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| Money and Banking |

Aggregate Demand and Supply

MobLab Game: Competitive Market or Pit 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

Risk & Time Preferences

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*

MobLab Survey: Allais Paradox

Key Teaching Points:

* People overweight small probability events and this leads to violation of predictions from Expected Utility Theory.

MobLab Survey: Ambiguity Aversion

Key Teaching Points:

* Show that individuals exhibit a preference for known rather than unknown risks.

MobLab Surveys: Time Preferences: Binary Choice (and Budget Sets)

Key Teaching Points:

* Explore time preferences and elicit individuals willingness to tradeoff between present and future consumption.
* Likely show time inconsistent preferences where individuals exhibit different willingness to tradeoff between present and future at different points in time.

Loan Market and Inflation

MobLab Game: Interest Rate and Inflation

Key Teaching Points:

* Supply and demand for loans determine the equilibrium interest rate.
* The Fisher Effect: The nominal interest rate (approximately) equals the real interest rate plus the inflation rate. So, a change in certain inflation has a predictable effect on nominal interest rates (and no effect on real interest rates).
* Shows the effect of higher than expected inflation harms lenders and helps borrowers. Across time, inflation uncertainty reduces the volume of loans if agents are risk averse.

Stock Market, Rational Expectations, and the Efficient Market Hypothesis

MobLab Game: Bubbles and Crashes

Key Teaching Points:

* Highlights the determinants of an asset’s value: income generated from interest, dividend payments, and resale value.
* Shows how asset bubbles may develop even with complete information.
* Alter liquidity to exacerbate or attenuate bubbles.

MobLab Game: Keynesian Beauty Contest

Key Teaching Points:

* Strategic thought requires making conjectures about the reasoning and choices of others whose actions affect the payoffs of my choices.
* When making an investment, some investors are not necessarily trying to identify desirable companies, but rather are attempting to identify those assets that others will consider to be desirable (and purchase these assets before their prices are driven up by the masses).

The Banking Industry and Financial Crises

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.

MobLab Game: Herding (Information Cascades)

Key Teaching Points:

* In a social learning environment, it is often rational for an individual to ignore her private information and follow the herd (i.e., imitate the choice of her predecessors).
* While players will generally weigh private and public information appropriately, it is not uncommon for players to place too much weight on private information.