SERGEI PEREGONCHUK
The National University of Samoa, Samoa

TEACHING INTRODUCTORY ECONOMICS: APPLICATION OF THE COST - BENEFIT PRINCIPLE TO THE OPTIMAL ALLOCATION OF RESOURCES

Abstract:

The current way of teaching Introductory Economics in many universities in different parts of the world does the emphasis on technique. As you flip through the pages of the classic textbooks written by G.Mankiv, P.Krugman, R.Lipsey, M.Parkin you will see graphs or mathematical formulas practically on every page. At the end of such a course the students learn how to calculate equilibrium prices and quantities, different types of elasticities and multipliers, how to draw indifference curves. But they have no idea how to apply any of these tools to real world problems.

One of the most fundamental concepts that many of us want our beginning students to master is the cost-benefit principle. Perhaps, only few who teach Introductory Economics would disagree that the cost-benefit principle is the pillar of Microeconomics. But, surprisingly, the classic textbooks do not discuss this fundamental concept at all. As far as my teaching experience goes, the only textbook that dedicates the whole chapter to the cost-benefit principle is Frank/ Bernanke's " Principle of Microeconomics ". I have been using this textbook for many years and I really appreciated the way how this concept was presented to the students.

Due to my personal persuasion about the value of the cost-benefit principle to the beginning economics students I have made a genuine contribution to the methodology of teaching it. I was able to design a general algorithm of how to apply the cost-benefit principle to the problem of optimal allocation of resources. Typically, I use this algorithm in two chapters of my Introductory Economics course – " Basics of the Cost – Benefit principle" and "Demand : The Benefit Side of the Market".

In my presentation at the conference which I am planning to attend I will demonstrate how to apply the general algorithm to two problems on optimal allocation of resources.

Keywords:

introductory Economics, teaching, cost-benefit principle

JEL Classification: A22