



Arnold: Economics^{*}

Introduction to Markets

Textbook Chapter: Chapter 2

MobLab Game: Private Value Sealed Bid auction

Key Teaching Points:

- Learn how a basic exchange happens by participating in an auction.
- Gains from trade (i.e., consumer surplus).
- Price discovery: the transaction price results from the bids of other buyers.

Supply and Demand in a Competitive Market

Textbook Chapter: Chapters 3 & 4

MobLab Game: Competitive Market

Key Teaching Points:

- The “invisible hand” of the market: how individual profit maximization leads to competitive market equilibrium.
- Price discovery: the equilibrium market-clearing price results from the valuations of different buyers and costs of different sellers.
- Gains from trade (i.e., consumer and producer surplus).
- Shifts in either supply or demand change equilibrium outcomes.

Government Interventions in Competitive Markets

Textbook Chapter: Chapters 4 & 5

MobLab Game: Competitive Market

Key Teaching Points:

- Government interventions (per-unit taxes, subsidies, price ceilings and floors) alter equilibrium outcomes.
- Equilibrium outcomes do not depend on whether buyers or sellers pay the tax.
- The difference between tax incidence and who pays the tax.
- Relative elasticities determine incidence of a tax or subsidy.
- Excess supply (price floors) and excess demand (price ceilings).
- The efficiency implications of government interventions.

Money & Banking

Textbook Chapter: Chapter 12

MobLab Game: Bank Run

Key Teaching Points:

- Highlights the underlying concept of fractional banking.
- Demonstrates the trade-off between profit and risk and shows how bank runs may arise.
- Policy interventions, such as deposit insurance, can reduce the possibility of bank runs.

^{*} 13th edition.

Asset Valuation

Textbook Chapter: Chapter 15

MobLab Game: Bubbles and Crashes

Key Teaching Points:

- Highlights the determinants of an asset's value: income generated and resale value.
- Shows how asset bubbles may develop even with complete information.

Monopoly Pricing

Textbook Chapter: Chapter 23

MobLab Game: Cournot (with Group Size=1)

Key Teaching Points:

- Monopolies restrict output in order to increase price.
- The tension between the quantity price effects of increased output.

Oligopoly

Textbook Chapter: Chapter 24

MobLab Game: Cournot

Key Teaching Points:

- The underlying logic of the Cournot model: how market price is determined by aggregate output.
- The equilibrium outcomes of Cournot competition.
- Repeat interaction may lead to collusive behavior.

Game Theory

Textbook Chapter: Chapter 24

MobLab Game: Prisoner's Dilemma

Key Teaching Points:

- Key features of games: payoff matrices, best responses and dominant strategies.
- Identification of the Nash equilibrium.
- The (sometimes) conflicting incentives of cooperation and self-interest.
- Repeated play may lead to more cooperative outcomes.

Labor Markets

Textbook Chapter: Chapter 26

MobLab Game: Simple Labor Market

Key Teaching Points:

- When a perfectly competitive market determines wages, the equilibrium wage (per unit of labor) is equal to the value of the marginal product of labor of the last worker hired.

Externalities

Textbook Chapter: Chapter 30

MobLab Game: Judge Me Not

Key Teaching Points:

- When firms do not internalize external costs, profit maximization leads to inefficiently high levels of pollution.

Public Goods

Textbook Chapter: Chapter 30

MobLab Game: Discrete (Threshold) Public Goods

Key Teaching Points:

- Highlights the features of public goods: non-rival and non-excludable.
- Demonstrates the distinction between private and social benefits of public goods.
- Shows how individual profit maximization leads to the free-rider problem.

Asymmetric Information (Adverse Selection)

Textbook Chapter: Chapter 30

MobLab Game: Market for Lemons

Key Teaching Points:

- Experience in a market with asymmetric information.
- Asymmetric information may lead to adverse selection and market failure.

International Trade

Textbook Chapter: Chapters 33 & 34

MobLab Game: Comparative Advantage

Key Teaching Points:

- The distinction between absolute and comparative advantage.
- Experience first-hand the gains from specialization and trade.
- Differences in opportunity costs lead to mutually beneficial trade.