

U.S. team instructions

You are a team from the United States. There are three other U.S. teams, and four Japan teams.

There are 5 'practice match' rounds in this experiment, followed by 15 'competitive match' rounds. The practice match does not count for your final score. Each round is two minutes.

Scoring

Your objective is to maximize your team's 'final score' of **min [blue chips, red chips]** at the conclusion of round 15 in the competitive match. So, for example, if at the end of round 15 your team has 100 blue chips, and 119 red chips your team's 'final score' is 100.

Your payoff will be a direct function of your final score. According to your final score you will receive extra-credit points according to the attached chart. You will be sharing a 'pot' of extra-credit points with the other U.S. teams. All U.S. teams have identical starting positions, production and trading opportunities.

The four Japan teams have different production opportunities from the U.S. teams. Japan teams have identical opportunities with each other.

To repeat: for scoring purposes, U.S. teams will only be compared with other U.S. teams, and Japan teams with other Japan teams.

Money does not count to your final score, but you will need it to buy products from the other country.

Hint: if your final holdings of blue and red chips are not perfectly balanced, the 'extra' chips do not count for your score – they are worthless to you.

Trading

Before the start of round 1 your team is given a one-time endowment of \$US10 and ¥10. No new money will be created or destroyed during the experiment.

Each round has 2 stages.

In stage one, your team chooses a level of [blue chip, red chip] 'production' for that round from the 'production screen.' This screen will disappear after you have chosen your production levels for that round.

Whatever combination your team chooses will be added to your existing balance of chips.

In stage two your team can buy and sell chips with other teams from the 'trading screen.'

You can sell blue chips (one at a time) in the blue market for dollars. You can enter an 'ask' and if a buyer has entered a matching offer the transaction will be automatically cleared and recorded. You will see your balances of blue chips and dollars change.

You can buy red chips (one at a time) in the red market for yen. You can enter an 'bid' and if a seller has entered a matching offer the transaction will be automatically cleared and recorded. You will see your balances of red chips and yen change.

You will be accumulating dollars in the blue market. How do you obtain yen to buy red chips? By selling dollars in the foreign exchange market.

You can sell dollars (one at a time) in the blue market for dollars. You can enter an 'ask' and if a buyer has entered a matching offer the transaction will be automatically cleared and recorded. You will see your balances of dollars and yen change.

There is no way to barter blue chips for red chips directly. You must use currency to buy and sell chips.

During the practice round you will be taught exactly how to use the trading screen to enter bids and asks. It is strongly recommended that the fastest typist in your group do the trades and the other team members give the trading orders.