MobLab
A playground for decisions

Topic Coverage: Mateer & Coppock: Principles of Economics[*]

Gains from Trade
Textbook Chapter: Chapter 2 (Microeconomics & Macroeconomics)
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.

The Market at Work: Supply and Demand
Textbook Chapter: Chapter 3 (Microeconomics & Macroeconomics)
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.

Government Interventions in Competitive Markets
Textbook Chapter: Chapters 5 & 6 (Microeconomics & Macroeconomics)
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 elasticities determine incidence of a tax or subsidy.
- Excess supply (price floors) and excess demand (price ceilings).
- The efficiency implications of government interventions.

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[*] *Principles of Microeconomics* and *Principles of Macroeconomics,* both 1st editions.

Externalities and Public Goods

Textbook Chapter: Chapter 7 (Microeconomics)
MobLab Game: Externalities w/Policy Interventions
Key Learning Objectives:

- 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, whereas a subsidy can increase surplus in a market with a positive externality.

MobLab Game: Commons: Fishery
Key Learning Objectives:

- Individual profit maximization leads to overuse of a common-pool resource.
- Communication and repeat-play may lead to better outcomes than predicted on standard theory.

Firms in a Competitive Market

Textbook Chapter: Chapter 9 (Microeconomics)
MobLab Game: Production, Entry & Exit
Key Learning Objectives:

- 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.

MobLab Survey: Mental Accounting: Sunk Costs
Key Learning Objectives:

- Surplus maximization requires ignoring sunk costs.
- Easier said than done!

Monopoly Pricing

Textbook Chapter: Chapter 10 (Microeconomics)
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 Strategic Behavior

Textbook Chapter: Chapter 13 (Microeconomics)
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.

Demand and Supply of Resources

Textbook Chapter: Chapter 14 (Microeconomics)
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.

Risk Taking

Textbook Chapter: Chapter 17 (Microeconomics)
MobLab Game: Risk Preferences: Bomb-Risk Game
Key Learning Objectives:
- Helps the player understand expected value and thinking on the margin.
- Helps a player understand her own preferences towards risk, and how risk attitudes vary across a population.

Unemployment

Textbook Chapter: Chapter 7 (Macroeconomics)
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 17 (Macroeconomics)
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: Chapters 19 (Macroeconomics)
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.