



Instructions – A Market Game (Game 1)

We are going to set up a market in which the people on my right will be buyers, and the people on my left will be sellers. I will give each buyer and seller a numbered playing card. Some cards have been removed from the deck, and all remaining cards have a number. Please hold your card so that others do not see the number. The buyers cards are black (clubs or spades) and the sellers' cards are red (hearts or diamonds). Each card represents one unit of an unspecified commodity that can be bought by buyers or sold by sellers.

Trading – Buyers and sellers will meet in the centre of the room and negotiate during a trading period. Prices must be multiples of 50p. When a buyer and a seller agree on a price, they will come together to the front of the room to report the price, which will be announced to all. Then the buyer and seller will turn in their cards, return to their original seats, and wait for the trading period to end. There will be several trading periods. Later trading periods will only last three minutes.

Sellers – You can each sell a single unit of the commodity during a trading period. The number on your card is the cost in £s that you incur if you make a sale. You will be required to sell at a price that is no lower than the cost number on the card. Your earnings on the sale are calculated as the difference between the price that you negotiate and the cost number on the card. If you do not make a sale, you do not earn anything or incur any cost in that period

Example – Suppose your card is a 2 of diamonds and you negotiate a sale price of £3.50. Then you would earn: $£3.50 - £2 = £1.50$. You would not be allowed to sell at a price below £2 with this card (2 of diamonds). If you mistakenly agree to a price that is below your cost, then the trade will be invalidated when you come to the front desk; your card will be returned and you can resume negotiations.

Buyers – You can each buy a single unit of the commodity during a trading period. The number on your card represents the maximum amount you would be willing to pay i.e. the value/pleasure you receive from the purchased coffee. You cannot buy at a price that is higher than the number on your card. Your earnings on a purchase are calculated as the difference between the number on the card and the price you



negotiate. If you do not make a purchase, you do not earn anything in the period

Example – Suppose your card is the 9 of Spades and you negotiate a purchase price of £4. Then you would earn $£9 - £4 = £5$. You will not be allowed to buy at a price above £9 with this card (9 Spades). If you mistakenly agree to a price that is above your value, then the trade will be invalidated when you come to the front desk; your card will be returned and you can resume negotiations.

Recorded Earnings – Some sellers with high costs and some buyers with low values may not be able to negotiate a trade, but do not be discouraged since new cards will be passed out at the beginning of the next period. Remember that earnings are zero for any unit not bought or sold (sellers incur no cost and buyers receive no value). When the period ends, I will collect the cards for the units not traded, and you can calculate your earnings while I shuffle and redistribute the cards

Finally – When a buyer and seller agree on a price, both should immediately come to the front table to turn in their cards together, so that we verify that the price is neither lower than the sellers' cost nor higher than the buyer's value. If there is a line, wait together with your trading partner.