

## Topic Coverage: Gwartney, Stroup, Sobel, & MacPhearson: Microeconomics: Private and Public Choice<sup>1</sup>

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### Gains from Trade

**Textbook Chapter:** Chapter 2 (Microeconomics)

**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.

### Supply and Demand in a Competitive Market

**Textbook Chapter:** Chapter 3

**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

**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.

### Difficult Cases for the Market

**Textbook Chapter:** Chapter 5

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<sup>1</sup>14<sup>th</sup> Edition

### **MobLab Game: Linear 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.

### **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

## **Collective Decision-Making**

### **Textbook Chapter: Chapter 6**

#### **MobLab Game: Two-Candidate Election**

#### **Key Teaching Points:**

- Understand forces behind the Median Voter Theorem model.
- Explain clustering by political candidates.
- Polling-data option allows exploration of policy changes due to new information.

#### **MobLab Game: Multilateral Bargaining (aka “Zombie Democracy”)**

#### **Key Teaching Points:**

- Understand coalition formation under majority rule
- Understand how the position of proposer (selected randomly) provides an advantage in distributing resources through the political process.

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## **Sellers and Incentives**

### **Textbook Chapter: Chapter 9**

#### **MobLab Game: Production, Entry & Exit**

#### **Key Learning Objectives:**

- Short-run profit maximization involves thinking at the margin.
- In the long-run equilibrium of a competitive market with identical firms, all firms earn zero economic profits.

#### **MobLab Survey: Mental Accounting: Sunk Costs**

#### **Key Learning Objectives:**

- Surplus maximization requires ignoring sunk costs.
- Easier said than done!

## **Monopoly & Oligopoly**

### **Textbook Chapter: Chapter 11**

#### **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.

**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 and communication may lead to collusive behavior.

**Labor Markets**

**Textbook Chapter: Chapters 12&13**

**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.
  - By reducing the quantity demanded of labor, a minimum wage decreases employment.
  - By increasing the opportunity cost of supplying labor, unemployment insurance decreases employment.
  - These policies affect structural unemployment and thus an economies' natural rate of unemployment.
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**Asset Values and Speculative Bubbles**

**Textbook Chapter: Chapter 14**

**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.