



Topic Coverage: McConnell, Brue, Flynn: Economics: Principles, Problems, & Policies
Economics: <http://successinhighered.com/economics/table-contents-economics/>

- Introduction to Markets
 - **Textbook Chapter:** Chapter 1
 - **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:** 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.
- Public Goods
 - **Textbook Chapter:** Chapter 4
 - **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.
- Externalities
 - **Textbook Chapter:** Chapter 4
 - **MobLab Game:** Judge Me not
 - **Key Teaching Points:**
 - When firms do not internalize external costs, profit maximization leads to inefficiently high levels of pollution.
- Government Interventions in Competitive Markets
 - **Textbook Chapter:** Chapter 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 elasticity determine incidence of a tax or subsidy.
- Excess supply (price floors) and excess demand (price ceilings).
- The efficiency implications of government interventions.
- Utility Maximization
 - **Textbook Chapter:** Chapter 7
 - **MobLab Game:** Consumer Choice: Cobb Douglas
 - **Key Teaching Points:**
 - Become familiar with the Cobb Douglas utility function.
 - Monotonic transformations of a utility function do not affect the utility-maximizing consumption bundle.
 - Utility maximization can be achieved by sequentially choosing the item with the highest marginal utility per dollar.
- Monopoly Pricing
 - **Textbook Chapter:** Chapter 12
 - **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
- Game Theory
 - **Textbook Chapter:** Chapter 13
 - **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.
- Oligopoly
 - **Textbook Chapter:** Chapter 13
 - **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.
- Labor Markets



- **Textbook Chapter:** Chapter 15
- **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.
- Inequality
 - **Textbook Chapter:** Chapter 21
 - **MobLab Game:** Dictator Game
 - **Key Teaching Points:**
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- Unemployment
 - **Textbook Chapter:** Chapter 27
 - **MobLab Game:** Simple Labor Market
 - **Key Teaching Points:**
 - Employment levels are determined by both the supply and demand of labor.
 - Policies such as a minimum wage or unemployment insurance affect structural unemployment.
- Money & Banking
 - **Textbook Chapter:** Chapter 32
 - **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.
- International Trade
 - **Textbook Chapter:** Chapter 38
 - **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.