|  |
| --- |
| Industrial Organization |

Monopoly

MobLab Game: Monopoly

Key Teaching Points:

* Profit maximization involves thinking on the margin.
* In the absence of price discrimination, the uniform price case will lead to a sub-optimal price for both markets. Show that third degree price discrimination can lead to improved welfare across both markets.

Quantity Competition

MobLab Game: Cournot

Key Teaching Points:

* Understand how increasing the number of competitors in the market, from one to many, shifts the market from the monopoly outcome towards perfectly competitive outcome– meaning higher aggregate quantities, lower prices, and greater total welfare, concentrated among consumers.
* Experience the profit maximization in a situation with strategic interdependence.

MobLab Game: Stackelberg

Key Teaching Points:

* Gain an understanding of the underlying logic of the Stackelberg model: how market price is determined by the aggregation of sequentially chosen output.
* Experience firsthand the paradox of commitment.
* Contrast the strategic and outcome differences of the Cournot and Stackelberg environments.

Price Competition

MobLab Game: Bertrand

Key Teaching Points:

* When selling an undifferentiated product without capacity constraints, firms have strong short-run incentives to engage in vigorous price competition.
* Marginal-cost pricing may arise in markets with as few as two firms.
* Capacity constraints and price matching are market features that soften price competition.

Collusion

MobLab Game: Cournot or Bertrand

Key Teaching Points:

* Communication between firms and repeat interaction can facilitate collusive arrangements.

Double Marginalization

MobLab Game: Double Marginalization

Key Teaching Points:

* Review concepts of marginal revenue and monopoly pricing.
* Show how, in the absence of communication or contract to help coordinate decisions, the successive exercise of market power leads to higher market prices and a loss in economic efficiency.
* Explore vertical integration and franchising as solutions to the double marginalization problem.

Spatial Competition

MobLab Game: Two Candidate Election (Hotelling Spatial Competition)

Key Teaching Points:

* Individuals gain firsthand experience with a standard location-based model of competition.
* Help explain the mystery of why firms tend to locate next door.

Game Theory

MobLab Game: Matrix: Instructor Specified

Key Teaching Points:

* Allows instructors the flexibility to specify actions and payoffs in a normal form game. Can be used in support a variety of learning objectives.

Asymmetric Information

MobLab Game: Market for Lemons

Key Teaching Points:

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

MobLab Game: Principal-Agent

Key Teaching Points:

* Students learn how the optimal contract offered to the worker depends on the information environment (full information v. asymmetric information).
* Students learn how the magnitude of different contract features (flat-fee and bonus) depend on worker outside option and cost of effort.

Innovation and Entrepreneurship

MobLab Survey: Ambiguity Aversion

Key Teaching Points:

* Compare to the Holt Laury (2000) survey to distinguish between situations of risk and uncertainty. Spur discussion about Knightian Uncertainty.
* Show that individuals exhibit a preference for known rather than unknown risks.

MobLab Game: R&D Patent Race (All Pay Sealed Bid Auction)

Key Teaching Points:

* Players are familiarized with an all pay sealed bid auction format which approximates a patent race.