



## Topic Coverage: Acemoglu, Laibson & List: Economics\*

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### Demand, Supply and Equilibrium

Textbook Chapter: Chapter 4 (Microeconomics & Macroeconomics)

MobLab Game: Competitive Market

Key Learning Objectives:

- 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.

### Sellers and Incentives

Textbook Chapter: Chapter 6 (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!

### Trade

Textbook Chapter: Chapter 8 (Microeconomics)

MobLab Game: Comparative Advantage

Key Learning Objectives:

- 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.

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\* *Microeconomics* and *Macroeconomics*, both 1<sup>st</sup> editions.



## Externalities

Textbook Chapter: Chapter 9 (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.

## Public Goods

Textbook Chapter: Chapter 9 (Microeconomics)

MobLab Game: Public Good: Discrete (Threshold)

Key Learning Objectives:

- 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.

## Common Pool Resources

Textbook Chapter: Chapter 9 (Microeconomics)

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.

## Government Interventions in Competitive Markets

Textbook Chapter: Chapter 10 (Microeconomics)

MobLab Game: Competitive Market

Key Learning Objectives:

- 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.



## Monopoly Pricing

Textbook Chapter: Chapter 12 (Microeconomics)

MobLab Game: Cournot (with Group Size=1)

Key Learning Objectives:

- Monopolies restrict output in order to increase price.
- The tension between the quantity price effects of increased output.

## Game Theory

Textbook Chapter: Chapter 13 (Microeconomics)

MobLab Game: Prisoner's Dilemma

Key Learning Objectives:

- 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.

## Oligopoly

Textbook Chapter: Chapter 14 (Microeconomics)

MobLab Game: Bertrand Competition

Key Learning Objectives:

- When selling an undifferentiated product without capacity constraints, firms have strong short-run incentives to engage in vigorous price competition.
- Marginal-cost pricing may arise in markets with as few as two firms.
- Repeat interaction may lead to collusive behavior.

## Tradeoffs Involving Risk and Time

Textbook Chapter: Chapter 15 (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.

## Asymmetric Information (Adverse Selection)

Textbook Chapter: Chapter 16 (Microeconomics)

MobLab Game: Market for Lemons

Key Learning Objectives:

- Experience in a market with asymmetric information.
- Asymmetric information may lead to adverse selection and market failure.



## Auctions

Textbook Chapter: Chapter 17 (Microeconomics)

MobLab Game: Private Value Sealed Bid Auction

Key Learning Objectives:

- Gain bidding experience.
- Shows the equivalence between the first and second-price auctions.

## Bargaining

Textbook Chapter: Chapters 17 & 18 (Microeconomics)

MobLab Game: Ultimatum Game

Key Learning Objectives:

- Demonstrates how social norms such as fairness and altruism may result in behaviors that deviate from game theoretic predictions.

## Trust and Fairness

Textbook Chapter: Chapter 18 (Microeconomics)

MobLab Game: Trust Game

Key Learning Objectives:

- Highlights potential gains from trade arising from trust and trustworthiness.
- Allow players to explore issues concerning fairness and reciprocity.

## Unemployment

Textbook Chapter: Chapter 9 (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.

## Credit Markets

Textbook Chapter: Chapter 10 (Macroeconomics)

MobLab Game: Bank Run

Key Learning Objectives:

- 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.



# MobLab

A playground for decisions

## International Trade

Textbook Chapter: Chapter 14 (Macroeconomics)

MobLab Game: Comparative Advantage

Key Learning Objectives:

- 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.