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| Principles of Macroeconomics |

International Trade

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.

Supply and Demand in a Competitive Market

MobLab Game: Competitive Market

Key Teaching Points:

* The “invisible hand” of the market: how individual profit maximization leads to competitive market equilibrium.
* 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.

Asset Valuation

MobLab Game: Asset Market (Bubbles and Crashes)

Key Teaching Points:

* Highlights the determinants of an asset’s value: income generated and resale value.
* Shows how asset bubbles may develop even with common knowledge about an asset's terminal value and distribution of dividends.

Risk Preferences

MobLab Game: Risk Preferences: Bomb-Risk Game

Key Teaching Points:

* Individuals differ in their tolerance for risk. (There is no “right” answer.) Risk preferences displayed is this game might well predict behavior in other risky environments (e.g. Loan Market).
* Expected payoff is maximized by opening 50 boxes. Opening fewer boxes is consistent with risk aversion, while opening more is consistent with risk-preferring behavior.

*MobLab also has a number of pre-built surveys related to risk, including Holt Laury as well as Binswanger risk elicitation.*

Money, Banking, and Deposit Insurance

MobLab Game: Bank Run

Key Teaching Points:

* Experience how early withdrawals lead to panic and spur others to withdraw, hastening bank failure.
* Policy interventions, such as deposit insurance, can reduce the likelihood of bank runs.

Labor Markets and Unemployment

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.
* Highlight how policies such as unemployment insurance and the minimum wage affect both the structural and natural rate of unemployment.

Credit Availability and the Fisher Effect

MobLab Game: Loan Market

Key Teaching Points:

* Show students that nominal prices of the loan contracts increase by the rate of inflation when inflation is known.
* When the inflation level is unknown, risk averse lenders will ask for higher repayment amounts to compensate for risk in price change. This will lead to a reduction in available credit in the market.

Other Relevant Games

* **(Keynesian) Beauty Contest** pairs well with Asset Market. It helps ilustrate the speculative hypothesis for bubbles, i.e., individuals differ in their trading strategies depending on their beliefs about the sophistication of others.
* **Herding (Information Cascades)** pairs well with Bank Run. Individuals are embedded in groups where social learning occurs and people follow the herd.
* **Time and Risk Preference Surveys** help to illustrate important considerations in macroeconomic models.