A rationale for the use of gaming and simulation for instructional purposes is developed in the introduction to this paper. The major portion of the text is comprised of several models of computer programs for economics instruction. (SHM)
SAMPLE EXECUTIONS OF COMPUTER PROGRAMS FOR ECONOMICS INSTRUCTION

(APL - CAI)

DEVELOPED AND UTILIZED BY:

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PRESENTED TO:

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INTRODUCTION

Game Theory

The theory of games provides a means of describing the strategic behavior of one or more actors who have to make choices in conflict situations (games) in which the payoffs (potential outcomes) are a function of the choices made by all parties to the conflict. Game theory modeling is normative in that it prescribes the choice or combination of choices that lead to the best payoff under given circumstances. The theory postulates a rational actor who will always follow his best strategy. In other words, game theory is a set of mathematical tools for dealing with explicit types of conflict situations. (E.g., the minimax principle is derived from game theory.) Payoffs may be zero sum (one actor wins, the other loses), or non-zero sum (both players win, or both may lose). Even two-person games may be quite complex. For example, the "Prisoner's Dilemma" may be solved via game theory.

Two suspects are taken into custody and separated. The district attorney is certain that they have been partners in crime, but he does not have adequate evidence to convict them. He gives each prisoner two alternatives: to confess to the crime the police know he and his partner are guilty of, or deny it. If neither confesses, then the district attorney states that he will book them on a minor charge (such as illegal possession of a weapon), and they will receive minor punishment. If they both confess, they will be prosecuted, but with recommendation of leniency. If one confesses and the other does not, the confessor will be treated leniently for turning state's evidence, whereas the other will have "the book" thrown at him.

PAYOFF (years in prison) MATRIX

<table>
<thead>
<tr>
<th>PERSON A</th>
<th>Not confess</th>
<th>Confess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not confess</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>neither confess</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Confess</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>A only confesses</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>both confess</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

Note that the rational strategy for the individual play (minimize expected prison sentence) would dictate a "confess" strategy. However, both parties pursuing this strategy will cause both to receive 5 year sentences. Cooperation in refusing to confess
would result in a 2-year sentence for both player A.

Thus, even in a simple situation we have exhibited an inconsistency between individual and group or coalition decision-making (the fallacy of composition) which has important implications in both welfare economics and the theory of public goods.

But game theory, as a formal mathematical tool of behavioral research (perhaps best exemplified in the classic work by von Neuman and Morgenstern) has little to do with the practical aspects of gaming and simulation for instructional purposes.

**Games and Simulations**

A "simile" is a figure of speech directly denoting a resemblance in one or more aspects of one thing to another. A simulation is a special kind of model—and a model is a special way of expressing theory.

**THEORY**
Attempts to describe the components of some aspect of reality and to specify the nature of the relationship among components. A theory which has become verified via evidence is called a law.

**MODEL**
A model is a way of expressing a theory. Models may be expressed by physical objects (e.g., pipes carrying a liquid to represent the national income and product flows), or a mathematical expression (in symbolic or graphical form), or as a diagram indicating relationships, causality, or flows.

A simulation is an operating model of a referent system or sub-system which allows us to investigate the dynamic properties of the system via abstraction, simplification, and aggregation. Simulations of social systems are more primitive than simulations of physical systems. There is more randomness, unpredictability, and uncertainty when dealing with social systems due to their complexity.

**What is the distinction between a "simulation" and a "game"?**

If we have two computers playing chess (the game of chess itself simulates medieval warfare), we have a simulated chess game. The
extent to which a simulation can be called a game depends wholly upon whether the operating model is deterministic or tentative, and the extent to which the model relies upon human participation as an intrinsic component of its operation.

<table>
<thead>
<tr>
<th>gaming</th>
<th>simulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>heavy human participation</td>
<td>self-contained-and complete model</td>
</tr>
<tr>
<td>and manipulation</td>
<td></td>
</tr>
<tr>
<td>competitive situation</td>
<td>events determined within the system</td>
</tr>
<tr>
<td>informal rules</td>
<td>tightly structured</td>
</tr>
<tr>
<td>weak theory and scanty data</td>
<td>good theory and reliable data for all relevant variables</td>
</tr>
</tbody>
</table>

Gaming involves players intellectually and emotionally in a situation replicating some aspect of the real world. The players become goal oriented and may manipulate decision variables to achieve desired outcomes under laboratory conditions involving ambiguity or probabilistic situations. Players are free to explore the consequences of their actions and to learn (modify their behavior) as feedback from the model confronts their values, cognitive structure, and acquired experience.

The advantages of games and simulations in discovering reality may be summarized as follows:

1. They provide a laboratory midway between simplistic and fragmented models on one hand, and the bewildering real world on the other.
2. They provide replication and experimenter-controlled manipulation.
3. They permit time compression.
4. They may reduce the number of variables that must be considered.
5. They permit study of processes that cannot be studied directly in nature.
6. They are serendipity-prone because the gamer is experimenting in a rich environment and will therefore usually discover something he did not expect.

The game constitutes a kind of caricature of some aspect of social life. For children, games are an introduction to life. There is no reason why games cannot serve as an introduction to the world of economics.

Three postulates concerning education:
1. The mind is an instrument to be honed, rather than a bin to be filled.
2. If you make a horse thirsty, he will find the water for himself and drink deeply.
3. The future will not belong to those who are merely information storage and retrieval systems, but rather to those who understand a world of simultaneous determination and multiple causality and who have learned to learn.

In summary, gaming as a teaching technique allows for individualized variation in pace, scope, and depth of study for each student. Gaming heightens the interest and motivation of students by involving them in a learning experience. Gaming serves as a common, shared experience promoting comraderie, discussion, and a sense of discovery. Gaming provides an opportunity to apply and test knowledge or theories gleaned from other sources. Gaming, though participation, elicits in-
sight, empathy, and understanding of the world experienced by real decision-makers. Gaming and simulations provide a simplified world that is easier for the participant to comprehend than the whole of the referent systems being represented. Games and simulations are therefore vicarious experiences introducing us all, like the child at play, to life.
TO USE THE COMPUTER TERMINAL:

1) PLUG IN THE TERMINAL AND ACOUSTIC COUPLING
2) TURN THE POWER 'ON' FOR BOTH THE COUPLING AND THE TERMINAL
3) BE SURE THE TERMINAL IS IN THE 'COM' MODE
4) DIAL THE UCR COMPUTER AT 7874307
5) LISTEN BRIEFLY TO THE VOICE OF THE COMPUTER
6) PLACE THE TELEPHONE HEADSET SECURELY INTO THE ACOUSTIC COUPLING
7) WAIT FOR THE 'CARRIER' LIGHT TO COME ON
8) USE THE LOG-IN PROCEDURE AS FOLLOWS:

)450502
OPR: APL IS NOW RUNNING UNTIL 5:00 P.M.
012) 16.44.23 03/15/72 THOMPSONRCC

APL \ 3 6 0

)COPY 2 STP1 DSTAT
SAVED 8.29.07 03/03/72
DSTAT 1 5 3 4 2 6 7 8 9 10 11 2 4.5
SAMPLE SIZE 13
MAXIMUM 20
MINIMUM 1
RANGE 19
MEAN 6.346153846
VARIANCE 25.55769231
STANDARD DEVIATION 5.055461632
MEAN DEVIATION 3.579881657
MEDIAN 5
MODE 2

)OFF
012 16.46.30 03/15/72 THO
CONNECTED 0.02.07 TO DATE 1.15.52
CPU TIME 0.00.01 TO DATE 0.00.43

9) NOW HANG UP THE TELEPHONE AND TURN OFF THE TERMINAL.

F. THOMPSON 3-15-72
THIS IS A FAIRLY SOPHISTICATED MACROECONOMIC MODEL DESIGNED TO ENABLE THE STUDENT TO LEARN SOME MACROECONOMIC PRINCIPLES TO ACHIEVE POLICY GOALS. THESE GOALS GENERALLY ARE 1) FULL EMPLOYMENT, 2) PRICE STABILITY, AND 3) ECONOMIC GROWTH. THE POLICY VARIABLES ARE 1) THE CHANGE IN GOVERNMENT SPENDING, 2) THE CHANGE IN THE MARGINAL TAX RATE, AND 3) THE CHANGE IN THE MONEY SUPPLY. THE GOAL FUNCTION IS SPECIFIED IN SUCH A WAY AS TO MEASURE THE STUDENTS RELATIVE SUCCESS IN ACHIEVING THE GOALS SPECIFIED WITH THE POLICY VARIABLES AT HIS DISPOSAL.

(VARIABLES:
Y=NET NATIONAL PRODUCT
C=CONSUMPTION EXPENDITURE
I=NET INVESTMENT
G=GOVERNMENT EXPENDITURE
T=TOTAL TAXES
D=DISPOSABLE INCOME
E=RETAINED EARNINGS+CAPITAL CONSUMPTION ALLOWANCES
M=MONEY SUPPLY (CURRENT DOLLARS)
R=INTEREST RATE
U=UNEMPLOYMENT RATE
P2=RATE OF INFLATION
Y2=RATE OF CHANGE IN NNP
P=PRICE LEVEL (DECIMAL FORM)
Q=POTENTIAL NNP
A=INVENTORY DISINVESTMENT
TO=INTERCEPT OF TAX FUNCTION
T1=MARGINAL TAX RATE
W=WELFARE OR GOAL FUNCTION

TO INITIATE THE PROGRAM, SIMPLY TYPE IN THE CODE NAME GIVEN TO YOU BY YOUR INSTRUCTOR. THE PROGRAM WILL HENCEFORTH SAVE YOUR RESULTS FOR YOU AS YOU SIGN ON. OVER A PERIOD OF TIME.)
OFR: APL IS NOW RUNNING UNTIL 6:00 P.M.
014) 13.59.51 05/17/72 THOMPSONRCC

A ? L \ 2 6 0.

)LOAD MACRO
SAVED 15.05.29 05/05/72
SHAGAT

QUARTER 0 DECISION FOR PLAYER STUDENT 030

GNP ACCOUNTS, QUARTER 0
Y 528.432 C 322.329 I 108.102 G 98 T 113.245
D 335.922 E 79.2647 M 131.6 R 4.16365 U 3.97805
P2 2.32349 Y2 7.88308 P 1.0101 Q 553.209 A 0
TO -40 T1 0.29 W 500

TYPE IN THE POLICY DECISION VALUES FOR CHANGES IN M, G, T1.
WHEN THE TYPEWRITER PAUSES ENTER NUMERICAL DATA IN THE ORDER
INDICATED, SEPARATING EACH ITEM BY AT LEAST ONE BLANK. TYPE
A ZERO FOR NO CHANGE. A NEGATIVE ENTRY IS PRECEDED BY
THE NEGATION SIGN, E.G., -5 0 -.01
WHICH MEANS: REDUCE M BY 5, LEAVE G UNCHANGED, REDUCE T1 BY .01

TO SAVE TERMINAL TIME, THE PROGRAM WILL HENCEFORTH BE RECYCLED
TO AVOID THIS OPENING STATEMENT. YOU WILL BE ASKED TO ENTER
THE THREE DECISION VALUES AGAIN FOR THE NEXT QUARTER.

READY FOR YOUR FIRST DECISION TODAY? HERE GOES... ENTER M, G, T1

☐:
1.5 2.5 -.01

GNP ACCOUNTS, QUARTER 1
Y 542.053 C 334.073 I 107.48 G 100.5 T 111.775
D 348.97 E 81.308 M 133.1 R 4.36768 U 3.44396
P2 2.32349 Y2 10.511 P 1.0101 Q 558.015 A 0
TO -40 T1 0.28 W 512.397

DO YOU WISH TO RENDER ANOTHER POLICY DECISION?
TYPE: 1 FOR YES; 0 FOR NO

☐: 1

PLEASE ENTER THREE VALUES FOR M, G, T1 AGAIN

☐: 10 15 -.01
THE COMPUTER HAS DETECTED AN INFLATIONARY GAP = 31.2794. YOU WILL NOTICE THE EFFECTS OF YOUR SPENDTHRIFT POLICIES NEXT QUARTER.

GNP ACCOUNTS, QUARTER 2
Y 562.817  C 349.791  I 97.5267  G 115.5  T 111.961
D 366.434  E 84.4226  M 143.1  R 4.71493  U 2.5
P2 3.4668  Y2 15.3227  P 1.01386  Q 562.817  A 9.5402
TO -40  T1 0.27  W 528.473

DO YOU WISH TO RENDER ANOTHER POLICY DECISION? TYPE: 1 FOR YES; 0 FOR NO
☐:

1

PLEASE ENTER THREE VALUES FOR M, G, T1 AGAIN
☐:

-10  -10  .10

YOU HAVE GENERATED A DEFLATIONARY GAP = 78.0294. CAREFUL, OR YOU JOIN THE RANKS OF THE UNEMPLOYED TOO.

GNP ACCOUNTS, QUARTER 3
Y 489.383  C 267.413  I 116.469  G 105.5  T 141.072
D 274.904  E 73.4074  M 133.1  R 3.59156  U 7.03809
P2 12.7932  Y2 -52.1908  P 1.05144  Q 567.412  A 0
TO -40  T1 0.37  W 402.328

DO YOU WISH TO RENDER ANOTHER POLICY DECISION? TYPE: 1 FOR YES; 0 FOR NO
☐:

1

PLEASE ENTER THREE VALUES FOR M, G, T1 AGAIN
☐:

5  5  .05

GNP ACCOUNTS, QUARTER 4
Y 526.527  C 307.153  I 108.874  G 110.5  T 128.489
D 319.059  E 78.979  M 138.1  R 3.94329  U 5.14648
P2 -0.43518  Y2 30.3599  P 1.0503  Q 572.434  A 0
TO -40  T1 0.32  W 451.09

DO YOU WISH TO RENDER ANOTHER POLICY DECISION? TYPE: 1 FOR YES; 0 FOR NO
☐:

1

PLEASE ENTER THREE VALUES FOR M, G, T1 AGAIN
☐:
GNP ACCOUNTS, QUARTER 5
Y 566.267  C 351.592  I 104.176  G 110.5  T 112.892
D 368.435  E 84.9401  M 138.1  R 4.78626  U 3.13067
P2 0.552946  Y2 30.1907  P 1.05175  Q 577.3  A 0
TO "40: TI 0.27" W 503.625

DO YOU WISH TO RENDER ANOTHER POLICY DECISION?
TYPE: 1 FOR YES; 0 FOR NO

0

END OF SESSION. SEE YOU NEXT TIME.
SAVE YOUR RESULTS FOR YOUR NEXT DECISION.
BE SURE TO SIGN OFF LIKE THIS:
}SAVE MACRO
}OFF

}SAVE MACRO
"3.22.44 05/17/72"
}OFF
014 14.22.52 05/17/72 THO
CONNECTED 0.23.01 TO DATE 23.22.49
CPU TIME 0.00.07 TO DATE 0.10.27
MACO3 has four levels of complexity. Level 1 shows the period by period movement of an economy towards equilibrium when the rate of investment or savings is changed. Level 2 introduces government into the model and does computational work for problems supplied by the program. Total tax receipts, government expenditure and the investment rate are the policy variables. Level 3 introduces the concept of the marginal tax rate (tax receipts are a linear function of GNP). The marginal tax rate is a policy variable along with government expenditure and the rate of investment. Level 4 is a two country model with the functions of level 3 plus net exports as a policy variable. In all levels the student is asked to find the marginal propensity to consume and the intercept of the consumption function, and in levels 3 and 4 the first marginal tax rate. In level 4 the marginal propensity to import must also be found. Since the basic equations are given to the student, he should be able to calculate these values. In levels 2, 3, and 4, the problems are supplied and the computer can do the arithmetic. Additional problems can be devised by the instructor.

If you wish the implicit forms of the equations used in levels 1, 2, 3, and 4, type: )COPY 515 WS1 MODEL and then MODEL1, MODEL2, MODEL3, MODEL4.

To initiate MACO3 type: MACO3

MODEL 1

ENDOGENOUS VARIABLES: Y, C, S
EXOGENOUS VARIABLES: I
PARAMETERS: a, MPC
CONSUMPTION FUNCTION: C=a+MPCxY
AGGREGATE DEMAND: Y=C+I
AGGREGATE SUPPLY: Y=C+S
EQUILIBRIUM CONDITION: AS=AD

Y=C+I=a+MPCxY+I. MULTIPLIER=1/(1-MPC) I.E., ΔY=ΔI/(MPS)
MODEL 2

ENDOGENOUS VARIABLES: Y, C, S, DY
EXOGENOUS VARIABLES: I, G, T
PARAMETERS: a, MPC
CONSUMPTION FUNCTION: C = a + MPC × DY
INCOME AFTER TAXES: DY = Y - T
AGGREGATE DEMAND: Y = C + I + G
AGGREGATE SUPPLY: Y = C + S + T
EQUILIBRIUM CONDITION: AS = AD

Y = C + I + G = a + MPC(Y - T) + I + G

MULTIPLIERS: THE CHANGE IN Y IN RESPONSE TO CHANGES IN I, G, T
E.G., ΔY = ΔG × MULTIPLIER [WHICH IS 1/(1 - MPC) FOR I, G, AND -MPC × (1 - MPC) FOR T].

MODEL 3

ENDOGENOUS VARIABLES: Y, C, S, T, DY
EXOGENOUS VARIABLES: I, G
PARAMETERS: a, MPC, MTR
CONSUMPTION FUNCTION: C = a + MPC × DY
INCOME AFTER TAXES: DY = Y - T
TAX FUNCTION: T = MTR × Y
AGGREGATE DEMAND: Y = C + I + G
AGGREGATE SUPPLY: Y = C + S + T
EQUILIBRIUM CONDITION: AS = AD

Y = C + I + G = a + MPC(Y - MTR × Y) + I + G WHERE THE MULTIPLIER = 1/(1 - MPC + MPC × MTR)

MODEL 4

ENDOGENOUS VARIABLES: Y, C, S, T, IM, DY
EXOGENOUS VARIABLES: I, G, EX
PARAMETERS: a, MPC, MTR, MPI
CONSUMPTION FUNCTION: C = a + MPC × DY
INCOME AFTER TAXES: DY = Y - T
TAX FUNCTION: T = MTR × Y
IMPORT FUNCTION: IM = MPI × Y
AGGREGATE DEMAND: Y = C + I + G + (EX - IM)
AGGREGATE SUPPLY: Y = C + S + T
EQUILIBRIUM CONDITION: AS = AD

Y = C + I + G + (EX - IM) = (a + I + G + EX) ÷ (1 - MPC + MPC × MTR + MPI) MULTIPLIER = 1 ÷ (MPS + MTR + MPI - MPS × MTR)
MACO3

Hi! This is Macroeconomic Program. ***MACO3***.

Type in a 1, 2, 3, or 4 for the level of difficulty that you wish to attempt.

Difficulty Ranking: 1<2<3<4.

1

This is a Simple Keynesian Macroeconomic Model without Government. Your first task is to find the MPC and the intercept of the Consumption Function.

The variables used in this model are:

\[ \text{GNP} = \text{Gross National Product} \]
\[ C = \text{Total Consumption} \]
\[ S = \text{Total Savings} \]
\[ I = \text{Net Private Domestic Investment} \]

Here are the (Equilibrium) values for two years.

<table>
<thead>
<tr>
<th>Year</th>
<th>GNP</th>
<th>C</th>
<th>S</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>650</td>
<td>615</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>2</td>
<td>680</td>
<td>642</td>
<td>38</td>
<td>38</td>
</tr>
</tbody>
</table>

What is the MPC? \[ \text{MPC} = \frac{\Delta C}{\Delta \text{GNP}} \]

\[ \frac{(642-615)}{(680-650)} \]

Right! The MPC is 0.9

What is the intercept of the Consumption Function? \[ \text{Intercept} = C - (\text{MPC} \times \text{GNP}) \]

\[ 20 \]

*** The intercept you have entered is incorrect. Please try again. ***

\[ 30 \]

Very good. You are correct. The intercept is 30.

Do you want to go on to the second part of this level? Type Yes or No.

YES

This is the second part of Level One. You will be given an equilibrium level of GNP and with the aid of the above information you are to raise or lower the GNP to the stated level by raising or lowering only the rate of Net Private Domestic Investment.

Do you know how to calculate the Multiplier?

NO

The Multiplier in this model is defined as: \[ 1 \div (1-\text{MPC}) \]

\[ \Delta \text{GNP} = \text{Multiplier} \times \Delta I \]

The equilibrium level of GNP is now 680 with C I and S as above. Raise GNP to 714.

Type in the rate of investment.

\[ \boxed{1} \]
<table>
<thead>
<tr>
<th>PERIOD</th>
<th>GNP</th>
<th>C</th>
<th>I</th>
<th>S</th>
<th>AGG DMND</th>
<th>AGG SPLY</th>
<th>AD-AS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>683.40</td>
<td>642.00</td>
<td>41.40</td>
<td>38.00</td>
<td>683.40</td>
<td>680.00</td>
<td>3.40</td>
</tr>
<tr>
<td>2</td>
<td>686.46</td>
<td>645.06</td>
<td>41.40</td>
<td>38.34</td>
<td>686.46</td>
<td>683.40</td>
<td>3.06</td>
</tr>
<tr>
<td>3</td>
<td>689.21</td>
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<td>41.40</td>
<td>38.65</td>
<td>689.21</td>
<td>686.46</td>
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<td>4</td>
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<td>695.93</td>
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<td>699.36</td>
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<td>659.43</td>
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<td>700.83</td>
<td>699.36</td>
<td>1.46</td>
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<tr>
<td>10</td>
<td>702.14</td>
<td>660.74</td>
<td>41.40</td>
<td>40.08</td>
<td>702.14</td>
<td>700.83</td>
<td>1.32</td>
</tr>
</tbody>
</table>

35  713.15  671.75  41.40  41.31

PERIOD | GNP  | C    | I    | S    | AGG DMND | AGG SPLY | AD-AS |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>713.15</td>
<td>671.75</td>
<td>41.40</td>
<td>41.31</td>
<td>713.15</td>
<td>713.05</td>
<td>0.09</td>
</tr>
</tbody>
</table>

TASK ACCOMPLISHED!

THE EQUILIBRIUM LEVEL IS NOW 713.149
LOWER GNP TO 570.519
TYPE IN THE RATE OF INVESTMENT

45  613.87  582.57  31.30  31.40

YOU HAVE EXCEEDED YOUR GOAL BY 43.35

THE EQUILIBRIUM LEVEL IS NOW 613.874
RAISE GNP TO 736.649
TYPE IN THE RATE OF INVESTMENT

43  625.99  582.49  43.50  31.39

PERIOD | GNP  | C    | I    | S    | AGG DMND | AGG SPLY | AD-AS |
<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>625.99</td>
<td>582.49</td>
<td>43.50</td>
<td>31.39</td>
<td>625.99</td>
<td>613.87</td>
<td>12.11</td>
</tr>
<tr>
<td>44</td>
<td>636.89</td>
<td>593.39</td>
<td>43.50</td>
<td>32.60</td>
<td>636.89</td>
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<td>33.69</td>
<td>646.70</td>
<td>636.89</td>
<td>9.81</td>
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MAC03

HI! THIS IS MACROECONOMIC PROGRAM. ***MAC03***
TYPE IN A 1, 2, 3, OR 4 FOR THE LEVEL OF DIFFICULTY THAT YOU WISH TO ATTEMPT.
DIFFICULTY RANKING: 1<2<3<4.

THIS IS A KEYNESIAN MACROECONOMIC MODEL. NO WORLD TRADE.
INVESTMENT, GOVERNMENT EXPENDITURE AND TOTAL TAX RECEIPTS ARE POLICY VARIABLES.
YOUR FIRST TASK IS TO FIND THE MPC AND THE INTERCEPT OF THE CONSUMPTION FUNCTION.

THE VARIABLES USED IN THIS MODEL ARE:

GNP=GROSS NATIONAL PRODUCT.
C=TOTAL CONSUMPTION.
S=TOTAL SAVINGS.
I=NET PRIVATE DOMESTIC INVESTMENT.
DY=DISPOSABLE INCOME.
G=GOVERNMENT EXPENDITURE.
T=TOTAL TAX RECEIPTS.

HERE ARE THE (EQUILIBRIUM) VALUES FOR TWO YEARS.

YEAR= 1  GNP= 380  T= 15  DY= 365  C= 239  S= 126  I= 101  G= 40

YEAR= 2  GNP= 377.75  T= 14  DY= 363.75  C= 238.25  S= 125.5  I= 103.5  G= 36

WHAT IS THE MPC?  MPC=AC/ADY
\( \frac{(239-238.25)+(365-363.75)}{239-238.25} \)
RIGHT! THE MPC IS 0.6

WHAT IS THE INTERCEPT OF THE CONSUMPTION FUNCTION?  INTERCEPT=C-(MPCxDY)
\( 239-(0.6\times363.75) \)

*** THE INTERCEPT YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN. 

*** THE INTERCEPT YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN.

VERY GOOD. YOU ARE CORRECT. THE INTERCEPT IS 20
DO YOU WANT TO GO ON TO THE SECOND PART OF THIS LEVEL? TYPE YES OR NO. YES
LET'S TRY SOME PROBLEMS.

PROBLEM NUMBER 1
THE GNP IS NOW 377.75
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\( \frac{105.5}{2} \)

THE GNP RECEIPTS ARE INCORRECT. THE INTERCEPT IS INCORRECT.

PROBLEM NUMBER 1
THE GNP IS NOW 377.75
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\( \frac{105.5}{3} \)

THE GNP RECEIPTS ARE INCORRECT. THE INTERCEPT IS INCORRECT.
TYPE IN GOVERNMENT EXPENDITURES FOR NEXT YEAR.
\[ 36 \]
\[ \text{YEAR} = 3 \quad \text{GNP} = 382.75 \quad T = 14 \quad \text{DY} = 368.75 \quad C = 241.25 \quad S = 127.5 \quad I = 105.5 \quad G = 36 \]

PROBLEM NUMBER 2
THE GNP IS NOW 382.75
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\[ 105.5 \]

TYPE IN THE TOTAL TAX RECEIPTS FOR NEXT YEAR.
\[ 15 \]

TYPE IN GOVERNMENT EXPENDITURES FOR NEXT YEAR.
\[ 36 \]
\[ \text{YEAR} = 4 \quad \text{GNP} = 381.25 \quad T = 15 \quad \text{DY} = 366.25 \quad C = 239.75 \quad S = 126.5 \quad I = 105.5 \quad G = 36 \]

PROBLEM NUMBER 3
THE GNP IS NOW 381.25
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\[ 105.5 \]

TYPE IN THE TOTAL TAX RECEIPTS FOR NEXT YEAR.
\[ 15 \]

TYPE IN GOVERNMENT EXPENDITURES FOR NEXT YEAR.
\[ 15 \]
\[ \text{YEAR} = 5 \quad \text{GNP} = 328.75 \quad T = 15 \quad \text{DY} = 313.75 \quad C = 208.25 \quad S = 105.5 \quad I = 100.5 \quad G = 15 \]

PROBLEM NUMBER 4
THE GNP IS NOW 328.75
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\[ 100 \]

TYPE IN THE TOTAL TAX RECEIPTS FOR NEXT YEAR.
\[ 50 \]

TYPE IN GOVERNMENT EXPENDITURES FOR NEXT YEAR.
\[ 50 \]
\[ \text{YEAR} = 6 \quad \text{GNP} = 350 \quad T = 50 \quad \text{DY} = 300 \quad C = 200 \quad S = 100 \quad I = 100 \quad G = 50 \]

THE END HAS COME FOR ***MACO3*** LEVEL 2
HI! THIS IS MACROECONOMIC PROGRAM ***MAC03***.
TYPE IN A 1, 2, 3, OR 4 FOR THE LEVEL OF DIFFICULTY THAT YOU WISH TO ATTEMPT.
DIFFICULTY RANKING: 1<2<3<4.
☐: 3

THIS IS A KEYNESIAN MACROECONOMIC MODEL. NO WORLD TRADE.
TAXES ARE A FUNCTION OF GNP, INVESTMENT, GOVERNMENT EXPENDITURE, AND THE MARGINAL TAX RATE ARE POLICY VARIABLES.
YOUR FIRST TASK IS TO FIND THE MPC, THE INTERCEPT OF THE CONSUMPTION FUNCTION, AND THE MARGINAL TAX RATE.

THE VARIABLES USED IN THIS MODEL ARE:

GNP=GROSS NATIONAL PRODUCT.
C=TOTAL CONSUMPTION.
S=TOTAL SAVINGS.
I=NET PRIVATE DOMESTIC INVESTMENT.
DY=DISPOSABLE INCOME.
G=GOVERNMENT EXPENDITURE.
T=TOTAL TAX RECEIPTS.

HERE ARE THE (EQUILIBRIUM) VALUES FOR TWO YEARS.

YEAR= 1
GNP= 564.189  T= 67.7027  DI= 496.486  C= 417.189  S = 79.2973  I= 107  G = 40

YEAR= 2
GNP= 567.568  T= 68.1081  DI= 499.459  C= 419.568  S = 79.8919  I= 105  G = 43

WHAT IS THE MARGINAL TAX RATE? MTR=ΔT+ΔGNP
☐:

(68.1-67.7)+(567.5-564.1)
YOUR ANSWER IS CORRECT. THE MTR IS 0.12

WHAT IS THE MPC? MPC=ΔC+ΔDY
☐:

(419.5-417.1)+(567.5-564.1)
RIGHT! THE MPC IS 0.8

WHAT IS THE INTERCEPT OF THE CONSUMPTION FUNCTION? INTERCEPT=C-(MPCxDY)
☐:

419.568-(0.8x499.459)
VERY GOOD. YOU ARE CORRECT. THE INTERCEPT IS 20
DO YOU WANT TO GO ON TO THE SECOND PART OF THIS LEVEL? TYPE YES OR NO.
YES

LET'S TRY SOME PROBLEMS.

PROBLEM NUMBER 1
THE GNP IS NOW 567.568
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
☐:

110

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.
☐:
TYPE IN THE MARGINAL TAX RATE FOR THE NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(0.12\)}\]

\[\text{\(\text{\(GNY=\)}\)}\text{\(584.459\)}\text{\(T=\)}\text{\(70.1351\)}\text{\(DY=\)}\text{\(514.324\)}\text{\(C=\)}\text{\(431.459\)}\text{\(S=\)}\text{\(82.8649\)}\text{\(I=110\)}\text{\(G=43\)}\]

**PROBLEM NUMBER 2**

**THE GNP IS NOW 584.459**

TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(110\)}\]

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(43\)}\]

TYPE IN THE MARGINAL TAX RATE FOR THE NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(0.15\)}\]

\[\text{\(\text{\(GNY=\)}\text{\(540.625\)}\text{\(T=\)}\text{\(81.0937\)}\text{\(DY=\)}\text{\(459.531\)}\text{\(C=\)}\text{\(387.625\)}\text{\(S=\)}\text{\(71.9062\)}\text{\(I=110\)}\text{\(G=43\)}\]

**PROBLEM NUMBER 3**

**THE GNP IS NOW 540.625**

TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(110\)}\]

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(43\)}\]

TYPE IN THE MARGINAL TAX RATE FOR THE NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(0.10\)}\]

\[\text{\(\text{\(GNY=\)}\text{\(617.857\)}\text{\(T=\)}\text{\(61.7857\)}\text{\(DY=\)}\text{\(556.071\)}\text{\(C=\)}\text{\(464.857\)}\text{\(S=\)}\text{\(91.2143\)}\text{\(I=110\)}\text{\(G=43\)}\]

**PROBLEM NUMBER 4**

**THE GNP IS NOW 617.857**

TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(110\)}\]

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(50\)}\]

TYPE IN THE MARGINAL TAX RATE FOR THE NEXT YEAR.
\[\text{\(\times\)}\]
\[\text{\(0.10\)}\]

\[\text{\(\text{\(GNY=\)}\text{\(642.857\)}\text{\(T=\)}\text{\(64.2857\)}\text{\(DY=\)}\text{\(578.571\)}\text{\(C=\)}\text{\(482.857\)}\text{\(S=\)}\text{\(95.7143\)}\text{\(I=110\)}\text{\(G=50\)}\]

**THE END HAS COME FOR ***MACO3*** LEVEL 3**
HI! THIS IS MACROECONOMIC PROGRAM ***MACO3***.

TYPE IN A 1, 2, 3, OR 4 FOR THE LEVEL OF DIFFICULTY THAT YOU WISH TO T H E

DIFFICULTY RANKING: 1<2<3<4.


THE VARIABLES USED IN THIS MODEL ARE:

- **GNP** = GROSS NATIONAL PRODUCT.
- **C** = TOTAL CONSUMPTION.
- **S** = TOTAL SAVINGS.
- **I** = NET PRIVATE DOMESTIC INVESTMENT.
- **DY** = DISPOSABLE INCOME.
- **G** = GOVERNMENT EXPENDITURE.
- **T** = TOTAL TAX RECEIPTS.
- **EX** = TOTAL EXPORTS.
- **IM** = TOTAL IMPORTS.

HERE ARE THE (EQUILIBRIUM) VALUES FOR TWO YEARS.

**YEAR = 1**
- GNP = 421.488
- C = 289.636
- I = 94
- G = 40
- EX = 40
- T = 50.5785
- DY = 370.909
- S = 81.2727
- IM = 42.1488

**YEAR = 2**
- GNP = 442.149
- C = 302.364
- I = 98
- G = 43
- EX = 43
- T = 53.0579
- DY = 389.091
- S = 86.7273
- IM = 44.2149

**WHAT IS THE MARGINAL PROPENSITY TO IMPORT?**

MPC = ΔC/ΔGNP

\[ \text{MPC} = \frac{\Delta C}{\Delta GNP} \]

\[ \frac{(44.2-42.1)}{442.1-421.4} \]

CORRECT! THE MPC IS 0.1

**WHAT IS THE MARGINAL TAX RATE?**

MTR = ΔT/ΔGNP

\[ \text{MTR} = \frac{\Delta T}{\Delta GNP} \]

\[ 0.12 \]

YOUR ANSWER IS CORRECT. THE MTR IS 0.12

**WHAT IS THE MPC?**

\[ \text{MPC} = \frac{\Delta C}{\Delta DY} \]

\[ 0.9 \]

**THE MPC YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN.**

\[ 0.85 \]

**THE MPC YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN.**

\[ 0.89 \]

SORRY. THE MPC IS 0.7

**WHAT IS THE INTERCEPT OF THE CONSUMPTION FUNCTION?**

INTERCEPT = C - (MPC × DY)

\[ 43 - (0.7 \times 389) \]

**THE INTERCEPT YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN.**
*** THE INTERCEPT YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN.

*** THE INTERCEPT YOU HAVE ENTERED IS INCORRECT. PLEASE TRY AGAIN.

+++ TOO BAD. THE INTERCEPT OF THE CONSUMPTION FUNCTION IS

DO YOU WANT TO GO ON TO THE SECOND PART OF THIS LEVEL? TYPE YES OR NO.

YES.

LET'S TRY SOME PROBLEMS.

PROBLEM NUMBER 1
THE GNP IS NOW 442.149
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.

100

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.

43

TYPE IN EXPORTS FOR NEXT YEAR.

50

TYPE IN THE MARGINAL TAX RATE FOR NEXT YEAR.

.12

YEAR = 3  GNP = 460.744  C = 313.818  I = 100  G = 43  EX = 50
T = 55.2893  DY = 405.455  S = 91.6364  IM = 46.0744

PROBLEM NUMBER 2
THE GNP IS NOW 460.744
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.

100

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.

100

TYPE IN EXPORTS FOR NEXT YEAR.

50

TYPE IN THE MARGINAL TAX RATE FOR NEXT YEAR.

.12

YEAR = 4  GNP = 578.512  C = 386.364  I = 100  G = 100  EX = 50
T = 69.4215  DY = 509.091  S = 122.727  IM = 57.8512

PROBLEM NUMBER 3
THE GNP IS NOW 578.512
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.

100

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.

100

TYPE IN EXPORTS FOR NEXT YEAR.

50

TYPE IN THE MARGINAL TAX RATE FOR NEXT YEAR.

.20
PROBLEM NUMBER 4
THE GNP IS NOW 518.519
TYPE IN THE RATE OF INVESTMENT FOR NEXT YEAR.

110

TYPE IN GOVERNMENT EXPENDITURE FOR NEXT YEAR.

100

TYPE IN EXPORTS FOR NEXT YEAR.

50

TYPE IN THE MARGINAL TAX RATE FOR NEXT YEAR.

0.20

YEAR= 6  GNP= 537.037  C= 330.741  I= 110  G= 100  EX= 50
T= 107.407  DY= 429.63  S= 98.8889  IM= 53.7037

THE END HAS COME FOR ***MACO3***  LEVEL 4
MY LORD AND MASTER, ABSOLUTE DICTATOR OF SUMER, I, YOUR HUMBLE SERVANT
DING TO REPORT ON THE STATE OF YOUR VAST DOMAIN.
LAST YEAR, 0 PEOPLE DIED OF STARVATION,
AND 5 NEW PEOPLE CAME INTO YOUR DOMAIN.

THE POPULATION OF YOUR DOMAIN IS NOW 95 LOYAL SUBJECTS.

YOU NOW OWN 1000 ACRES OF LAND.
WE PLANTED 1000 ACRES LAST YEAR. WE HARVESTED 3 BUSHELS PER ACRE.
The total harvest was therefore 3000 BUSHELS.
YOUR ENEMIES CAUSED RATS TO EAT (YUM) 200 BUSHELS.
 THEREFORE, YOU NOW HAVE 2800 BUSHELS IN YOUR STOREHOUSE.

MASTER, I AM READY TO EXECUTE YOUR COMANDS FOR THE FOLLOWING YEAR.
 IF THOU ART READY TO ISSUE THEM, TYPE YES. IF NOT, TYPE NO.
YES

MASTER, THIS YEAR WE CAN BUY OR SELL MORE LAND FOR 18 BUSHELS PER ACRE.
HOW MANY ACRES DO YOU WISH TO BUY THIS YEAR?

HOW MANY ACRES DO YOU WISH TO SELL?

HOW MANY BUSHELS OF GRAIN DO YOU WISH TO DISTIBUTE AS FOOD?

YOUR PEOPLE WILL STARVE! DO YOU WISH THIS TO HAPPEN?
NO

HOW MANY BUSHELS OF GRAIN DO YOU WISH TO DISTIBUTE AS FOOD?

HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?

COME NOW! MASTER, THERE ARE ONLY 990 ACRES IN YOUR DOMAIN.
PRAY TELL ME AGAIN, MASTER;
HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?

THINK AGAIN, MASTER. YOU HAVE ONLY 990 BUSHELS LEFT IN YOUR STOREHOUSE.
THE GODS DECREE THAT 1 BUSHEL IS REQUIRED TO PLANT 1 ACRE.
PRAY TELL ME AGAIN, MASTER;
HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?
** A YEAR PASSETH...
LAST YEAR, 0 PEOPLE DIED OF STARVATION,
AND 1 NEW PEOPLE CAME INTO YOUR DOMAIN.

THE POPULATION OF YOUR DOMAIN IS NOW 96 LOYAL SUBJECTS.

YOU NOW OWN 990 ACRES OF LAND.
WE PLANTED 980 ACRES LAST YEAR. WE HARVESTED 3 BUSHELS PER ACRE.
THE TOTAL HARVEST WAS THEREFORE 2940 BUSHELS.
YOUR ENEMIES CAUSED RATS TO EAT (YUM) 98 BUSHELS.
THEREFORE, YOU NOW HAVE 2842 BUSHELS IN YOUR STOREHOUSE.

MASTER, I AM READY TO EXECUTE YOUR COMMANDS FOR THE FOLLOWING YEAR.
IF THOU ART READY TO ISSUE THEM, TYPE YES. IF NOT, TYPE NO.
YES

MASTER, THIS YEAR WE CAN BUY OR SELL MORE LAND FOR 18 BUSHELS PER ACRE.

HOW MANY ACRES DO YOU WISH TO BUY THIS YEAR?

0

HOW MANY ACRES DO YOU WISH TO SELL?

0

HOW MANY BUSHELS OF GRAIN DO YOU WISH TO DISTRIBUTE AS FOOD?

2000

HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?

842

** A YEAR PASSETH...
LAST YEAR, 0 PEOPLE DIED OF STARVATION,
AND 1 NEW PEOPLE CAME INTO YOUR DOMAIN.

THE POPULATION OF YOUR DOMAIN IS NOW 97 LOYAL SUBJECTS.

YOU NOW OWN 990 ACRES OF LAND.
WE PLANTED 842 ACRES LAST YEAR. WE HARVESTED 4 BUSHELS PER ACRE.
THE TOTAL HARVEST WAS THEREFORE 3368 BUSHELS.
YOUR ENEMIES CAUSED RATS TO EAT (YUM) 168.4 BUSHELS.
THEREFORE, YOU NOW HAVE 3199.6 BUSHELS IN YOUR STOREHOUSE.

MASTER, I AM READY TO EXECUTE YOUR COMMANDS FOR THE FOLLOWING YEAR.
IF THOU ART READY TO ISSUE THEM, TYPE YES. IF NOT, TYPE NO.
YES

MASTER, THIS YEAR WE CAN BUY OR SELL MORE LAND FOR 15 BUSHELS PER ACRE.

HOW MANY ACRES DO YOU WISH TO BUY THIS YEAR?

10

HOW MANY BUSHELS OF GRAIN DO YOU WISH TO DISTRIBUTE AS FOOD?

22x97
HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?
☐: 1000

THINK AGAIN, MASTER. YOU HAVE ONLY 915.6 BUSHELS LEFT IN YOUR STOREHOUSE.

THE GODS DECREE THAT 1 BUSHEL IS REQUIRED TO PLANT 1 ACRE.

PRAY TELL ME AGAIN, MASTER;
HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?
☐: 915.6

** A YEAR PASSETH...
LAST YEAR, 1 PEOPLE DIED OF STARVATION,
AND 2 NEW PEOPLE CAME INTO YOUR DOMAIN.

THE POPULATION OF YOUR DOMAIN IS NOW 96 LOYAL SUBJECTS.

YOU NOW OWN 1000 ACRES OF LAND.
WE PLANTED 915.6 ACRES LAST YEAR. WE HARVESTED 2 BUSHELS PER ACRE.
THE TOTAL HARVEST WAS THEREFORE 1831.2 BUSHELS.
YOUR ENEMIES CAUSED RATS TO EAT (YUM) 457.8 BUSHELS.
THEREFORE, YOU NOW HAVE 1373.4 BUSHELS IN YOUR STOREHOUSE.

MASTER, I AM READY TO EXECUTE YOUR COMMANDS FOR THE FOLLOWING YEAR.
IF THOU ART READY TO ISSUE THEM, TYPE YES. IF NOT, TYPE NO.
YES

MASTER, THIS YEAR WE CAN BUY OR SELL MORE LAND FOR 15. BUSHELS PER ACRE
HOW MANY ACRES DO YOU WISH TO BUY THIS YEAR?
☐: 0

HOW MANY ACRES DO YOU WISH TO SELL?
☐: 100

HOW MANY BUSHELS OF GRAIN DO YOU WISH TO DISTRIBUTE AS FOOD?
☐: 2000

HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?
☐: 900

THINK AGAIN, MASTER. YOU HAVE ONLY 873.4 BUSHELS LEFT IN YOUR STOREHOUSE.

THE GODS DECREE THAT 1 BUSHEL IS REQUIRED TO PLANT 1 ACRE.

PRAY TELL ME AGAIN, MASTER;
HOW MANY ACRES DO YOU WISH TO PLANT WITH SEED?
☐: 873.4

** A YEAR PASSETH...
LAST YEAR, 4 PEOPLE DIED OF STARVATION,
AND 1 NEW PEOPLE CAME INTO YOUR DOMAIN.

THE POPULATION OF YOUR DOMAIN IS NOW 96 LOYAL SUBJECTS.

YOU NOW OWN 900 ACRES OF LAND.
WE PLANTED 873.4 ACRES LAST YEAR. WE HARVESTED 5 BUSHELS PER ACRE.
THE TOTAL HARVEST WAS THEREFORE 4367 BUSHELS.
YOUR ENEMIES CAUSED RATS TO EAT (YUM) 262.02 BUSHELS.
THEREFORE, YOU NOW HAVE 4104.98 BUSHELS IN YOUR STOREHOUSE.

MASTER, I AM READY TO EXECUTE YOUR COMMANDS FOR THE FOLLOWING YEAR.
IF THOU ART READY TO ISSUE THEM, TYPE YES. IF NOT, TYPE NO.
YES

MASTER, THIS YEAR WE CAN BUY OR SELL HOPE LAND FOR 15 BUSHELS PER ACRE.

HOW MANY ACRES DO YOU WISH TO BUY THIS YEAR?

100

HOW MANY BUSHELS OF GRAIN DO YOU WISH TO DISTRIBUTE AS FOOD?

20×96

YOU HAVE ALLOTTED JUST ENOUGH GRAIN FOR YOUR PEOPLE TO SURVIVE. DO YOU WISH THIS?

YES

TYRANT! ALL THY PEOPLE WILL STARVE! I SHALL LEAD THE REVOLUTION!

FAREWELL!

**NOTE:** EACH SIGN-ON PRODUCES UNIQUE EQUILIBRIUM VALUES VIA RANDOM NUMBER TRANSFORMS OF FUNCTION PARAMETERS.

THIS PROGRAM ILLUSTRATES THE COBWEB MODEL OF SUPPLY AND DEMAND. IN THIS MODEL QUANTITY SUPPLIED DEPENDS ON LAST SEASONS PRICES AND THE MARKET EXCEPT FOR RANDOM ERROR THE AMERICAN ONION MARKET IS A TYPICAL EXAMPLE OF SUCH A MARKET. YOU ARE ASKED TO ASSUME THE ROLE OF AN ONION FARMER WHO HAS RESOURCES TO PRODUCE A MAXIMUM OF FIFTY THOUSAND SACKS OF ONIONS PER YEAR. ALL THE ONIONS YOU HARVEST ARE SOLD, AND YOU WILL BE WORKING TO FIND THE PRODUCTION LEVEL WHICH MAXIMIZES YOUR OWN PROFITS. ASSUMING YOU ARE A TYPICAL ONION FARMER, THIS LEVEL WILL CORRESPOND TO THE POINT AT WHICH THE SUPPLY AND DEMAND CURVES FOR THE WHOLE MARKET INTERSECT. HOW MANY SACKS WILL YOU TRY TO PRODUCE IN THE FIRST YEAR? (USE A MINUS NUMBER TO QUIT BEFORE THE END.

3500
YOU SOLD 3499 SACKS AT 58.93 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 206254.66 DOLLARS. YOUR OVERALL PROFIT WAS 45401.12844 DOLLARS. HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

3400
YOU SOLD 3399 SACKS AT 62.94 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 213988.8 DOLLARS. YOUR OVERALL PROFIT WAS 45499.60789 DOLLARS. HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

3350
YOU SOLD 3349 SACKS AT 65.09 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 218052.92 DOLLARS. YOUR OVERALL PROFIT WAS 45522.35315 DOLLARS. CONGRATULATIONS, YOU HAVE COME CLOSE TO PROFIT MAXIMIZING QUANTITY = 3317 SACKS OF ONIONS

***************

BUT UNFORTUNATELY, THE ONION MARKET IS NOT REALLY SO SIMPLE BECAUSE IT IS AFFECTED BY MANY ENVIRONMENTAL AND ECONOMIC CONDITIONS. FOR AN EXAMPLE, WE WILL LET NATIONAL DISPOSABLE INCOME INCREASE, WHICH WILL CAUSE A SHIFT IN THE ONION MARKETS DEMAND CURVE. DECIDE WHAT EFFECT THIS WILL HAVE ON THE LEVEL OF PRODUCTION NECESSARY TO MAXIMIZE YOUR OWN PROFITS, AND CONTINUE.

HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

0:

4000
YOU SOLD 3999 SACKS AT 55.26 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 221047.84 DOLLARS. YOUR OVERALL PROFIT WAS 53643.22695 DOLLARS. HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

0:

3400
YOU SOLD 3399 SACKS AT 79.91 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 271718.04 DOLLARS. YOUR OVERALL PROFIT WAS 54603.0164 DOLLARS. CONGRATULATIONS, YOU HAVE COME CLOSE TO PROFIT MAXIMIZING QUANTITY = 3469 SACKS OF ONIONS

*************************

A WAGE INCREASE IS NECESSARY FOR YOUR WORKERS DURING THE NEXT SEASON, AND THIS WILL SHIFT YOUR SUPPLY CURVE.

HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

0:

4000
YOU SOLD 3999 SACKS AT 55.26 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 221047.84 DOLLARS. YOUR OVERALL PROFIT WAS 47737.89159 DOLLARS. HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

0:

3800
YOU SOLD 3799 SACKS AT 62.08 DOLLARS PER SACK. YOUR TOTAL REVENUE WAS 235925.74 DOLLARS.YOUR OVERALL PROFIT WAS 47793.49335 DOLLARS. HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

0:

3850
YOU SOLD 3849 SACKS AT 60.27 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 232041.6 DOLLARS.
YOUR OVERALL PROFIT WAS 47803.07873 DOLLARS.
CONGRATULATIONS, YOU HAVE COME CLOSE TO PROFIT MAXIMIZING
QUANTITY = 3853 SACKS OF ONIONS

******************************************************************************

THE COST OF ONION SEEDS HAS JUST GONE DOWN ENABLING
YOU TO PRODUCE MORE AT A LOWER COST,
HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

4500
YOU SOLD 4499 SACKS AT 42.29 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 190338.99 DOLLARS.
YOUR OVERALL PROFIT WAS 44505.4461 DOLLARS.
HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

3900
YOU SOLD 3899 SACKS AT 58.53 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 228270.31 DOLLARS.
YOUR OVERALL PROFIT WAS 44918.03461 DOLLARS.
HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

4050
YOU SOLD 4049 SACKS AT 53.72 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 217588.08 DOLLARS.
YOUR OVERALL PROFIT WAS 44979.04378 DOLLARS.
CONGRATULATIONS, YOU HAVE COMECLOSE TO PROFIT MAXIMIZING
QUANTITY = 4042 SACKS OF ONIONS

******************************************************************************

POOR WEATHER IS PREDICTED FOR THE COMING SEASONS, AND
THIS WILL REDUCE YOUR HARVEST SIGNIFICANTLY.
HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

4500
YOU SOLD 4332 SACKS AT 46.1 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 199737.42 DOLLARS.
YOUR OVERALL PROFIT WAS 44774.40952 DOLLARS.
HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

4300
YOU SOLD 4150 SACKS AT 50.81 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 210898.51 DOLLARS.
YOUR OVERALL PROFIT WAS 44948.2024 DOLLARS.
HOW MANY SACKS WILL YOU TRY TO PRODUCE NEXT YEAR.

4200
YOU SOLD 4059 SACKS AT 53.44 DOLLARS
PER SACK. YOUR TOTAL REVENUE WAS 216938.61 DOLLARS.
YOUR OVERALL PROFIT WAS 44978.41019 DOLLARS.
CONGRATULATIONS, YOU HAVE COME CLOSE TO PROFIT MAXIMIZING
QUANTITY = 4042 SACKS OF ONIONS

******************************************************************************

YOU HAVE RECEIVED RECOGNITION AS AN OUTSTANDING ONION FARMER. THIS IS THE END OF THIS PROGRAM.
LOAD PRESENTVALUE
SAVED 16.57.03 04/21/72

FUNCTIONS
ANNUITY DPT DP PRESENTVALUE HYP INTEREST PRESENTVALUE
REPAY SAVE SIZE SQRT DP PRESENTVALUE

THIS PROGRAM CALCULATES PRESENT VALUES, FUTURE VALUES,
AND DISCOUNT RATES, USING DISCRETE OR CONTINUOUS COMPOUNDING.
THE CALCULATIONS ARE BASED ON THE FORMULAS:

\[
P = p \times e^{(y \times r)} \quad \text{CONTINUOUS COMPOUNDING}
\]

\[
P = p \times (1 + r/t)^{y} \quad \text{DISCRETE COMPOUNDING}
\]

WHERE
P = PRESENT VALUE
F = FUTURE VALUE
Y = NUMBER OF YEARS (PERIODS) COMPOUNDED
R = INTEREST RATE PER YEAR (PERIOD)
T = NUMBER OF COMPOUNDINGS PER YEAR (PERIOD).

IN USING THE PROGRAM, ALL PARAMETERS, INCLUDING THE ONE
UNKNOWN, ARE ENTERED, AND THE UNKNOWN IS SOLVED FOR. WHEN
THE UNKNOWN QUANTITY IS REQUESTED, TYPE + FIND. AN EXAMPLE
OF THIS IS:

P = 24, R = 0.05, T = 4, Y = 300, F = FIND.

WHEN ALL QUANTITIES EXCEPT THE FUTURE VALUE ARE ASKED FOR,
ENTER THE QUANTITY BY TYPING 24 .05 4 ETC.
WHEN THE PROGRAM ASKS 'ENTER FUTURE VALUE', TYPE + FIND
THE PROGRAM WILL THEN SOLVE FOR THE FUTURE VALUE AND
PRINT ALL THE VALUES INVOLVED.

TO USE THE PROGRAM TYPE + PRESENTVALUE

PRESENTVALUE
ENTER PRESENT VALUE .

FIND
ENTER FUTURE VALUE

1000
ENTER INTEREST RATE

0.08
CONTINUOUS OR DISCRETE COMPOUNDING?

DISCRETE
ENTER NUMBER OF COMPOUNDINGS PER YEAR (PERIOD)

4
ENTER NUMBER OF YEARS (PERIODS)

10
PRESENT VALUE = 500
FUTURE VALUE = 1000
INTEREST RATE = 0.06991876841

COMPOUNDED 4 TIMES A YEAR (PERIOD)
COMPOUNDED 10 YEARS (PERIODS)

ANNUITY

ENTER THE AMOUNT OF THE ANNUITY
□: 100
ENTER THE NUMBER OF YEARS OVER WHICH THE ANNUITY WILL BE RECEIVED
□: 20
ENTER THE APPROPRIATE DISCOUNT RATE
□: .08
<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>92.59259259</td>
</tr>
<tr>
<td>2</td>
<td>85.73388203</td>
</tr>
<tr>
<td>3</td>
<td>79.3832241</td>
</tr>
<tr>
<td>4</td>
<td>73.50298528</td>
</tr>
<tr>
<td>5</td>
<td>68.0583197</td>
</tr>
<tr>
<td>6</td>
<td>63.01696269</td>
</tr>
<tr>
<td>7</td>
<td>58.34903953</td>
</tr>
<tr>
<td>8</td>
<td>54.02688845</td>
</tr>
<tr>
<td>9</td>
<td>50.02489671</td>
</tr>
<tr>
<td>10</td>
<td>46.31934881</td>
</tr>
<tr>
<td>11</td>
<td>42.88828593</td>
</tr>
<tr>
<td>12</td>
<td>39.71137586</td>
</tr>
<tr>
<td>13</td>
<td>36.76979247</td>
</tr>
<tr>
<td>14</td>
<td>34.04610414</td>
</tr>
<tr>
<td>15</td>
<td>31.5241705</td>
</tr>
<tr>
<td>16</td>
<td>29.18904676</td>
</tr>
<tr>
<td>17</td>
<td>27.02689514</td>
</tr>
<tr>
<td>18</td>
<td>25.02490291</td>
</tr>
<tr>
<td>19</td>
<td>23.1712064</td>
</tr>
<tr>
<td>20</td>
<td>21.45482074</td>
</tr>
</tbody>
</table>

The present value of the annuity stream is $981.8147407$ dollars.

*Size*

Enter principal to be borrowed: 30000

Enter annual interest rate: 0.075

Enter the number of years over which monthly installments are to be paid: 30

Your monthly payment will be approximately: $209.7643526$ dollars.

If you wish, you may check this value by using the program `REPAY`.

End

**REPAY**

Enter principal to be borrowed: 30000

Enter annual interest rate: 0.075

Enter approximate monthly payment from program `SIZE`:
YOU WILL HAVE A TOTAL OF 361 PAYMENTS
OF WHICH 360 ARE 209.76 DOLLARS,
AND THE LAST PAYMENT IS 6.24
YOUR PAYMENTS WILL SUM TO 75519.84 DOLLARS.

IF YOU WISH YOU MAY EXECUTE THIS
PROGRAM AGAIN WITH A SLIGHTLY
LARGER OR SMALLER PAYMENT.

END

INTEREST

ENTER PRINCIPAL
100.00

ENTER NUMBER OF YEARS
10

ENTER RATES OF INTEREST UNDER CONSIDERATION,
E.G., .05 .06 .07
.05 .075 .10

<table>
<thead>
<tr>
<th></th>
<th>0.05</th>
<th>0.075</th>
<th>0.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>105</td>
<td>107.5</td>
<td>110</td>
</tr>
<tr>
<td>2</td>
<td>110.25</td>
<td>115.5625</td>
<td>121</td>
</tr>
<tr>
<td>3</td>
<td>115.7625</td>
<td>124.2296875</td>
<td>133.1</td>
</tr>
<tr>
<td>4</td>
<td>121.550625</td>
<td>133.5469141</td>
<td>146.41</td>
</tr>
<tr>
<td>5</td>
<td>127.6281562</td>
<td>143.5629326</td>
<td>161.051</td>
</tr>
<tr>
<td>6</td>
<td>134.0095641</td>
<td>154.3301526</td>
<td>177.1561</td>
</tr>
<tr>
<td>7</td>
<td>140.7100423</td>
<td>165.904914</td>
<td>194.87171</td>
</tr>
<tr>
<td>8</td>
<td>147.7455444</td>
<td>178.3477826</td>
<td>214.358881</td>
</tr>
<tr>
<td>9</td>
<td>155.1328216</td>
<td>191.7238662</td>
<td>235.7947691</td>
</tr>
<tr>
<td>10</td>
<td>162.8894627</td>
<td>206.1031562</td>
<td>259.374246</td>
</tr>
</tbody>
</table>
PROFIT ILLUSTRATES THE RELATIONSHIP BETWEEN PROFIT MAXIMIZING PRICE, MARGINAL REVENUE AND PRICE ELASTICITY OF DEMAND.

MARGINAL REVENUE (MR) IS DEFINED AS THE ADDITION TO TOTAL REVENUE (TR) ATTRIBUTABLE TO THE ADDITION OF ONE UNIT OF OUTPUT TO SALES. THE FOLLOWING TABLE SHOWS QUANTITY DEMANDED (Q) AND TOTAL REVENUE (TR=PxQ) FOR A PRODUCT A DIFFERENT PRICES (P)

<table>
<thead>
<tr>
<th>P</th>
<th>Q</th>
<th>TR</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.00</td>
<td>291</td>
<td>1164</td>
</tr>
<tr>
<td>3.80</td>
<td>315</td>
<td>1197</td>
</tr>
<tr>
<td>3.60</td>
<td>344</td>
<td>1238</td>
</tr>
<tr>
<td>3.40</td>
<td>376</td>
<td>1278</td>
</tr>
<tr>
<td>3.20</td>
<td>415</td>
<td>1328</td>
</tr>
<tr>
<td>3.00</td>
<td>459</td>
<td>1377</td>
</tr>
<tr>
<td>2.80</td>
<td>513</td>
<td>1436</td>
</tr>
<tr>
<td>2.60</td>
<td>577</td>
<td>1500</td>
</tr>
<tr>
<td>2.40</td>
<td>655</td>
<td>1572</td>
</tr>
<tr>
<td>2.20</td>
<td>752</td>
<td>1654</td>
</tr>
<tr>
<td>2.00</td>
<td>875</td>
<td>1750</td>
</tr>
<tr>
<td>1.80</td>
<td>1034</td>
<td>1861</td>
</tr>
<tr>
<td>1.60</td>
<td>1247</td>
<td>1995</td>
</tr>
<tr>
<td>1.40</td>
<td>1542</td>
<td>2159</td>
</tr>
</tbody>
</table>

WHAT IS MR WHEN P = 3.4

\[ 40 \div 32 \]

RIGHT! THE MR = 1.25

WHAT IS MR WHEN P = 3.2

\[ 1.27 \]
RIGHT! \text{MR} = 1.271794872

The next table shows total cost (TC), assuming a linear cost function, and net profit (NP), in addition to Q and TR for each price level.

<table>
<thead>
<tr>
<th>P</th>
<th>Q</th>
<th>TR</th>
<th>TC</th>
<th>EP</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.00</td>
<td>291</td>
<td>1164</td>
<td>389</td>
<td>775</td>
</tr>
<tr>
<td>3.80</td>
<td>315</td>
<td>1197</td>
<td>417</td>
<td>780</td>
</tr>
<tr>
<td>3.60</td>
<td>344</td>
<td>1238</td>
<td>451</td>
<td>787</td>
</tr>
<tr>
<td>3.40</td>
<td>376</td>
<td>1278</td>
<td>488</td>
<td>790</td>
</tr>
<tr>
<td>3.20</td>
<td>415</td>
<td>1328</td>
<td>534</td>
<td>794</td>
</tr>
<tr>
<td>3.00</td>
<td>459</td>
<td>1377</td>
<td>585</td>
<td>792</td>
</tr>
<tr>
<td>2.80</td>
<td>513</td>
<td>1436</td>
<td>648</td>
<td>788</td>
</tr>
<tr>
<td>2.60</td>
<td>577</td>
<td>1500</td>
<td>723</td>
<td>777</td>
</tr>
<tr>
<td>2.40</td>
<td>655</td>
<td>1572</td>
<td>814</td>
<td>758</td>
</tr>
<tr>
<td>2.20</td>
<td>752</td>
<td>1654</td>
<td>927</td>
<td>728</td>
</tr>
<tr>
<td>2.00</td>
<td>875</td>
<td>1750</td>
<td>1070</td>
<td>680</td>
</tr>
<tr>
<td>1.80</td>
<td>1034</td>
<td>1861</td>
<td>1256</td>
<td>606</td>
</tr>
<tr>
<td>1.60</td>
<td>1247</td>
<td>1995</td>
<td>1504</td>
<td>491</td>
</tr>
<tr>
<td>1.40</td>
<td>1542</td>
<td>2159</td>
<td>1848</td>
<td>311</td>
</tr>
</tbody>
</table>

Marginal cost (MC) is defined in the same way that marginal revenue was defined, except that total cost is used instead of total revenue.

What is MC when P = 3.6?
\[ (451-417) \div (344-315) \]
Correct. The MC is 1.166

What is MC when P = 3.2?
1.2
CORRECT. THE MC IS 1.166
NOTICE THAT MC IS APPROXIMATELY THE SAME AT ALL PRICE
LEVELS. THE REASON IS THAT A LINEAR COST FUNCTION HAS BEEN
USED IN CONSTRUCTING THIS EXAMPLE:

\[ TC = \text{FIXED COST} + (\text{VARIABLE COST PER UNIT}) \times Q \]

THE GRAPH OF A LINEAR COST FUNCTION LOOKS LIKE THIS:

\[ \text{TOTAL COST} \]

\[ \begin{array}{c|c|c|c|c}
\text{Quantity} & 200 & 400 & 600 & 800 \\
\hline
900 & & & & \\
800 & & & & \\
700 & & & & \\
600 & & & & \\
500 & & & & \\
400 & & & & \\
300 & & & & \\
200 & & & & \\
\end{array} \]

WHENEVER A LINEAR COST FUNCTION IS USED, MC = VARIABLE
COST PER UNIT. HERE MC = 1.166
WHAT IS MR WHEN NET PROFIT IS MAXIMIZED?

\[ \frac{\text{MR}}{\text{MC}} = 2.0 \]

SORRY. PROFITS ARE MAXIMIZED WHEN P = 3.1
TRY AGAIN.

\[ \frac{\text{MR}}{\text{MC}} = 3.2 \]

ETC.
GAiNE IN THE LOGISTICS OF AN Oligopoly Market

GENERAL INSTRUCTIONS

OBJECTIVE

Your team has taken over the management of one of a small number of identical firms in an industry. You are given information on your costs below. The demand for your output depends on your price, your competitors' prices, and on forces beyond your control.

You are a responsible management team attempting to maximize the welfare of your stockholders. All profits are considered to be paid out in dividends, so maximizing the present value of profits may be a reasonable objective. Ratings are based upon profits.

CONSTRAINS

All firms have fixed costs (interest payments, long-term debt, your salaries, etc.) of 50,000.00 per period. Variable costs (labor and materials) are consistent at 50 cents per unit up to capacity. Capacity is 100,000 units per period for all firms. Unfilled orders cause an increase in competitors' demand.

LEGAL SITUATION

There are three possible legal environments:

I. The industry is bound by the Sherman Act.
II. All firms agree to an enforceable cartel arrangement.
III. Cartels are not illegal, but there is no way to legally enforce them.

MECHANICS

An impartial game administrator will initialize the game parameters, and render identical decisions for all firms for the first period. Once you receive the initial printout and familiarize yourself with the information, the game may proceed for as many quarters as you wish to play. There is no data storage -- the game must be played sequentially.

TO PLAY THE GAME TYPE: OLIGOPOLY
Oligopoly

You have just entered into the domain of the oligopoly game.

Type the number of firms competing in this game:

3

Enter a brief industry description:

Oil additive

Do you wish to have student output?

Yes

Please enter monopoly price

$: 7.29

Enter value for a-factor

$: 4.0

Enter your firm's price

Student Firm Number 1 Enter Your Price

$: 5.25

Student Firm Number 2 Enter Your Price

$: 8.59

Student Firm Number 3 Enter Your Price

$: 7.49
**INSTRUCTOR’S OUTPUT**

**INDUSTRY DESCRIPTION:** OIL ADDITIVE

<table>
<thead>
<tr>
<th>PERIOD NUMBER 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oligopoly Price:</strong> 7.29</td>
</tr>
<tr>
<td><strong>Cheaters Price:</strong> 6.568669725</td>
</tr>
<tr>
<td><strong>Standard Deviation of Demand:</strong> 4305.810398</td>
</tr>
</tbody>
</table>

| PRICES | 5.25 | 8.59 | 7.49 |
| SALES  | 100000.00 | 0.00 | 0.00 |
| UNFILLED ORDERS | 134471.36 | 0.00 | 0.00 |
| PROFITS | 425000.00 | -50000.00 | -50000.00 |
| RATING  | 133.63 | -16.19 | -16.46 |

To calculate ratings based on non-random profits, run program again setting a-factor to zero.

**INDUSTRY SALES** 100000

**INDUSTRY PROFITS** 325000

**AVERAGE PRICE** 7.11

**INDUSTRY RATING** 34.9167005

---

**STUDENT OUTPUT**

**Firm Number** 1

| PRICE | 5.25 |
| SALES | 100000.00 |
| UNFILLED ORDERS | 134471 |
| PROFITS | 425000.00 |
| RATING  | 133.63 |
| INDUSTRY SALES | 100000.00 |
| AVERAGE PRICE | 7.11 |

**Firm Number** 2

| PRICE | 8.59 |
| SALES | 0.00 |
| UNFILLED ORDERS | 0 |
| PROFITS | -50000.00 |
| RATING  | -16.19 |
| INDUSTRY SALES | 100000.00 |
| AVERAGE PRICE | 7.11 |

**Firm Number** 3

| PRICE | 7.49 |
| SALES | 0.00 |
| UNFILLED ORDERS | 0 |
| PROFITS | -50000.00 |
| RATING  | -16.46 |
| INDUSTRY SALES | 100000.00 |
| AVERAGE PRICE | 7.11 |
STUDENT EVALUATION

A total of 183 students enrolled in day economics courses during the Spring 1972 semester experienced some form of computer assisted instruction (CAI). Of this number 98 used the APL computer terminal for one or more mandatory, optional, or remedial assignments. Obviously, one terminal available five or fewer hours per day cannot service a large student population. The following student questionnaire was prepared to assess the impact of CAI generally, and for those students who had experienced both "batch" and interactive terminal CAI, the relative impact of batch processing versus terminal processing.

<table>
<thead>
<tr>
<th>% Responding*</th>
<th>Response item</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes no opinion</td>
<td></td>
</tr>
<tr>
<td>73% 13% 13%</td>
<td>The use of the computer allowed me to understand economic concepts as well as or better than a textbook.</td>
</tr>
<tr>
<td>92 6 3</td>
<td>The use of the computer created more interest in the material covered than would have existed without it.</td>
</tr>
<tr>
<td>2 12 87</td>
<td>The prepared computer assignments were a bother and a waste of my time.</td>
</tr>
<tr>
<td>7 30 62</td>
<td>Most students paid little attention to the computer exercises, games, and simulations.</td>
</tr>
<tr>
<td>83 10 6</td>
<td>I would like to see the college expand its computer services for instructional purposes.</td>
</tr>
</tbody>
</table>

*Answer these questions only if you had experience with both the "batch" games and the APL computer terminal.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>39% 28% 33%</td>
<td>I prefer the batch processing to the terminal processing.</td>
</tr>
<tr>
<td>56 26 14</td>
<td>To me, the immediate feedback of the terminal system was preferable to waiting for the results from the batch method.</td>
</tr>
<tr>
<td>21 15 64</td>
<td>The terminals were too fast since I felt pressured to give a reply before I had time to think about it.</td>
</tr>
<tr>
<td>75 15 9</td>
<td>The computer terminal allowed me to explore realities or solve problems that would have been very difficult or impossible to accomplish by other means.</td>
</tr>
<tr>
<td>5 29 65</td>
<td>It is unnecessary to have computer terminals in order to receive the full benefit of computerized learning experiences.</td>
</tr>
</tbody>
</table>

*May not add to 100% due to rounding.
**INSTRUCTOR'S OUTPUT**

**INDUSTRY DESCRIPTION**: OIL ADDITIVE

**PERIOD NUMBER 1**

<table>
<thead>
<tr>
<th>MONOPOLY PRICE</th>
<th>CHEATERS PRICE</th>
<th>STANDARD DEVIATION OF DEMAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.29</td>
<td>6.56666666675</td>
<td>43.05810398</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRICES</th>
<th>SALES</th>
<th>UNFILLED ORDERS</th>
<th>PROFITS</th>
<th>RATING</th>
<th>INDUSTRY SALES</th>
<th>AVERAGE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.25</td>
<td>100000.00</td>
<td>134471.36</td>
<td>425000.00</td>
<td>133.63</td>
<td>100000.00</td>
<td>7.11</td>
</tr>
<tr>
<td>8.59</td>
<td>0.00</td>
<td>0.00</td>
<td>-50000.00</td>
<td>-16.19</td>
<td>100000.00</td>
<td>7.11</td>
</tr>
<tr>
<td>7.49</td>
<td>0.00</td>
<td>0.00</td>
<td>-50000.00</td>
<td>-16.46</td>
<td>100000.00</td>
<td>7.11</td>
</tr>
</tbody>
</table>

**STUDENT OUTPUT**

<table>
<thead>
<tr>
<th>FIRM NUMBER</th>
<th>PRICE</th>
<th>SALES</th>
<th>UNFILLED ORDERS</th>
<th>PROFITS</th>
<th>RATING</th>
<th>INDUSTRY SALES</th>
<th>AVERAGE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5.25</td>
<td>100000.00</td>
<td>134471.36</td>
<td>425000.00</td>
<td>133.63</td>
<td>100000.00</td>
<td>7.11</td>
</tr>
<tr>
<td>2</td>
<td>8.59</td>
<td>0.00</td>
<td>0</td>
<td>-50000.00</td>
<td>-16.19</td>
<td>100000.00</td>
<td>7.11</td>
</tr>
<tr>
<td>3</td>
<td>7.49</td>
<td>0.00</td>
<td>0</td>
<td>-50000.00</td>
<td>-16.46</td>
<td>100000.00</td>
<td>7.11</td>
</tr>
</tbody>
</table>
STUDENT EVALUATION

A total of 183 students enrolled in day economics courses during the Spring 1972 semester experienced some form of computer assisted instruction (CAI). Of this number 98 used the APL computer terminal for one or more mandatory, optional, or remedial assignments. Obviously, one terminal available five or fewer hours per day cannot service a large student population. The following student questionnaire was prepared to assess the impact of CAI generally, and for those students who had experienced both "batch" and interactive terminal CAI, the relative impact of batch processing versus terminal processing.

<table>
<thead>
<tr>
<th>% Responding*</th>
<th>Response item</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>73%</td>
<td>13%</td>
</tr>
<tr>
<td>92</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>30</td>
</tr>
<tr>
<td>83</td>
<td>10</td>
</tr>
</tbody>
</table>

The use of the computer allowed me to understand economic concepts as well as or better than a textbook.
The use of the computer created more interest in the material covered than would have existed without it.
The prepared computer assignments were a bother and a waste of my time.
Most students paid little attention to the computer exercises, games, and simulations.
I would like to see the college expand its computer services for instructional purposes.

answer these questions only if you had experience with both the "batch" games and the APL computer terminal.

<table>
<thead>
<tr>
<th>% Responding*</th>
<th>Response item</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>58</td>
<td>26</td>
</tr>
<tr>
<td>21</td>
<td>15</td>
</tr>
<tr>
<td>75</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>29</td>
</tr>
</tbody>
</table>

I prefer the batch processing to the terminal processing.
To me, the immediate feedback of the terminal system was preferable to waiting for the results from the batch method.
The terminals were too fast since I felt pressured to give a reply before I had time to think about it.
The computer terminal allowed me to explore realities or solve problems that would have been very difficult or impossible to accomplish by other means.
It is unnecessary to have computer terminals in order to receive the full benefit of computerized learning experiences.

*May not add to 100% due to rounding.