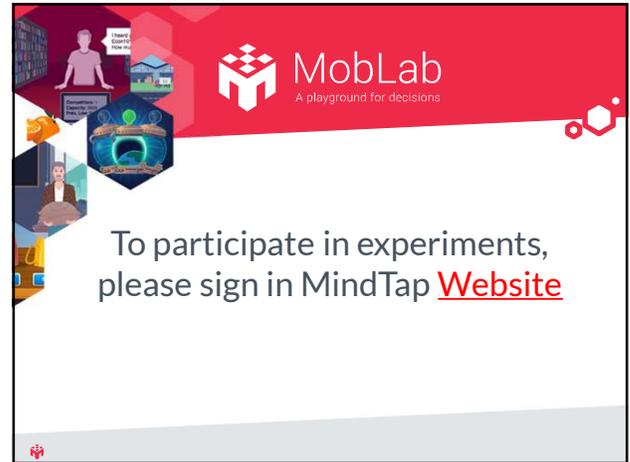




MobLab
A playground for decisions

Price Takers
Profit Maximization in the Long and Short Run

©2018 MobLab



MobLab
A playground for decisions

To participate in experiments,
please sign in MindTap [Website](#)



MobLab
A playground for decisions

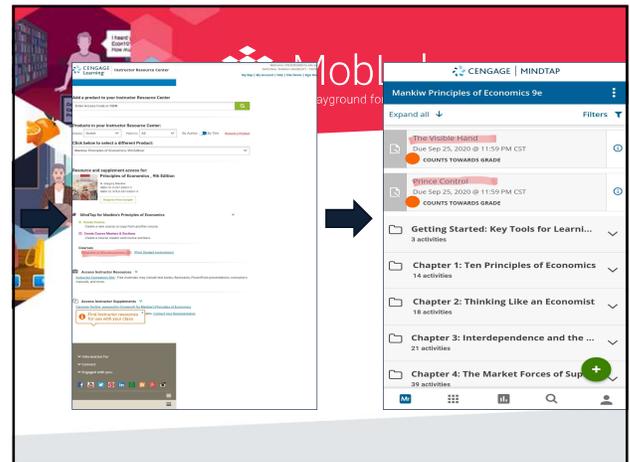
CENGAGE
MINDTAP | WEBSession | OPENNOW | SAK | CHOW | OWL

Sign in

Email

NEXT

Need help signing in?
New Student? Create Student Account
New Instructor? Create Instructor Account



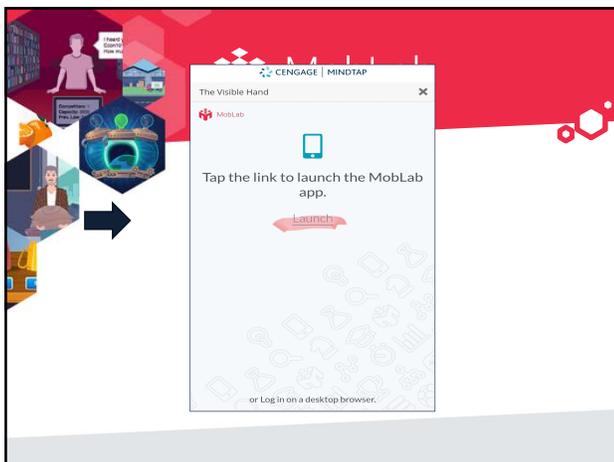
MobLab
A playground for decisions

CENGAGE
MINDTAP | WEBSession | OPENNOW | SAK | CHOW | OWL

Mankiw Principles of Economics 9e

Expand all

- The Visible Hand
Due Sep 25, 2020 @ 11:59 PM CST
COUNTS TOWARDS GRADE
- Principle Control
Due Sep 25, 2020 @ 11:59 PM CST
COUNTS TOWARDS GRADE
- Getting Started: Key Tools for Learning
- Chapter 1: Ten Principles of Economics
14 activities
- Chapter 2: Thinking Like an Economist
18 activities
- Chapter 3: Interdependence and the ...
21 activities
- Chapter 4: The Market Forces of Supply and Demand
39 activities



CENGAGE
MINDTAP | WEBSession | OPENNOW | SAK | CHOW | OWL

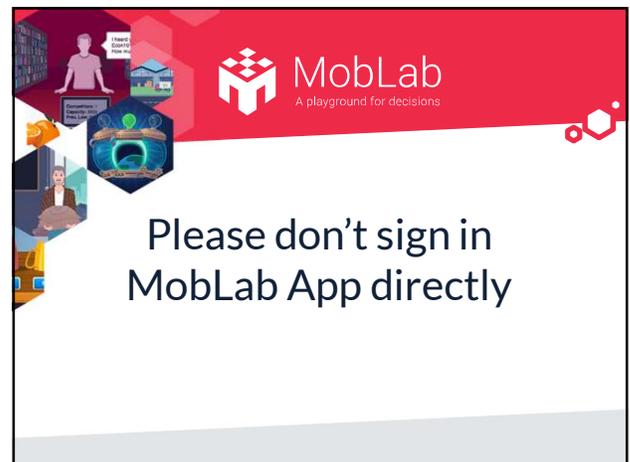
The Visible Hand

MobLab

Tap the link to launch the MobLab app.

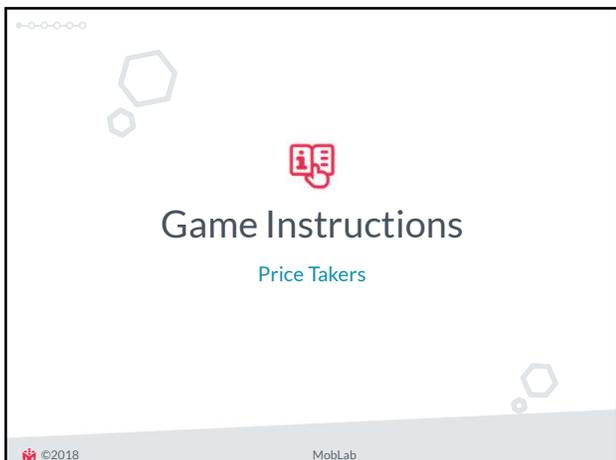
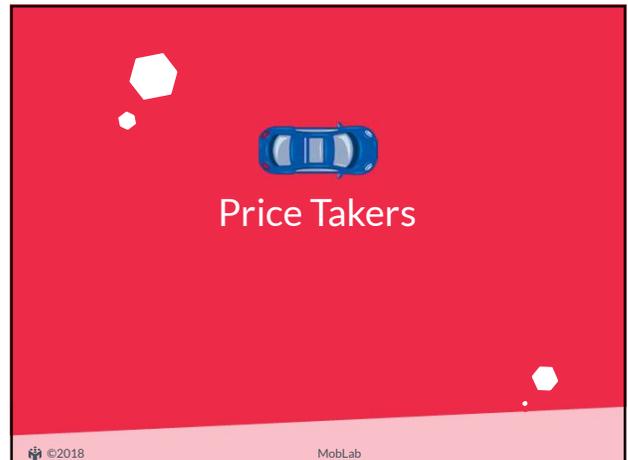
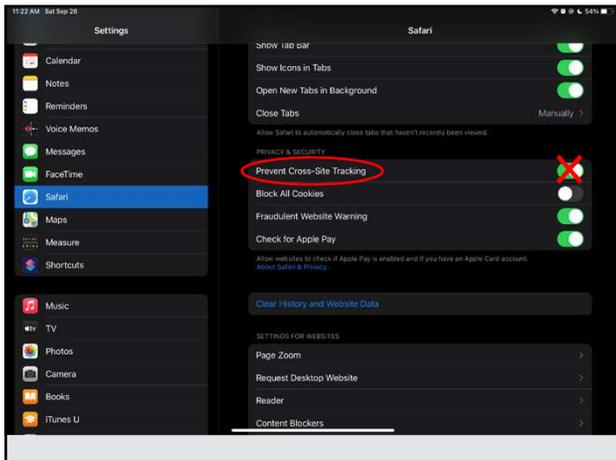
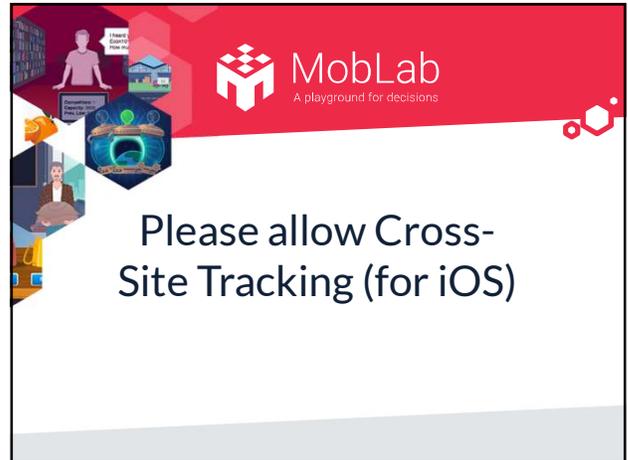
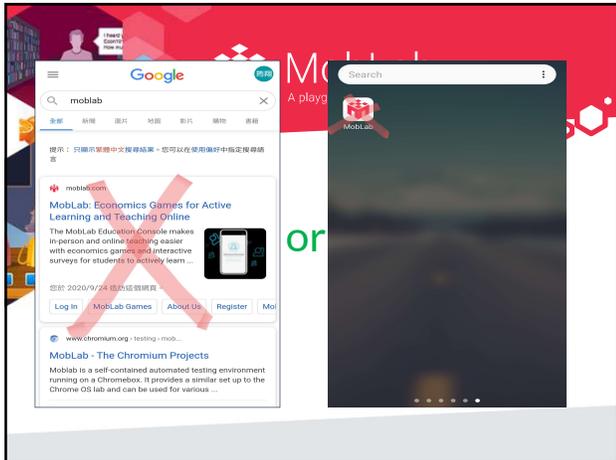
Launch

or Log in on a desktop browser.



MobLab
A playground for decisions

Please don't sign in
MobLab App directly



In the first round, you will be told how many drivers are in the market

Drive Today?

The profit predictor will help you decide. Predict the number choosing to drive: it will tell you a driver's hourly revenue, and you can calculate whether driving would be profitable. After using the predictor, you can choose whether to drive today or not.

There are 10 potential drivers

©2018 MobLab

In the following rounds, you will be told how many drivers decided to drive yesterday

Drive Today?

The profit predictor will help you decide. Predict the number choosing to drive: it will tell you a driver's hourly revenue, and you can calculate whether driving would be profitable. After using the predictor, you can choose whether to drive today or not.

3 out of 10 people drove yesterday

©2018 MobLab

Use profit predictor to help you make the decision to drive or not

Drive Today?

The profit predictor will help you decide. Predict the number choosing to drive: it will tell you a driver's hourly revenue, and you can calculate whether driving would be profitable. After using the predictor, you can choose whether to drive today or not.

3 out of 10 people drove yesterday

©2018 MobLab

Explore how different numbers of drivers and hours affect your profit

Predict Your Profit

Dollars

Revenue

My Hours

Resulting Profit

Drivers: 8, Revenue per Hour: \$12

My Hours: 3, Marginal Cost: \$5

Your fixed cost for driving: If you drive, you pay \$64

Your predicted profit: -\$37

Number of drivers affects Revenue/Hr

Number of hours affects Marginal Cost

©2018 MobLab

Decide whether or not you want to drive today

Drive Today?

Now that you have predicted your profits, choose whether to drive (🚗) today or not (✖).

Drive today

Don't drive today

Return to previous screen

©2018 MobLab

Choose how many hours to drive (If you didn't drive, see what you could've made)

Choose Your Hours

Dollars

Revenue

My Hours

Resulting Profit

Drivers: 3, Revenue per Hour: \$25

My Hours: 3, Marginal Cost: \$5

Your fixed cost for driving: You paid \$64 to drive.

Your actual profit: \$2

Number of drivers this round

Choose the number of hours to drive

©2018 MobLab

With the hours you choose, how much profit will you make?

Choose Your Hours

Dollars

MC

Revenue

You paid \$64 to drive.

My Hours

Resulting Profit

Drivers: 3

My Hours: 3

Marginal Cost: \$5

Resulting Profit: \$2

Submit

$(3 \times \$25) - \$64 - \$9 = \2

©2018 MobLab

How many drivers will enter the market?

Lets find out:

- You've been told to maximize your profits (or minimize your losses!)
- Theory predicts how many drivers there will be in a perfectly competitive market.
 - Everyone is a price taker in this market!
- How accurate will the prediction be?

©2018 MobLab

Game Time!

Price Takers

©2018 MobLab

How many hours should you drive in order to maximize profit?

Choose Your Hours

Dollars

MC

Revenue

You paid \$64 to drive.

My Hours

Resulting Profit

Drivers: 4

My Hours: 8

Marginal Cost: \$5

Resulting Profit: \$46

Submit

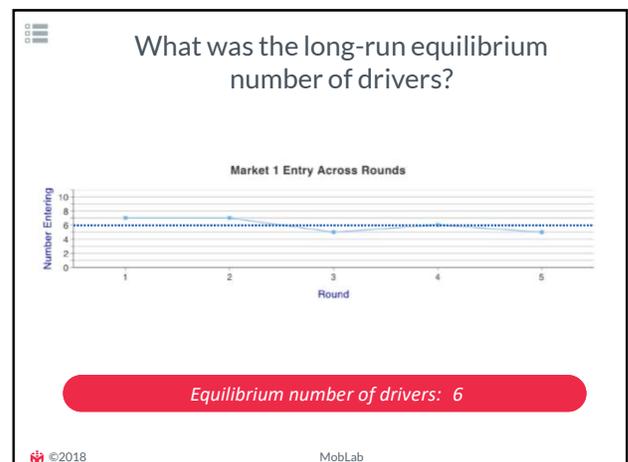
When marginal revenue equals marginal cost!

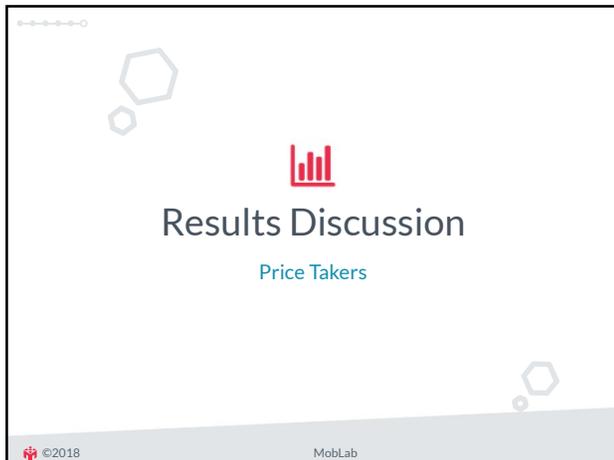
©2018 MobLab

What was the long-run equilibrium number of drivers?

# of Drivers	Hours (MR = MC)	Profit
1	15	\$341
2	15	\$191
3	12	\$92
4	10	\$46
5	9	\$17
6	8	\$0
7	7	-\$15
8	6	-\$28
9	5	-\$34
10	5	-\$39

©2018 MobLab

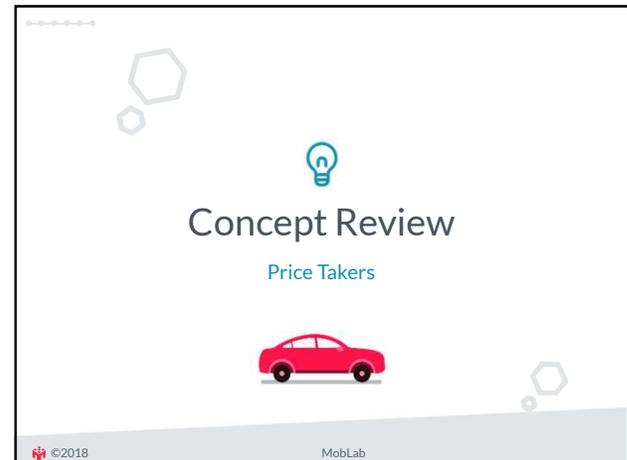




Results Discussion

Price Takers

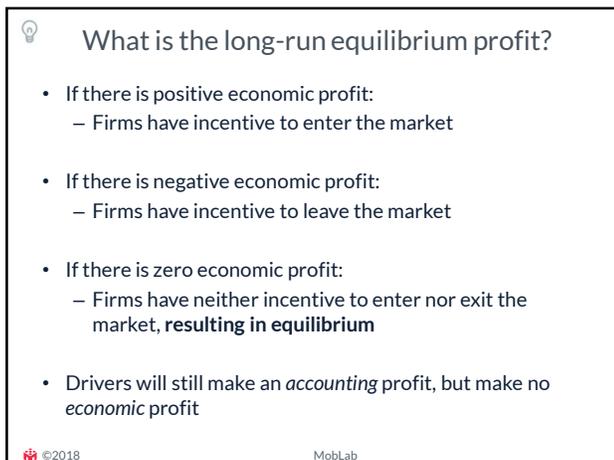
©2018 MobLab



Concept Review

Price Takers

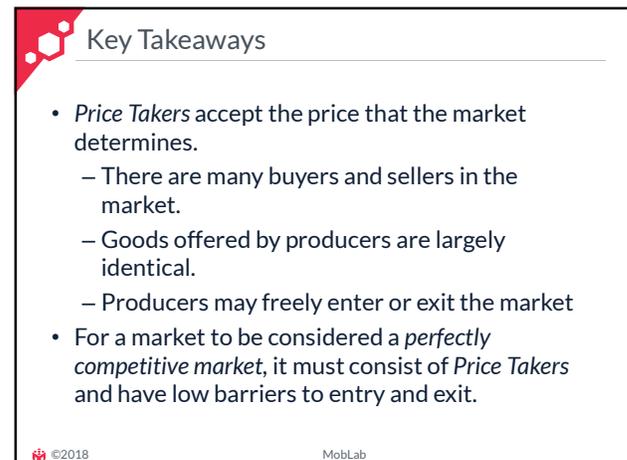
©2018 MobLab



What is the long-run equilibrium profit?

- If there is positive economic profit:
 - Firms have incentive to enter the market
- If there is negative economic profit:
 - Firms have incentive to leave the market
- If there is zero economic profit:
 - Firms have neither incentive to enter nor exit the market, **resulting in equilibrium**
- Drivers will still make an *accounting* profit, but make no *economic* profit

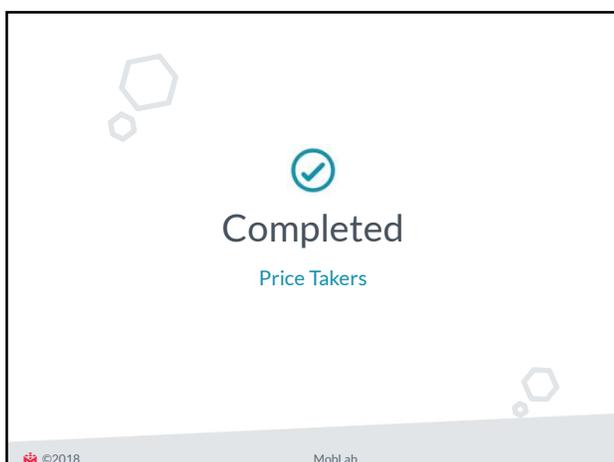
©2018 MobLab



Key Takeaways

- *Price Takers* accept the price that the market determines.
 - There are many buyers and sellers in the market.
 - Goods offered by producers are largely identical.
 - Producers may freely enter or exit the market
- For a market to be considered a *perfectly competitive market*, it must consist of *Price Takers* and have low barriers to entry and exit.

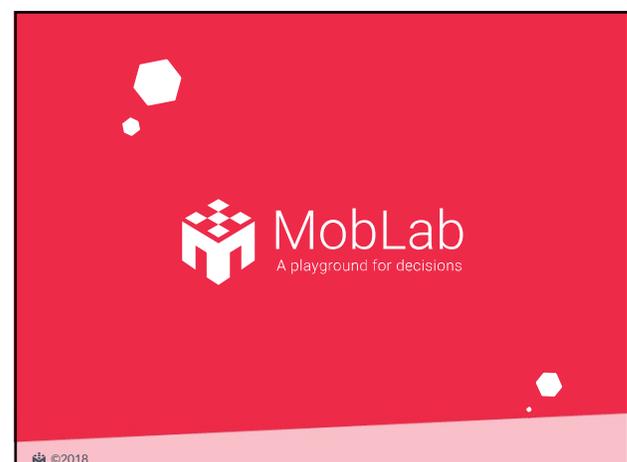
©2018 MobLab



Completed

Price Takers

©2018 MobLab



MobLab

A playground for decisions

©2018