

Market Experiment Rules (Double Oral Auction)

1. A seller makes an offer to sell at a stated price (I will sell for \$100), or a buyer makes an offer to buy at a stated price (I will buy for \$5).
2. Once an offer is on the table, someone on the other side of the market can accept. For example, if a seller has offered to sell for \$100, a buyer can say, "I will buy for \$100."
3. If an offer is accepted, the first person to accept transacts with the person making the offer. The seller incurs her cost but receives the agreed upon price. The buyer receives his "value" but pays the agreed upon price. We then start over with step 1.
4. If the offer is not accepted after a reasonable wait, it is cancelled, and we go to step 1. For example, if no one wants to pay \$100, a new offer can be made. However, a new offer to sell should be below \$100. If previously no one wanted to sell for \$5, a new offer to buy should be above \$5. (It is a waste of time not to keep things moving towards a transaction.)

When a transaction occurs, please mark the price on your card. At most one transaction per person during the whole game.

Buyer's payoff is: $\text{value} - \text{transactions price}$

Seller's payoff is: $\text{transactions price} - \text{cost}$.

hint: Don't pay more than your value, and don't sell for less than your cost.