UNIVERSITY OF ALBERTA
ALBERTA SCHOOL OF BUSINESS

BUEC 311: Business Economics, Organization and Management

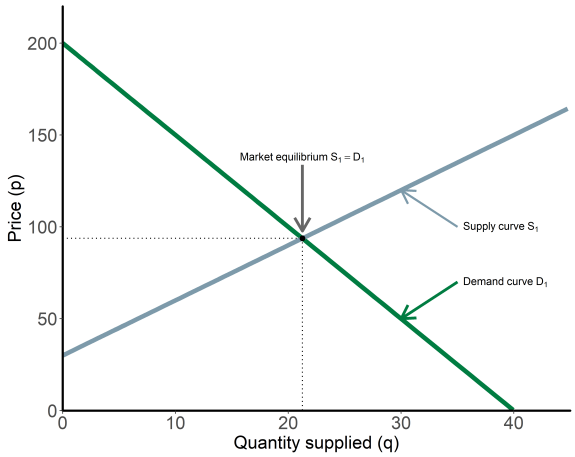
Problem Set #1

Thinking like an economist

September 6, 2021

This week's problems are meant to get you thinking about economics in everyday life, and exploring some of the topics and vocabulary we've addressed in the introductory classes.

1. Consider all of the course outlines for the classes you're taking this term including mine. You can also use examples from previous courses if you choose to do so.
   a) Find one example of a professor using incentive response to drive behaviour in the design of their course.
   b) Find an example (if you can) of what economists would call a perverse incentive, or a rule that likely leads to behaviours that the professor might prefer to avoid.
   c) Consider some of the decisions you've made this Fall to prepare for classes. Which decisions would have changed, and how, if you'd had access to an extra $500? How would you have had to change your decisions if you received an unexpected bill for $500?



2. Think of an example in your life in which you behave as though you were following a demand curve (i.e. when prices of good X drop, you buy more).
3. Now, consider the opposite. Think of an example in your life in which your consumption of a product or service doesn't appear to be related to its price or to your income.
4. Now, let's switch to the supply side. Can you think of a market or firm where you readily see a supply curve functioning like it does in an economics textbook?

5. We often see discussion of supply and demand approached slightly differently in commodity and labour markets than how we approach the terms in microeconomics. For example, below is a graph of Energy Information Administration global oil demand, showing both historical demand and forecasts.

   a) When commodities analysts talk about demand increasing or decreasing over time, what do they mean?
   b) What's different about this graphic compared to the demand graphs that we use in class?
   c) [this is a tough question for week 1] Does an increase in "demand" as shown in the graph below, for example from 2018 through 2019, necessarily mean that there was an increase in "demand" as we use it in economics (i.e. a shift to the right in the demand curve)?