price on the y-axis changes, the quantity on the x-axis changes a small amount.**

4. **Graph B shows an elastic supply curve, because as the price on the y-axis changes, the quantity on the x-axis changes a large amount. Graph A shows an inelastic supply curve, because as the price on the y-axis changes, the quantity on the x-axis changes a small amount.**

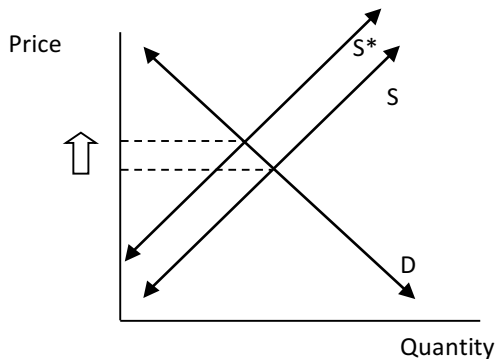
5. Let's return to our analysis of the market for oil. Below is our first generic supply and demand graph for oil to the left and our revised supply and demand graph for oil to the right.

- If we increase demand on both graphs the **same amount**, what happens to price? **Price increases.**
- Which graph predicts a larger increase in price? **Equilibrium price on the revised oil market graph increases more than the generic graph because of the inelastic supply and demand curves.**



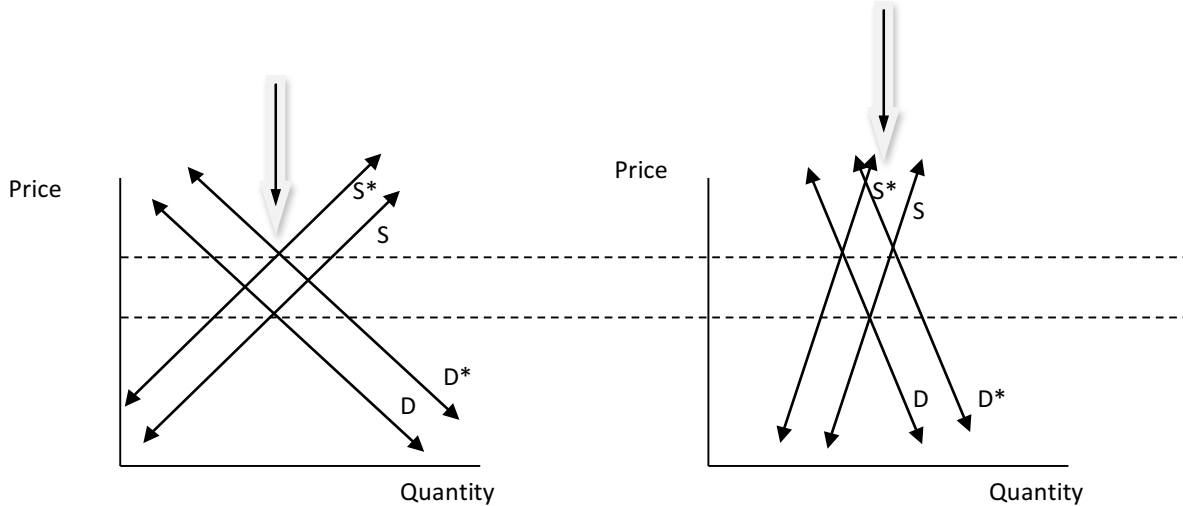
6. Below is the generic supply and demand graph for oil.

- Will the expectation by producers of high prices in the future change the supply or demand for oil? **Supply**
- Would there be an increase or decrease? **Decrease**
- Show the change on the graph below based on your last two answer. Label the new curve S\*.
- How does the change affect the equilibrium price in the market for oil? Using dashed lines, show the old equilibrium price and the new equilibrium price.



7. Let's return to our analysis of the market for oil. Below is our first generic supply and demand graph for oil to the left and our even newer revised supply and demand graph for oil to the right.

- If we increase demand on both graphs the **same amount**, what happens to price?
  - (The dashed lines highlight the change in price that occurred on our generic supply and demand curve. Use them to compare to the change in equilibrium price on our new supply and demand curve. The arrows show the new equilibrium price on each graph)
- Which graph predicts a larger increase in price? **Equilibrium price on the revised oil market graph increases more than the generic graph because of the inelastic supply and demand curves.**



8. **Due to the inelastic supply and demand for oil, an increase in demand for oil and a decrease in the supply of oil leads to a very large increase in the equilibrium price for oil.**

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2017

H

1

HOUSE BILL 2193

Short Title: Suspend Collection of the Fuel Tax. (Public)

---

Sponsors: Representative Boylan.

---

Referred to: Finance.

---

May 19, 2017

A BILL TO BE ENTITLED

AN ACT to suspend the collection of the North Carolina motor fuels tax for a period of ninety days to begin when this act becomes law.

The General Assembly of North Carolina enacts:

**SECTION 1.** All taxes required to be collected pursuant to Part 3 of Article 36C of Chapter 105 of the General Statutes are suspended for a 90-day period. At the end of the 90-day suspension, all taxes required to be collected pursuant to Part 3 of Article 36C of Chapter 105 of the General Statutes shall be reinstated at the rate to be established by the Motor Fuels Section of the Department of Revenue consistent with any applicable laws regarding the establishment of the motor fuels taxes.

**SECTION 2.** This act is effective when it becomes law.

**For Reference: Chapter 105 Article 36C Part 3. Nature of fuel tax.**

This Article imposes a tax on motor fuel to provide revenue for the State's transportation needs and for the other purposes listed in Part 7 of this Article. The tax is collected from the supplier or importer of the fuel because this method is the most efficient way to collect the tax. The tax is designed, however, to be paid ultimately by the person who consumes the fuel. The tax becomes a part of the cost of the fuel and is consequently paid by those who subsequently purchase and consume the fuel. (1997-60, s. 1.)

## Participating in a General Assembly Finance Committee Meeting

### Summary of Special Interest Groups

- **North Carolina Citizen Coalition**

North Carolinian Citizen Coalition (NCCC) is a grass roots organization with a mission to influence legislation passed by the General Assembly to benefit the common good of all NC residents. NCCC has started a new campaign in North Carolina in response to the rising price of gasoline; they hope to encourage the state legislature to pass a bill to suspend the tax on fuel for 90 days. Without this suspension, the NCCC fears that North Carolina's unemployment rate will continue to grow and families will continue to struggle.

- **North Carolina Department of Transportation**

The North Carolina Department of Transportation (NC-DOT) is the executive department of the NC state government responsible for overseeing the state's transportation systems. Representatives from NC-DOT have serious budgetary concerns regarding the proposal to suspend the gas tax. Since fuel taxes fund NC-DOT's work in maintaining safe and uncongested roadways, the lack of funding that would result from the proposed bill would be damaging to NC-DOT's work and North Carolina's roadways.

- **North Carolina Poverty Project**

The North Carolina Poverty Project is an organization with the goals of addressing the pressing needs of those currently living at or below the poverty level. They hope to convince North Carolina's legislators to improve the circumstances of working people and alleviate the burden on those impoverished by passing the proposed gas tax suspension, as well as amending the bill further by requesting a \$200 gas card be issued to each North Carolinian making less than \$25,000 a year.

- **Tar Heel State Economic Association**

The Tar Heel State Economic Association is a state organization that represents North Carolina's economists. The group feels that there is no real benefit to suspending the gas tax, since the amount of money North Carolinians would save would not make a substantial difference in our economy or in the financial situations of citizens across our state.

- **American Petroleum Institute**

The American Petroleum Institute, commonly referred to as API, is the main U.S trade association for the oil and natural gas industry, representing about 400 corporations involved in production, refinement, distribution, and many other aspects of the industry. The North Carolina branch of the API supports the suspension of the gas tax, feeling it would not only benefit citizens, but the US based Petroleum industries as well.

- **Sierra Club**

The Sierra club is a national organization of environmental enthusiasts dedicated to promote the responsible use of the earth's resources and provide education on how to protect and restore the quality of the environment. The Sierra Club strongly encourages the General Assembly to not support this bill and to maintain the current tax on gas. They feel this will encourage citizens to use less fuel; thus improving our state's environment tremendously.

## Instructions for Members of the House Finance Committee

As the NC House Finance Committee, you and your fellow legislators are holding a hearing to help you determine whether or not to favor a bill suspending the NC gas tax for 90 days. As a member of the North Carolina General Assembly, you represent the interests of your constituents in your home district and your job as an appointed member of the Finance Committee is to determine how the bill you are considering should be reported to the floor. You have the choice of reporting the bill as **favorable**, **favorable as amended** (if you make any changes to the bill), or **unfavorable** as a bill. You may also offer a **committee substitute**, in which you rewrite the entire bill as you see fit.

The following groups will testify before you today in hopes to influence your opinion regarding this bill:

- The North Carolinian Citizen Coalition
- North Carolina Department of Transportation
- North Carolina Poverty Project
- Tar Heel State Economic Association
- American Petroleum Institute
- Sierra Club

### Your job:

1. Under the leadership of the Chair, review the bill that was introduced by House member Boylan as a group. Each of you should express your initial opinions of the bill, noting any amendments (changes) that you would like to make.
2. Prepare for the groups who will be testifying in front of you today by reviewing the *Summary of Special Interest Groups*. Discuss the position that each group has taken on the proposed bill, and infer what types of things they might say in their testimony to you. Create 2-3 questions for each group, which will help you gain further details on their position or perhaps even challenge their views.
3. Once it is time for the meeting to begin, the Chair will welcome everyone then call up each presenting group to testify (up to 3 minutes is allowed.) Listen carefully to their position, opinion, and request.
4. After each group's presentation, the Chair will open the floor for questions. You may refer to the questions that you previously created or ask new questions based on information you hear in the groups' testimonies. Remember, you need to gather all of the information you can in order to make an informed decision.
5. Once the testimonies are complete, the Chair will lead the Committee in an open deliberation; at this time, you will express where you now stand on the issue of suspending the NC gas tax for 90 days. Remembering that the groups that presented to you today will be have a role in either supporting or not supporting you in your reelection, you and your fellow legislators should attempt to come to a consensus regarding the bill through a process of dialogue, debate, and compromise.
7. At the end of the meeting, you will decide to report the bill back to the full floor of the General Assembly as **favorable** or **unfavorable**. You can also choose to make changes to the bill, and report it back to the full floor as **favorable with amendments**. Finally, you may also completely change the bill and create a **Committee Substitute** that you take back to the General Assembly.

### Instructions for Committee Chair:

You will be informed when it is time to begin the citizen testimony session of this committee meeting. At the start of this meeting, you will welcome testifying citizens and review the purpose of the meeting by saying something such as:

**“Thank you all for being here today. I understand this is a very important issue for some of you and it is an issue that we as the Finance Committee are going to pay close attention to as we determine whether or not to recommend the proposed bill regarding whether or not to suspend the NC gas tax for 90 days. We will begin testimonies now.”** Call the first interest group at this time to present.

After each group finishes their statement, you will say, **“Thank you for your comments. At this time, I’d like to open the floor up for questions from committee members”**. Committee members and you can ask questions at this time. You will then call up the next group listed on the Summary of Participants and follow the same procedure.

After all groups have presented and been questioned, end the public comment section of the hearing by saying: “Thank you all for your comments. At this time the Committee is going to adjourn to discuss this matter. Again, we thank you for your thoughts.”

You will then lead your fellow committee members in an open discussion about their opinions regarding suspending the gas tax. Testifying groups can only listen to you at this point. They cannot comment or interact with committee members. If you get to a point that you feel all committee members are in agreement or have reached a compromise, you can call for a vote and adjourn the meeting. You can also postpone a decision to the next meeting if the committee feels more information, research, statistics, etc. is needed after the discussion. **\*\*If at any point you are unsure of what to do, signal your teacher for assistance.**

## Instructions for the North Carolinian Citizen Coalition

You are part of a citizen advocacy group called the North Carolinian Citizen Coalition who is testifying today at a hearing of the North Carolina General Assembly's House Finance Committee. Your group hopes to convince the Finance Committee that they **SHOULD** report **FAVORABLY** on a proposed bill to suspend the gas tax for 90 days.

Your group's mission is to help relieve North Carolina residents of the economic pressure of higher gas prices. The price of gasoline has increased over a dollar per gallon since last year, resulting in the all time high prices of more than \$4 a gallon. There seems to be no indication of the prices stabilizing in the near future. Families across North Carolina are struggling with higher fuel prices, particularly coupled with the higher prices for food, record unemployment rates, flat wages, and the deepening housing crisis. Families are being forced to reduce their spending. The tourism industry has particularly seen a decrease in travel and vacations due to high gas prices. This alone could hurt the economy of North Carolina and lead to further unemployment.

Your group feels that it is crucial that the Finance Committee members report favorable on the bill to suspend the gas tax for 90 days. This will put much needed money back into the pockets of hardworking North Carolinians.

### Prepare Your Presentation

1. Choose who will fulfill the different offices for your group listed below.

Name: \_\_\_\_\_ 1. Director– keeps conversation focused and ensures group is on task

Name: \_\_\_\_\_ 2. Researcher- uses textbook, Internet, and other resources when necessary

Name: \_\_\_\_\_ 3. Presenter- Presents argument to committee members (may select one other person from your group to assist you if needed)

Name: \_\_\_\_\_ 4. Communications- takes notes; confers with instructor if necessary.

2. Read the proposed bill regarding a 90-day suspension of the NC gas tax.

3. Develop a 3-5-minute presentation with the purpose of convincing NC state legislators to **FAVOR** the proposed bill suspending the gas tax for the next 90 days. Begin by brainstorming arguments for your presentation. Your statement must include at least one reference to the North Carolina State Constitution.

4. Make sure your presentation includes convincing reasons why legislators should see things your way. Use the information above as a starting point and add any other reasons to argue your side. You should also spend time inferring how other special interest groups may feel about this issue (see the provided *Summary of Special Interest Groups*). If they are arguing an opposite view, think about ways to oppose their viewpoints in your presentation.

5. When presenting, be considerate, clear, and convincing. After your presentation, the committee members will be able to ask questions of your entire group. (\*Questions should be answered by all group members, including those who did not present the testimony.)

6. Once the hearing is complete, the panel of legislators will hold an open deliberation to determine if they will report the bill back to the floor of the General Assembly as **favorable** or **unfavorable**. They may also choose to make changes to the bill, and report it back to the full floor **as favorable with amendments**. Finally, they also have the option of completely changing the bill and creating a **Committee Substitute** to take back to the General Assembly.



Today you and other lobbyists for the NC-DOT are testifying at a hearing of the North Carolina General Assembly's House Finance Committee. You hope to convince them that they should **NOT FAVOR** a bill suspending the gas tax for 90 days.

The Department of Transportation is responsible for the construction and maintenance of highways in North Carolina. The NC fuel tax is a major source of revenue designated to help provide funding for the state's transportation needs. If the General Assembly takes away the gas tax for 90 days, it will be incredibly difficult for the NC-DOT to ensure our state's roads are adequate and safe. As the population of NC continues to grow, transportation revenue is essential to ease congestion and maintain quality roads. A 90-day suspension of the gas tax could cost the state and local government millions of dollars. While citizens may currently be complaining of high gas prices, suspending the gas tax will only lead to them complaining about poor road conditions instead.

### Prepare Your Presentation

1. Choose who will fulfill the different offices for your group listed below

Name: \_\_\_\_\_ 1. Director— keeps conversation focused and ensures group is on task

Name: \_\_\_\_\_ 2. Researcher- uses textbook, Internet, and other resources when necessary

Name: \_\_\_\_\_ 3. Presenter- Presents argument to committee members (may select one other person from your group to assist you if needed)

Name: \_\_\_\_\_ 4. Communications- takes notes; confers with instructor if necessary.

2. Read the proposed bill regarding a 90-day suspension of the NC gas tax.

3. Develop a 3-5-minute presentation with the purpose of convincing NC state legislators to **NOT FAVOR** the proposed bill suspending the gas tax for the next 90 days. Begin by brainstorming arguments for your presentation. Your statement must include at least one reference to the North Carolina State Constitution.

4. Make sure your presentation includes convincing reasons why legislators should see things your way. Use the information above as a starting point and add any other reasons to argue your side. You should also spend time inferring how other special interest groups may feel about this issue (see the provided *Summary of Special Interest Groups*). If they are arguing an opposite view, think about ways to oppose their viewpoints in your presentation.

5. When presenting, be considerate, clear, and convincing. After your presentation, the committee members will be able to ask questions of your entire group. (\*Questions should be answered by all group members, including those who did not present the testimony.)

6. Once the hearing is complete, the panel of legislators will hold an open deliberation to determine if they will report the bill back to the floor of the General Assembly as **favorable** or **unfavorable**. They may also choose to make changes to the bill, and report it back to the full floor **as favorable with amendments**. Finally, they also have the option of completely changing the bill and creating a **Committee Substitute** to take back to the General Assembly.

Today you and other lobbyists for the Tar Heel State Economic Association of North Carolina are testifying at a hearing of the North Carolina General Assembly's House Finance Committee. You hope to convince them that they should **NOT FAVOR** a bill suspending the gas tax for the next 90 days.

Most economists advocate *increased* taxes on energy products rather than a tax suspension. The Tar Heel State Economic Association believes that the best way to increase revenue in our state is to tax the behaviors that we would prefer to discourage. One such behavior to discourage is citizens burning too much fuel, which damages the environment and leads to wastefulness. If the General Assembly wants to suspend or decrease a tax, the Association recommends getting rid of the income tax. An income tax discourages work, which we don't want to do; but a tax on gasoline discourages *pollution*. Public finance experts have long preached that consumption taxes are better than income taxes for long-run economic growth, because income taxes discourage saving and investment. An increased reliance on gas taxes over income taxes would make the tax code more favorable to growth.

Your group also believes the idea of a gas tax suspension is a short-term gimmick rather than a long-term solution to our nation's energy crisis. There is no proof that a 90-day suspension will provide any real relief. In actuality, the savings to each individual citizen will be minimal. Alternatively, rising gas prices will encourage firms to devote more research & development spending on gasoline substitutes, which can create jobs and provide substantial relief to our economy.

### Prepare Your Presentation

1. Choose who will fulfill the different offices for your group listed below.

- Name: \_\_\_\_\_ 1. Director– keeps conversation focused and ensures group is on task  
Name: \_\_\_\_\_ 2. Researcher- uses textbook, Internet, and other resources when necessary  
Name: \_\_\_\_\_ 3. Presenter- Presents argument to committee members (may select one other person from your group to assist you if needed)  
Name: \_\_\_\_\_ 4. Communications- takes notes; confers with instructor if necessary.

2. Read the proposed bill regarding a 90-day suspension of the NC gas tax.

3. Develop a 3-5-minute presentation with the purpose of convincing NC state legislators to **NOT FAVOR** the proposed bill suspending the gas tax for the next 90 days. Begin by brainstorming arguments for your presentation. Your statement must include at least one reference to the North Carolina State Constitution.

4. Make sure your presentation includes convincing reasons why legislators should see things your way. Use the information above as a starting point and add any other reasons to argue your side. You should also spend time inferring how other special interest groups may feel about this issue (see the provided *Summary of Special Interest Groups*). If they are arguing an opposite view, think about ways to oppose their viewpoints in your presentation.

5. When presenting, be considerate, clear, and convincing. After your presentation, the committee members will be able to ask questions of your entire group. (\*Questions should be answered by all group members, including those who did not present the testimony.)

6. Once the hearing is complete, the panel of legislators will hold an open deliberation to determine if they will report the bill back to the floor of the General Assembly as **favorable** or **unfavorable**. They may also choose to make changes to the bill, and report it back to the full floor **as favorable with amendments**. Finally, they also have the option of completely changing the bill and creating a **Committee Substitute** to take back to the General Assembly.

### Instructions for the North Carolina Poverty Project

You are part of a citizen advocacy group called North Carolina Poverty Project who is testifying at a hearing of the North Carolina General Assembly's House Finance Committee. You hope to convince them that they should not only **FAVOR** the proposed bill suspending the gas tax for 90 days, but also to **AMEND** it further.

The North Carolina Poverty Project is an organization with the goals of addressing the pressing needs of those currently living at or below the poverty level and influencing policy makers to improve the circumstances of impoverished people.

Your group believes that while all NC residents are being negatively impacted by soaring fuel costs, it is those in poverty who are experiencing the greatest burden. Families who could not even afford to meet their basic needs before can certainly not be successful with such outrageous prices for fuel in our state. To ensure the lower class can survive this difficult economic time, your group believes the General Assembly should not only suspend the gas tax for 90 days, but also subsidize gas for North Carolinian's in low income brackets. This means you want the General Assembly to divert money from other government programs such as education and public safety in order to send every citizen making less than \$25,000 a year a \$200 gas card to help them pay for fuel.

### Prepare Your Presentation

1. Choose who will fulfill the different offices for your group listed below.

Name: \_\_\_\_\_ 1. Director– keeps conversation focused and ensures group is on task

Name: \_\_\_\_\_ 2. Researcher- uses textbook, Internet, and other resources when necessary

Name: \_\_\_\_\_ 3. Presenter- Presents argument to committee members (may select one other person from your group to assist you if needed)

Name: \_\_\_\_\_ 4. Communications- takes notes; confers with instructor if necessary.

2. Read the proposed bill regarding a 90-day suspension of the NC gas tax.

3. Develop a 3-5-minute presentation with the purpose of convincing NC state legislators to **FAVOR** the proposed bill suspending the gas tax for the next 90 days. Begin by brainstorming arguments for your presentation. Your statement must include at least one reference to the North Carolina State Constitution.

4. Make sure your presentation includes convincing reasons why legislators should see things your way. Use the information above as a starting point and add any other reasons to argue your side. You should also spend time inferring how other special interest groups may feel about this issue (see the provided *Summary of Special Interest Groups*). If they are arguing an opposite view, think about ways to oppose their viewpoints in your presentation.

5. When presenting, be considerate, clear, and convincing. After your presentation, the committee members will be able to ask questions of your entire group. (\*Questions should be answered by all group members, including those who did not present the testimony.)

6. Once the hearing is complete, the panel of legislators will hold an open deliberation to determine if they will report the bill back to the floor of the General Assembly as **favorable** or **unfavorable**. They may also choose to make changes to the bill, and report it back to the full floor **as favorable with amendments**. Finally, they also have the option of completely changing the bill and creating a **Committee Substitute** to take back to the General Assembly.

Today you and other lobbyists for API are testifying at a hearing of the North Carolina General Assembly's House Finance Committee. You hope to convince them that they should **FAVOR** a bill regarding a bill suspending the gas tax for 90 days.

The American Petroleum Institute, commonly referred to as API, is the main U.S trade association for the oil and natural gas industry, representing about 400 corporations involved in production, refinement, distribution, and many other aspects of the industry. The association's primary responsibilities include advocacy and negotiation with governmental, legal, and regulatory agencies.

North Carolina law states that the fuel tax is collected from the supplier or importer of the fuel. A suspension of the tax would thus decrease the cost of importing oil, thus not only decreasing what North Carolina's citizen's pay at the pump, but decreasing the fees those in the gas industry pay. Your organization feels this would be a good thing individuals and the gas industry. In 2006, America's major oil and natural gas companies incurred more than \$90 billion in income tax to the federal government. In addition, these companies collected over \$48 billion in excise taxes in 2006 on behalf of the IRS. For petroleum companies based in the US need to be able to compete in the global oil and gas market, and to ensure a stable supply here at home, they must experience this type of tax relief. High taxes can affect US gas companies' ability to stay competitive in the world market. Suspending the gas tax will offer relief to consumers *and* allow United State oil companies to avoid bankruptcy in a time of increasing world economic instability.

#### Prepare Your Presentation

1. Choose who will fulfill the different offices for your group listed below.

Name: \_\_\_\_\_ 1. Director— keeps conversation focused and ensures group is on task

Name: \_\_\_\_\_ 2. Researcher- uses textbook, Internet, and other resources when necessary

Name: \_\_\_\_\_ 3. Presenter- Presents argument to committee members (may select one other person from your group to assist you if needed)

Name: \_\_\_\_\_ 4. Communications- takes notes; confers with instructor if necessary.

2. Read the proposed bill regarding a 90-day suspension of the NC gas tax.

3. Develop a 3-5-minute presentation with the purpose of convincing NC state legislators to **FAVOR** the proposed bill suspending the gas tax for the next 90 days. Begin by brainstorming arguments for your presentation. Your statement must include at least one reference to the North Carolina State Constitution.

4. Make sure your presentation includes convincing reasons why legislators should see things your way. Use the information above as a starting point and add any other reasons to argue your side. You should also spend time inferring how other special interest groups may feel about this issue (see the provided *Summary of Special Interest Groups*). If they are arguing an opposite view, think about ways to oppose their viewpoints in your presentation.

5. When presenting, be considerate, clear, and convincing. After your presentation, the committee members will be able to ask questions of your entire group. (\*Questions should be answered by all group members, including those who did not present the testimony.)

6. Once the hearing is complete, the panel of legislators will hold an open deliberation to determine if they will report the bill back to the floor of the General Assembly as **favorable** or **unfavorable**. They may also choose to make changes to the bill, and report it back to the full floor **as favorable with amendments**. Finally, they also have the option of completely changing the bill and creating a **Committee Substitute** to take back to the General Assembly.

#### Instructions for the Sierra Club

Today you and other lobbyists for the Sierra Club of North Carolina are testifying at a hearing of the North Carolina General Assembly's House Finance Committee. You hope to convince them that they should **NOT FAVOR** a bill suspending the gas tax for the next 90 days.

The mission statement of the Sierra club reads "To practice and promote the responsible use of the earth's ecosystems and resources; to educate and enlist humanity to protect and restore the quality of the natural and human environment; and to use all lawful means to carry out these objectives." As representatives of the Sierra club, you feel suspending the gas tax is would be a huge mistake. The burning of gasoline emits several pollutants; these include carbon dioxide, a cause of global warming. Thus, your group feels the more gas is taxed, the better. Higher gasoline taxes are the most direct and least invasive policy to address environmental concerns. In your view, higher gas prices will encourage citizens to reduce emissions of carbon dioxide (emitted from the gasoline in our vehicles) and eventually will lead citizens to purchasing environmentally cleaner modes of transportation (such as hybrid cars.) Already sales for scooters and other energy efficient forms of transportation, have jumped 23.6 percent in the first quarter of 2008 (compared with the same period in 2007). As far as the Sierra Club is concerned, the higher the cost of bad environmental fuels, the more likely citizens are to consider "greener" modes of transportation.

### Prepare Your Presentation

1. Choose who will fulfill the different offices for your group listed below.

Name: \_\_\_\_\_ 1. Director– keeps conversation focused and ensures group is on task

Name: \_\_\_\_\_ 2. Researcher- uses textbook, Internet, and other resources when necessary

Name: \_\_\_\_\_ 3. Presenter- Presents argument to committee members (may select one other person from your group to assist you if needed)

Name: \_\_\_\_\_ 4. Communications- takes notes; confers with instructor if necessary.

2. Read the proposed bill regarding a 90-day suspension of the NC gas tax.

3. Develop a 3-5-minute presentation with the purpose of convincing NC state legislators to **NOT FAVOR** the proposed bill suspending the gas tax for the next 90 days. Begin by brainstorming arguments for your presentation. Your statement must include at least one reference to the North Carolina State Constitution.

4. Make sure your presentation includes convincing reasons why legislators should see things your way. Use the information above as a starting point and add any other reasons to argue your side. You should also spend time inferring how other special interest groups may feel about this issue (see the provided *Summary of Special Interest Groups*). If they are arguing an opposite view, think about ways to oppose their viewpoints in your presentation.

5. When presenting, be considerate, clear, and convincing. After your presentation, the committee members will be able to ask questions of your entire group. (\*Questions should be answered by all group members, including those who did not present the testimony.)

6. Once the hearing is complete, the panel of legislators will hold an open deliberation to determine if they will report the bill back to the floor of the General Assembly as **favorable** or **unfavorable**. They may also choose to make changes to the bill, and report it back to the full floor **as favorable with amendments**. Finally, they also have the option of completely changing the bill and creating a **Committee Substitute** to take back to the General Assembly.

Sure, it's ruining the global economy and making everyone miserable, but there's an underappreciated upside to the high price of oil.

### 1. The mass transit boom

**What's happening:** From 2000 to 2005, fewer than 5 percent of Americans used mass transit for their commutes, compared with about 50 percent in Japan and Europe. But that may be changing. More U.S. commuters than ever are taking buses, subways, or light rail to work instead of driving their cars. Americans took nearly 85 million more trips in the first three months of 2008 than they did in the same period in 2007, a recent American Public Transportation Association study found. Ridership in 2007 was the highest in 50 years.

**Why it's happening:** It's not rocket science. For many, a roundtrip bus or metro fare is easier to stomach than gas prices that in some places have climbed to \$4.79 per gallon. Three quarters of Americans now believe more money should be spent on developing and improving mass transit systems, and cities are responding. Expansion and renovation projects are in the works for southern California, New York, Philadelphia, Seattle, and Washington, DC. Europe, meanwhile, is taking transit to the next level: Paris, which has been updating its light rail network, is installing energy-efficient trains on several Métro lines, while London plans to increase its system's overall capacity by 50 percent by 2022.

### 2. Lower obesity rates

**What's happening:** Rising gas prices and smaller belt sizes go together, according to Charles Courtemanche of Washington University in St. Louis. His research found that, for every dollar increase in the average real price of gas, overweight and obesity levels in the United States would decline by 16 percent after seven years. His study also attributes the outward expansion of American waistlines between 1979 and 2004 in part to falling prices. Similar research published in the *European Journal of Public Health* found that European countries with higher gasoline prices tend to have lower rates of obesity.

**Why it's happening:** One word: exercise. Bike shops across the United States are reporting record sales, and Britain is even promoting a national "Bike Week" to encourage commuters to ride, not drive, to the office. Not only is two-wheeling a cheaper way to travel, it's also healthier. Courtemanche's results show that "the average person walks or bicycles an average of 0.5 times more per week if the price of gas rises by \$1." Another factor he identifies is that cost-conscious Americans are choosing to eat at restaurants less frequently. Indeed, a virtuous cycle could be at work: A study published in *The Engineering Economist* found that Americans today use nearly a billion additional gallons of gasoline each year, compared with 1960, solely because they weigh more.

### 3. Fewer accidents

**What's happening:** This past Memorial Day, normally a time when American drivers swarm the country's interstates and police expect large numbers of accidents, many states reported that traffic deaths were the lowest in years. For instance, North Carolina saw just five traffic fatalities over Memorial Day weekend, down from 19 in 2007. Ohio experienced its lowest number of accidents in 38 years, and other states reported similar declines.

**Why it's happening:** Americans are driving at historic lows, according to a May U.S. Department of Transportation (DOT) report, and less driving means fewer accidents. And they may be driving slower and more cautiously, too. Ian Parry, a senior fellow at Resources for the Future, an energy think tank, says that while the effect would be modest, some people "will realize they can drive less aggressively" and conserve gas mileage. According to [fueleconomy.gov](http://fueleconomy.gov), a U.S. government Web site, "each 5 mph you drive over 60 mph is like paying an additional \$0.20 per gallon."

#### 4. Shorter commutes

**What's happening:** Worry about rising gas prices has encouraged workers to move closer to their jobs to cut costs and find alternate ways of traveling to work. And for many of those that still drive, less-packed roads are actually producing shorter commutes. While the change is by no means uniform, in some of the most congested areas of southern California, the average commute time has reportedly fallen by 5 or 6 minutes. That could make for a sunnier Los Angeles: a 2006 paper in *Science* found that people with shorter commute times tend to be happier.

**Why it's happening:** Confirming the predictions of experts such as Harvard economist Gregory Mankiw, the DOT estimates that since November 2006, cumulative vehicle miles traveled have dropped by 17.3 billion miles. And with fewer cars on the road, as Mankiw forecast in 2006, those still able to afford driving are finding more lanes clear. In Europe, however, the effect has so far been the opposite, as striking truck drivers in Britain, Spain, and France have slowed or shut down entire highways to protest diesel prices.

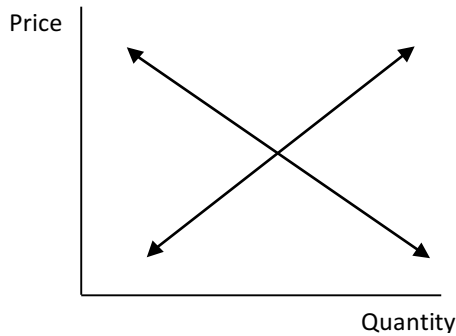
#### 5. The biofuels craze

**What's happening:** More of the world's fuel is coming from renewable energy sources instead of Middle East oil drums. Global production of biofuels—generally ethanol derived from corn, but also plant oils that produce biodiesel—roughly tripled from 2000 to 2007. Critics of biofuels point to studies indicating that the increasing diversion of cereal crops for biofuel production is driving up food prices around the world. Supporters counter that the answer isn't to give up on alternatives to gasoline, but to develop "next-generation" biofuels (think: switchgrass and algae) that don't interfere with the food supply. And without biofuels, "the [oil] prices today that we are experiencing could be much higher," says Fatih Birol of the International Energy Agency.

**Why it's happening:** Everyone responds to incentives. The U.S. Congress has set a national goal of 36 billion gallons of biofuel production by 2022, and generous subsidies are accordingly in place to make that happen. In Europe, public policy has also led the way. The European Union wants biofuels to constitute 10 percent of the fuel mix by 2020, a target that has come under scrutiny as food prices have risen sharply in recent months.

Accessed from: <http://www.foreignpolicy.com/>

1. Below is a graph representing the supply and demand for oil in the world market. Which would **most likely** increase the equilibrium price of oil, but not the equilibrium quantity?

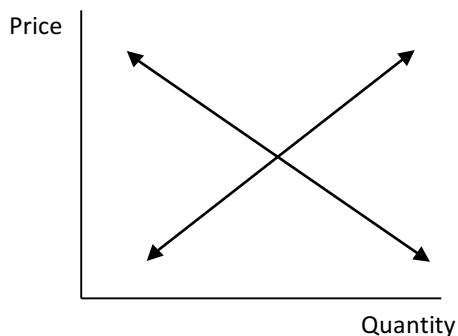


- A) developing countries increase world demand for oil
  - B) new drilling technology increases the output of oil from existing oil fields
  - C) individuals increase purchases of hybrid automobiles
  - D) OPEC reduces supply of oil in international markets
2. Oil would be best classified under which factor of production?
- A) natural resources
  - B) labor
  - C) capital
  - D) entrepreneurship
3. Which is the *best* definition for price elasticity of demand?
- A) Change in price that results from a change in quantity demanded.
  - B) Change in price that results from a change in income.
  - C) Change in quantity demanded that results from a change in price.
  - D) Change in quantity demanded that results from a change in income.
4. If gasoline demand is inelastic, and the price of gasoline increases, which of the following is *most likely* to occur?
- A) Quantity demanded will fall by a relatively large amount.
  - B) Quantity demanded will fall by a relatively small amount.
  - C) Quantity demanded will rise in the short run, but fall in the long run.
  - D) Quantity demanded will fall in the short run, but rise in the long run.
5. Which *best* explains the role of committees in the legislative process?
- A) Committees are formed to delay the passage of bills and slow the legislative process.
  - B) Committees are formed to create amendments to the NC Constitution.
  - C) Committees are formed to allow legislators to study and debate bills in greater depth.
  - D) Committees have a very small role in the legislative process.



### Practice Test Questions- ANSWER KEY

1. Below is a graph representing the supply and demand for oil in the world market. Which would **most likely** increase the equilibrium price of oil, but not the equilibrium quantity?



- A) developing countries increase world demand for oil
  - B) new drilling technology increases the output of oil from existing oil fields
  - C) individuals increase purchases of hybrid automobiles
  - D) OPEC reduces supply of oil in international markets
2. Oil would be best classified under which factor of production?
- A) natural resources
  - B) labor
  - C) capital
  - D) entrepreneurship
3. Which is the best definition for price elasticity of demand?
- A) Change in price that results from a change in quantity demanded.
  - B) Change in price that results from a change in income.
  - C) Change in quantity demanded that results from a change in price.
  - D) Change in quantity demanded that results from a change in income.
4. If gasoline demand is inelastic, and the price of gasoline increases, which of the following is most likely to occur?
- A) Quantity demanded will fall by a relatively large amount.
  - B) Quantity demanded will fall by a relatively small amount.
  - C) Quantity demanded will rise in the short run, but fall in the long run.
  - D) Quantity demanded will fall in the short run, but rise in the long run.
5. Which **best** explains the role of committees in the legislative process?
- A) Committees are formed to delay the passage of bills and slow the legislative process.
  - B) Committees are formed to create amendments to the NC Constitution.
  - C) Committees are formed to allow legislators to study and debate bills in greater depth.
  - D) Committees have a very small role in the legislative process.

# GASOLINE TAXES

COMBINED LOCAL, STATE AND FEDERAL (CENTS PER GALLON)  
 RATES EFFECTIVE 10/1/2016

