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- **Rounds:** The experiment consists of a sequence of market trading periods or "rounds".
- **Roles:** Each person will either be a **buyer** or a **seller** in all rounds. Each seller will choose a quality "grade" for their product and will post a single price at which all of that seller's units are offered for sale. Buyers will then be given the chance to make purchases from one or more sellers at these posted prices. Your role in this market is that of a (seller or buyer).
- **Seller Earnings:** In a given period, each seller will have up to **2 units** of a commodity to sell, and sellers will be told the **monetary costs** of producing each of their units. These costs will depend on the quality grade chosen. A higher grade will result in a higher cost. Sellers may earn money by selling at a price that is above the cost of a unit.
- **Buyer Earnings:** Similarly, each buyer will have **1 unit** of a commodity to buy, and buyers will be told the **monetary values** of their unit. These values will depend on the quality grade of the unit purchased. A higher grade will have a higher value for the buyer. Buyers may earn money by buying at a price that is below the value of the unit.

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- **Your Role: Seller.** For each unit that you sell, you will earn the difference between the selling price of the unit and the cost for that unit, which will depend on the quality grade you select. So high prices and low costs are good for sellers like you. The costs for your 2 units will be given to you, and the determination of price is explained next.
- **Or: your Role: Buyer.** For each unit that you purchase, you will earn the difference between your monetary value of the unit, which depends on its quality grade, and the purchase price. So high money values and low prices are good for buyers like you. The money values for your unit will be given to you, and the determination of price is explained next.
- **Prices:** When the market opens, each seller will choose a price, a quality grade, and a maximum number of units that are offered for sale at that price. Sellers choose prices and grades without seeing others' prices and grades. After all seller decisions have been submitted, prices but not quality grades will be provided to buyers, and buyers will be allowed to make purchases at the posted prices.
- **Information:** Buyers see prices for all sellers prior to making purchases, and they find out the quality grade of a particular seller after a unit is purchased from that seller. Sellers will see all other sellers' prices, but not grades.
- **Transactions:** A transaction is finalized when a buyer accepts a seller's posted price.

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- **Making a Purchase:** At this point, buyers will be approached one by one, and will be allowed to make desired purchases at the posted prices. When all of the units offered by a seller are purchased, that seller's price offer will be withdrawn.
- **Buyer Shopping Order:** Buyers will shop one at a time, in a **random** order. Buyers will be told their randomly determined shopping position at the start of each round, and they can update their submit pages to see which buyer position is currently shopping. A large red notice will appear at the top of the buyer's screen when that person's turn has come. When finished, please remember to press the **Finished Shopping for the Current Round** button so that the next person can begin.

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Page 4 - On this page I will first read the instructions for buyers, and sellers can listen, and then I will read the instructions for sellers, and buyers can listen.

- **(Buyer) Values:** In this market, you are a buyer with 1 unit that can be bought. The value for this unit is shown in the table below. The unit has a value that depends on the quality grade, as shown in the top row of the table.
- **(Buyer) Earnings:** Thus the first unit that you buy will yield money earnings of **unit value - price** paid. Of course, if a unit is not purchased, no price is paid but no value is obtained.
- **(Seller) Costs:** In this market, you are a seller with 2 units that can be sold. The costs for these units depend on the grade selected, as shown in the table below. For example, the first unit has a cost that depends on the quality grade, as shown in the top row of the table.
- **(Seller) Earnings:** Thus first unit that you sell will yield money earnings of **sale price - unit cost**. Of course, if a unit is not sold, no price is received, but no cost is incurred.

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- **Earnings:** Suppose that, when it is a buyer's turn to purchase, there is a unit available at a price of \$P. If the buyer decides to purchase a unit at this price, the number in the price column would become \$P, and the associated earnings would be calculated to be the value of the first unit minus \$P. This value would depend on the grade of the unit purchased. Earnings will be listed as \$0.00 on all unpurchased units. Similarly, if a seller sells a unit at price \$P, the number in the price column would become \$P, and earnings would be calculated to be \$P minus the cost of the unit, which would depend on the grade. All of a seller's units are sold at the same price and grade, and unsold units will be listed with zero earnings.

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Instructions Summary (ID = 0)

- **Values and Costs:** Buyers' unit values depend on quality grades and may differ from buyer to buyer. Sellers' unit costs depend on quality grades and may differ from seller to seller. The selection of a higher grade will result in a higher seller cost if the unit is sold, but it will yield a higher value to a buyer who purchases the unit.
- **Price Postings:** The period begins as sellers choose prices and quality grades without seeing others' prices or grades. Each seller will choose a number of units offered at their price and grade. Sellers are not permitted to sell at a price that is below the cost of the unit being sold.
- **Purchases:** After all prices and grades have been selected, prices (but not grades) are displayed to the buyers and to the other sellers. Buyers are approached one at a time (in random order) and are given the chance to make one or more purchases from one or more sellers.
- **Earnings:** Buyers earn money by purchasing at prices that are below unit values, and sellers earn money by selling at prices that are above unit costs. Final earnings for a period are the sum of earnings for all units transacted; earnings are zero for untraded units.
- **Periods:** The period ends when all buyers have been given the chance to make purchases. Total earnings for that period are calculated and a new period begins. The program will keep track of your cumulative earnings.

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