



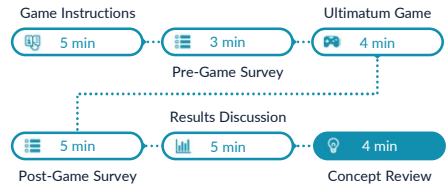
Price and Quality Market 1 & 2

Classroom Experiment 15

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What's Included

Price & Quality Market 1 & 2




```

    graph LR
      GI[Game Instructions 5 min] --> PG[Pre-Game Survey 3 min]
      PG --> UG[Ultimatum Game 4 min]
      UG --> RD[Results Discussion 5 min]
      RD --> PGS[Post-Game Survey 5 min]
      RD --> CR[Concept Review 4 min]
  
```

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Sign up www.moblab.com or [download the app](#)

- 1 Sign up as a student using your [NTU student Email](#)
- 2 Join the class



Student Sign Up

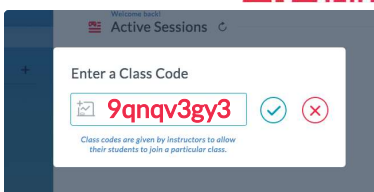
Event: complete contracts with more depth and context through the power of strategic social interactions

Name (Private)

School/University Email

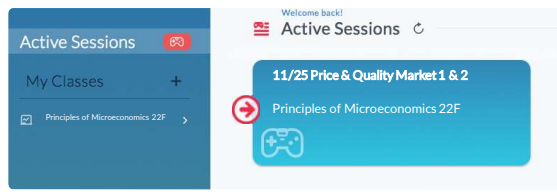
Confirm Email

Password



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Enter the Activity



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Market for Used Cars

Price and Quality Market #1

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Overview

- You are buying a used car. The seller has 20 cars.
- You know the range of car values, but not the value of any particular car.
 - The seller knows the value of each available car.
- You offer seller a price.
- Seller shows you which cars they will sell at that price.
- You select one of the offered cars and pay the seller.
 - You then learn the car's value.*

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Introduction

Car dealer knows the quality and value of the cars, you only know the range

Available Used Cars: $\times 20$

Car Market Value Range: \$500 - \$5000

Got It

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Game Screen

Available Used Cars: $\times 20$

Car Market Value Range: \$500 - \$5000

Select a price: \$500

Offer

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Game Screen

Please wait while offer is being considered...

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Game Screen

Pick a car

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Payoffs

Payoff

- If there are no cars that the seller is willing to sell you for your offered price, your payoff is zero.

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Payoffs

Payoff

- If there are no cars that the seller is willing to sell you for your offered price, your payoff is zero.
- Otherwise:

$$\text{Payoff} = \text{Car's Market Value} - \text{Price Paid}$$

Example

Market Value of the Car	-	Price Paid	=	Payoff
	-		=	

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Payoffs

Payoff

- If there are no cars that the seller is willing to sell you for your offered price, your payoff is zero.
- Otherwise:

$$\text{Payoff} = \text{Car's Market Value} - \text{Price Paid}$$

Example

Market Value of the Car	-	Price Paid	=	Payoff
\$2000	-	\$3200	=	-\$1200

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Game Time!

Market for Used Cars

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A playground for decisions

Price and Quality Market #1 is actually

Market for Lemons!!

Did you lose money?!

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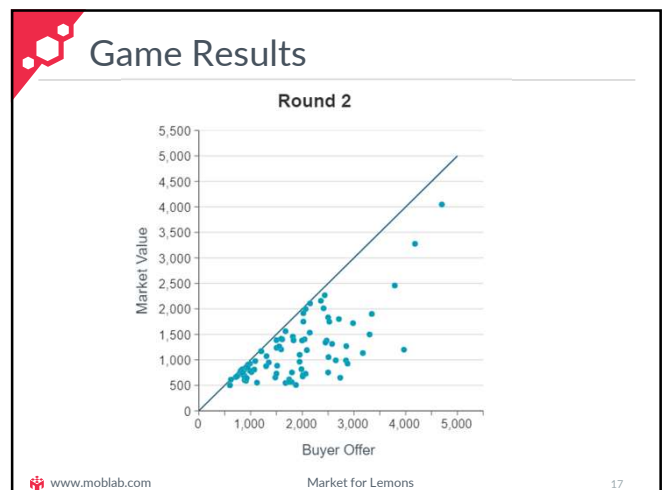
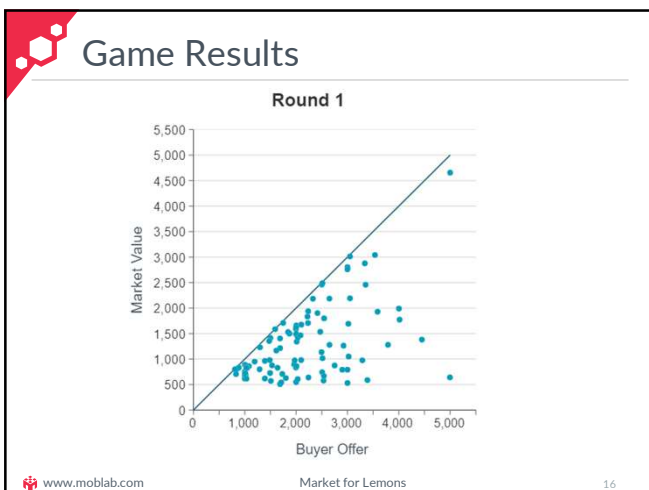
Game Results: Offers vs. Values

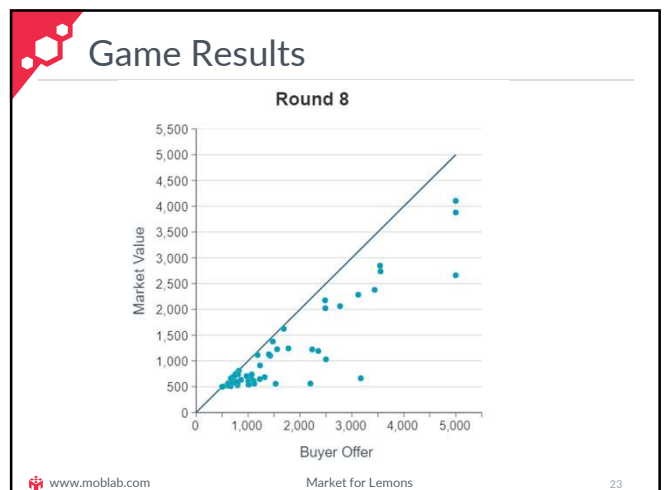
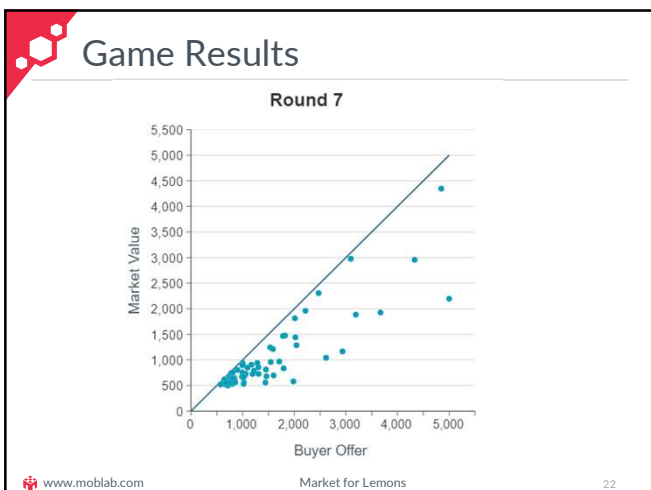
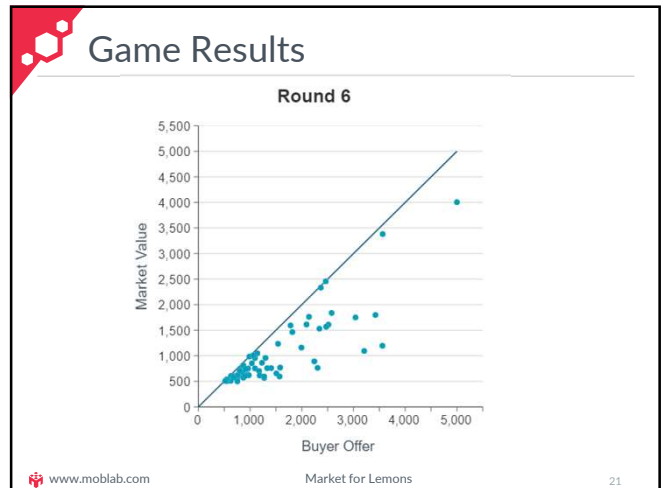
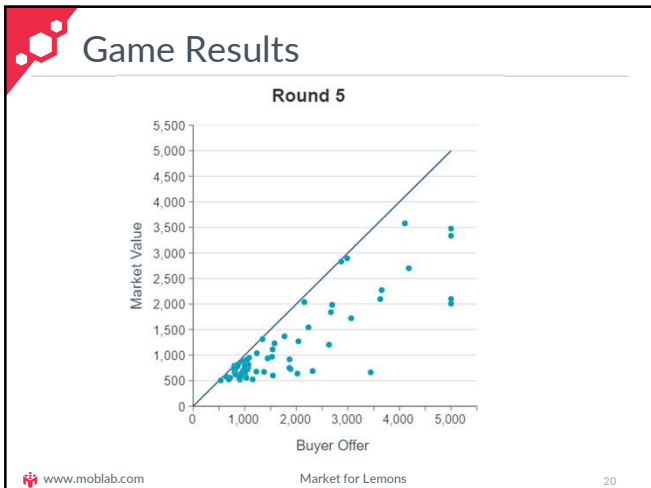
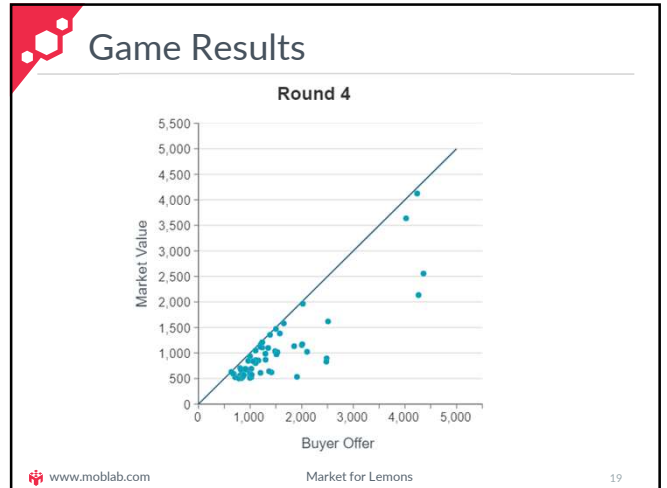
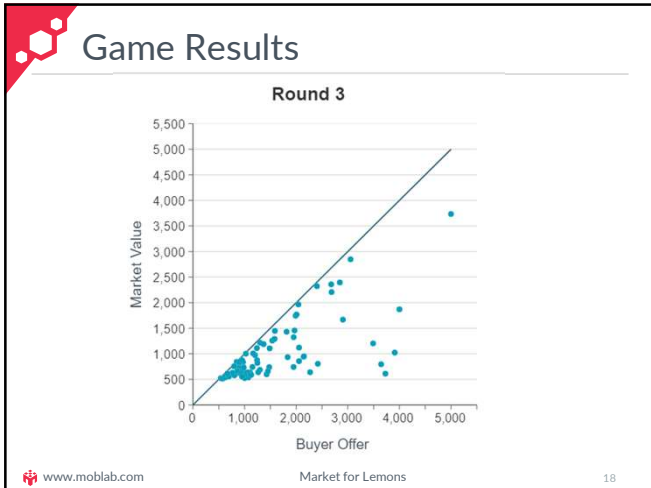
Lemon Market Buyer

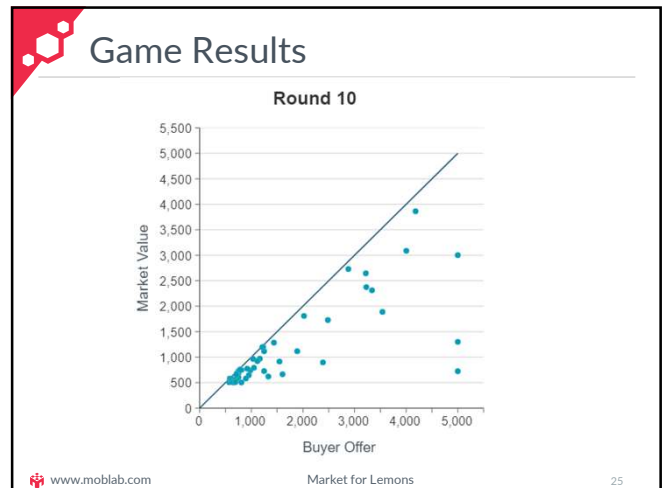
Average Values and Offers

Round	Buyer Offer	Seller Value
1	2207.7	1281.1
2	2029.6	1197.7
3	1882.1	1078.8
4	1782.8	1111.1
5	2100.9	1103.8
6	1888.1	1051.1
7	1882.9	1018.1
8	1922.7	1015.1
9	2188.4	1019.8
10	2208.1	1121.1

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Market for Insurance

Price and Quality Market #2

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Insurance Market

Overview

- Humans have settled Mars!
- Meteor strikes threaten to destroy homes on Mars.
- You sell meteor insurance to the homes on Mars.
 - You can only set a single price
 - Homeowners see this price and decide to buy or not
- Revenues depend on how many homeowners buy
- Costs depend on the values of the insured homes destroyed in the meteor shower.

Insurance Market www.moblab.com Serious games. Seriously fun.

Game Screen

Possible buyers of homeowners insurance

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Game Screen

Expected homes damaged. Range of home values.

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Game Screen

Move the slider to choose a price

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Game Screen

Press button to set price

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Game Screen

Meteor shower ensues ...

Insurance Market www.moblab.com Serious games. Seriously fun.

Payoffs

Happy playing!

Profit from Insurance Sales

- Profit = Price x N – Sum(Values of Damaged Homes)

An Example

- You set price to 10K and 10 homeowners buy
 - Revenue = \$10,000x10 = \$100,000
- Two homes are damaged (50K and 30K)
 - Cost = \$50,000 + \$30,000 = \$80,000
- Profit = \$10,000x10 – (\$50,000 + \$30,000) = \$20,000

Insurance Market www.moblab.com Serious games. Seriously fun.

Game Time!

Market for Insurance

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Price and Quality Market #2 is actually

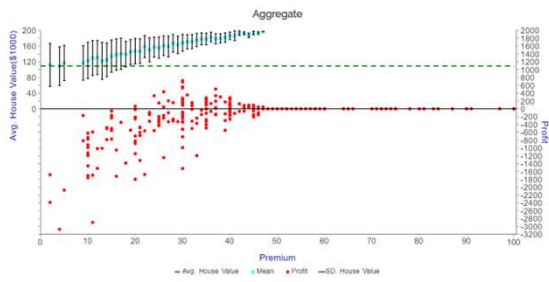
Market for Adverse Selection!!

Did you lose money?!

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Game Results: First 3 Rounds

Average Home Value & Profit (for Each Premium)



Data Source: Fall 2022 Principles of Microeconomics

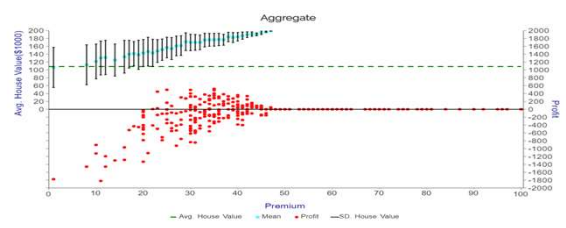
Insurance Market

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Serious games. Seriously fun.

Game Results: Last 3 Rounds

Average Home Value & Profit (for Each Premium)



Data Source: Fall 2022 Principles of Microeconomics

Insurance Market

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