



Baumol & Blinder: Economics*

Introduction to Markets

Textbook Chapter: Chapter 3

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 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.

Monopoly Pricing

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.

Game Theory

Textbook Chapter: Chapter 12

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.

* 13th edition.

Oligopoly

Textbook Chapter: Chapter 12

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.

Externalities

Textbook Chapter: Chapter 15

MobLab Game: Judge Me Not

Key Teaching Points:

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

Asymmetric Information (Adverse Selection)

Textbook Chapter: Chapter 15

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.

Public Goods

Textbook Chapter: Chapter 15

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.

Labor Markets

Textbook Chapter: Chapter 19

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.

Money & Banking

Textbook Chapter: Chapter 29

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.

Asset Valuation

Textbook Chapter: Chapter 32

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.

International Trade

Textbook Chapter: Chapter 35

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.