APPENDIX A—HANDOUTS AND INSTRUCTIONS

LABORATORY EXPERIMENT IN DECISION MAKING INSTRUCTIONS FOR BUYERS

GENERAL

This is an experiment in the economics of market decision making. The following instructions are simple. If you follow them carefully and make good decisions, you might earn a lot of money that will be paid to you in cash!

In this experiment we are going to conduct a trading market in which some of the participants will be buyers of securities and the others will be sellers. You have been designated a buyer. You are not to discuss with any of the other participants either your designated role or any other aspect of your performance or the experiment until the experimental session is finished. If at any time you have any questions, raise your hand and one of the monitors will assist you. Do not ask any of the other participants for assistance.

SPECIFIC INSTRUCTIONS TO BUYERS

After the monitor makes some introductory remarks, we will conduct three market sessions followed by a postexperiment session when you will be asked to complete a questionnaire. You then will be paid in cash for the profits you have earned. The first market session will be a training session. You will not be paid for the profits earned from this session. The purpose of this session is to learn the procedures needed to make trades and record transactions so that you can perform well in the two for-pay market sessions. The second and third market sessions will be live sessions in which your decisions will determine your profits and the amount of money that you make.

Each of the three market sessions comprises seven four-minute periods. At the beginning of each period you will be credited with 50,000 francs. When the trading period begins you are free to make bids to purchase the securities offered by the sellers. The sellers will have two types of securities for sale. Type #1 is subject to a management fee on any realized gross profit while Type #2 is not subject to any management fee. Both types of securities will have a one-period life and a randomly determined end-of-period redemption value.

When the four-minute trading period is over, the markets will close automatically. At this time the monitor will determine the redemption value of the securities and you then will determine your profits (losses) for the period. When everybody has finished computing their profits (losses), the monitor will signal the beginning of another four-minute trading period. You do not get to keep any unspent francs from the preceding trading period.

When you have completed reading these instructions, please raise your hand to let the monitor know you are finished.

LABORATORY EXPERIMENT IN DECISION MAKING INSTRUCTIONS FOR SELLERS

GENERAL

This is an experiment in the economics of market decision making. The following instructions are simple. If you follow them carefully and make good decisions, you might earn a lot of money which will be paid to you in cash!

In this experiment we are going to conduct a trading market in which some of the participants will be buyers of securities and the others will be sellers. You have been designated a seller. You are not to discuss with any of the other participants either your designated role or any other aspect of your performance or the experiment until the experimental session is finished. If at any time you have any questions, raise your hand and one of the monitors will assist you. Do not ask any of the other participants for assistance.

SPECIFIC INSTRUCTIONS TO SELLERS

After the monitor makes some introductory remarks, we will conduct three market sessions followed by a postexperiment session when you will be asked to complete a questionnaire and then paid in cash for the profits you have earned. The first market session will be a training session. You will not be paid for the profits earned from this session. The purpose of this session is to learn the procedures needed to make trades and record transactions so that you can perform well in the two for-pay market sessions. The second and third market sessions will be live sessions in which your decisions will determine your profits and the amount of money that you make.

Each of the three market sessions comprises seven four-minute periods. At the beginning of each period you will be credited with five units of two types of securities (Type #1 and Type #2) for a total of ten units. When the trading period begins you are free to make offers to sell the securities to the buyers. The amount of profit you earn on each unit is the difference between the price you sell it for and its cost. Each unit's cost is predetermined and is shown on your Record of Sales and Profits which will be distributed in a few minutes. Also, securities sold are sold in the order listed on this sheet. All the securities have a one-period life and are worthless at the end of a period.

When the four-minute trading period is over, the markets will close automatically. At this time you will determine your profits (losses) for the period. When everybody has finished computing their profits (losses), the monitor will signal the beginning of another four-minute trading period. At that time you once again will be given an initial inventory of five units of each type of security and will be free to make offers to sell the securities. You do not get to keep any unsold units from the preceding trading period.

When you have completed reading these instructions, please raise your hand to let the monitor know you are finished.

PRICE JUDGMENTS

For each of the following 24 items, assume that you own a lottery ticket in which your chance of winning $100 is stated in column A and your chance of winning $0 is stated in column B. In column C, please write the *minimum* price you would accept in exchange for your lottery ticket. Consider each item separately.

Item	Column A Chance of Winning $100	Column B Chance of Winning $0	Column C How Much Would You Accept for This Ticket?
1	50%	50%	$
2	20%	80%	$
3	85%	15%	$
4	10%	90%	$
5	40%	60%	$
6	70%	30%	$
7	75%	25%	$
8	55%	45%	$
9	30%	70%	$
10	45%	55%	$
11	90%	10%	$
12	65%	35%	$
13	15%	85%	$
14	60%	40%	$
15	95%	5%	$
16	35%	65%	$
17	25%	75%	$
18	80%	20%	$
19	5%	95%	$
20	62%	38%	$
21	37%	63%	$
22	73%	27%	$
23	28%	72%	$
24	53%	47%	$

POSTEXPERIMENT QUESTIONNAIRE

I.D. Number: _______________ Age: _______ Sex: _______

Hourly Wage of Last Job Held: _______________

For each item listed below, put an "X" on the scale indicating to what extent you agree or disagree with the statement.

1. The training session adequately prepared me for the two live market sessions.

X	X	X	X	X
Agree Strongly				Disagree Strongly

2. The training session adequately taught me how to make trades on the computer and how to read the information shown on the screen.

X	X	X	X	X
Agree Strongly				Disagree Strongly

3. I still was learning how to operate the computer and conduct trades during the two live market sessions.

X	X	X	X	X
Agree Strongly				Disagree Strongly

4. I understood how to compute my profits on the profit sheets.

X	X	X	X	X
Agree Strongly				Disagree Strongly

5. I believe the outcomes of the coin flips were random.

X	X	X	X	X
Agree Strongly				Disagree Strongly

6. (Buyers Only) The management fee influenced the prices I bid to purchase the securities.

X	X	X	X	X
Agree Strongly				Disagree Strongly

7. I understood that my cash compensation was directly related to the profits I earned during the experiment.

X	X	X	X	X
Agree Strongly				Disagree Strongly

8. I was compensated adequately (in cash) for the effort I expended while participating in this experiment.

X	X	X	X	X
Agree Strongly				Disagree Strongly

9. The cash rewards that I received for participating in this experiment outweighed the cost in time and mental effort that I expended.

X	X	X	X	X
Agree Strongly				Disagree Strongly

10. It was possible to make a substantial amount of money (given the work involved) in this experiment if one were to make good decisions.

X	X	X	X	X
Agree Strongly				Disagree Strongly

11. During the actual trading sessions, I took a serious attitude towards my decisions.

X	X	X	X	X
Agree Strongly				Disagree Strongly

12. I had no knowledge of what other students earned during the experiment.

X	X	X	X	X
Agree Strongly				Disagree Strongly

13. During the market sessions, I was aware of conversations between students regarding their earnings or strategies that they were using to make decisions.

X	X	X	X	X
Agree Strongly				Disagree Strongly