MobLab
A playground for decisions

Tucker: Economics for Today*

Introduction to Markets

Textbook Chapter: Chapter 2
MobLab Game: Private Value Sealed Bid auction
Key Teaching Points:

- Learn how a basic exchange happens by participating in an auction.
- Gains from trade (i.e., consumer surplus).
- Price discovery: the transaction price results from the bids of other buyers.

Supply and Demand in a Competitive Market

Textbook Chapter: Chapters 3 & 4
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: Chapter 4
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.

Externalities

Textbook Chapter: Chapter 4
MobLab Game: Judge Me Not
Key Teaching Points:

- When firms do not internalize external costs, profit maximization leads to inefficiently high levels of pollution.

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* 10th edition.

Public Goods
Textbook Chapter: Chapter 4
MobLab Game: Discrete (Threshold) 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.

Monopoly Pricing
Textbook Chapter: Chapter 9
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
Textbook Chapter: Chapter 10
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.

Game Theory
Textbook Chapter: Chapter 10
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.

Labor Markets
Textbook Chapter: Chapter 11
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.

Money & Banking
Textbook Chapter: Chapter 24
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.

Asset Valuation
Textbook Chapter: Chapter 27
MobLab Game: 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 complete information.

International Trade
Textbook Chapter: Chapter 28
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.