



## Topic Coverage: Frank: Microeconomics and Behavior\*

---

### Equilibrium and Efficiency

Textbook Chapter: Chapter 2

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.

### Utility Maximization

Textbook Chapter: Chapter 3

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.

### Asymmetric Information

Textbook Chapter: Chapter 38

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.

### Trust and Fairness

Textbook Chapter: Chapter 7

MobLab Game: Trust Game

Key Teaching Points:

- Allows players to explore issues concerning fairness and reciprocity, especially useful when paired with our dictator game.
- Highlights potential gains from trade arising from trust and trustworthiness

### Behavioral Economics

Textbook Chapter: Chapter 7

MobLab Game: Behavioral Economics Template

---

\* 9<sup>th</sup> edition.



## Key Teaching Points:

- Behavioral economics templates allow professors to explore framing effects, heuristics, and biases with their students including representativeness, anchoring, availability, and more. Each of these help to illustrate departures from the standard rational choice model.

## Firm Behavior in a Competitive Market

Textbook Chapter: Chapter 10

MobLab Game: Production, Entry & Exit

### Key Teaching Points:

- 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.

## 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.

## Oligopoly and Collusion

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.

## Unemployment

Textbook Chapter: Chapter 14

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.
- Employment levels are determined by both the supply and demand of labor.
- Policies such as a minimum wage or unemployment insurance affect structural unemployment.

## Externalities

Textbook Chapter: Chapter 16

MobLab Game: Externalities with Policy Interventions



# MobLab

A playground for decisions

## Key Teaching Points:

- With externalities, the equilibrium of a competitive market without interventions is inefficient.
- By reducing transactions, a tax can increase efficiency (total surplus) in a market with a negative externality
- Marketable permits for an activity generating a negative externality leads to efficiently reducing that activity.

## Public Goods

Textbook Chapter: Chapter 18

MobLab Game: Public Good: Linear

## 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.