MobLab
A playground for decisions

Nicholson & Snyder:

Intermediate Microeconomics*

Equilibrium and Efficiency

Textbook Chapter: Chapter 1
MobLab Game: Competitive Market
Key Teaching Points:

- Experience the "invisible hand" of the market; individual profit maximization leads to competitive-market equilibrium.
- Show that the competitive-market equilibrium maximizes total surplus (absent external costs or benefits).
- Explore the equilibrium effects of either supply or demand shifts.
- Demonstrate the equilibrium and surplus effects of common government interventions: per-unit taxes and subsidies, price ceilings and floors.

Utility Maximization

Textbook Chapter: Chapter 2
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.

Tradeoffs Involving Risk and Time

Textbook Chapter: Chapter 4
MobLab Game: Bomb Risk Game
Key Teaching Points:

- Individuals differ in their risk tolerance. Risk preferences displayed in one environment can carry over to other environments.
- Individuals who open fewer than 50 boxes can be said to be risk averse. Those who open more can be said to be risk seeking.

Additional Risk Preference Surveys: Risk Preferences: Holt Laury and Risk Preferences: Binswanger/ Eckel and Grossman

* 12th edition.

Game Theory
Textbook Chapter: Chapter 5
MobLab Game: Prisoner's Dilemma (Push/Pull)
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.

Firm Behavior in a Competitive Market
Textbook Chapter: Chapter 9
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.

Time Preferences
Textbook Chapter: Chapter 14
MobLab Game: Time Preferences: Budget Sets
Key Teaching Points:

- Helps player understand the tradeoffs they are willing to make between money today and money in the future.

Asymmetric Information
Textbook Chapter: Chapter 15
MobLab Game: Market for Lemons
Key Teaching Points:

- Experience in an environment with asymmetric information.
- Demonstrates how asymmetric information may lead to adverse selection and market failure.

Externalities

Textbook Chapter: Chapter 16
MobLab Game: Externalities with Policy Interventions
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 16
MobLab Game: Linear 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.

Behavioral Economics

Textbook Chapter: Chapter 17
MobLab Game: Behavioral Economics Template
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 helps to illustrate departures from the standard rational choice model.