CLAIMS EXPERIMENT INSTRUCTION MANUAL

I. An Introduction to the Claim Security

A CLAIM is a security, bought and sold in an exchange market much like a stock or bond. The Claim, however, lacks several special properties commonly associated with the stock or bond. For instance, the Claim pays no dividend or interest, nor does it entitle the holder to any rights of ownership in the company. One may ask why someone would want to buy such a security?

The value of a Claim, can be most closly compared with the Horserace Betting Ticket: either the ticket pays off, or it doesn´t. The exact payoff is determined by the odds. The Claim, similarly, pays off, or it doesn´t. However, the payoff, if paid, is always the same, and is stated before the Claim is purchased.

In a horserace, if all the money bet was used to pay off bets, one could concieveably bet the same amount on each horse and exactly break even. One horse would pay off. The rest would not.

The Claim, though no horses are involved, pay off similarly. Groups of Claims, (like the group of horses in a race), are tied to a single economic indicator. Depending upon how good or bad that economic indicator does each quarter, one of the Claims will pay off. The others will not.

In this game, we have taken the simplist case. Two Claims (XXX and YYY) are tied to the same economic indicator. Each

quarter, one and only one of them will pay off.

II. Your Accounts and Take-Home Pay

At the beginning of the game each broker is given an initial cash and Claim holding:

                    25,000   250 XXX   250 YYY

The currency, pounds, ( ), is a contrived one; in that 1000 has the actual value of $0.01. Thus, 25,000 is equivalent to $0.25.

Each quarter one of the two Claims will pay off 100 per Claim.

Your ´Take-Home Pay´ is the amount of money you make and take home with you for playing the game. It is computed and updated every quarter. For every quarter you play, you take home your cash balance, (converted into dollars), plus your Claim payoff, (converted into dollars), at the end of that quarter.

Example: suppose at the end of the first quarter you still had your initial cash and Claim holdings. Your take-home account might look like this:

PREVIOUS BALANCE		$0.00
+	CASH ACCOUNT	0.25
+	PAYOFF OF XXX	0.25
NEW BALANCE		$0.50

Thus, as you can readily see, by doing absolutely nothing, you can make $0.50 every quarter. If you choose to buy or sell Claims, you might make more, or you might make less.

III. The Computer Terminal

In this game, your input on the terminal can be divided into two broad catagories:

[1] Commands

[2] Numbers

Commands, as you will see below, require only a single letter: the first letter of the command. The computer spells out the rest of the command for you.

Numbers must be positive integers. Numbers, however, since they can be of any size, must be followed by a ´RETURN´. Depressing the ´RETURN´ key lets the computer know that the number you have typed is completed.

The game is divided into five main sections:

[1] Establishing an ACCOUNT

[2] Determining your INDIFFERENCE CURVE

[3] The TRADING QUARTER

[4] The QUARTER BREAK

[5] End of game. Final TAKE-HOME PAY computed.

The TRADING QUARTER and QUARTER BREAK are played over and over several times during the course of the game.

In the examples below, you input only what is underlined. Everything else is typed out by the computer. Please note, again, that you must always depress the ´RETURN´ key to let the computer know when you have finished typing in a number. This is indicated below by an underlined ´blank´.

[1] Establishing an ACCOUNT

Your personal account number is ____ . This number is your
first input at the station you are going to be trading at. When
the number is input correctly, your name should be typed out,
followed by your assignment to BROKER or SPECIALIST, and finally
your initial cash and Claim holdings.

Example 1:

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ACCOUNT NUMBER:  150
NAME:  JOHN SMITH
POSITION:  BROKER
INITIAL CASH AND CLAIM ACCOUNTS:
 25,000       250 XXX    250 YYY
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[2] Determining your INDIFFERENCE CURVE

During each session of the experiment, you are expected to
earn between $0.00 and $10.00. At the beginning of each session
you will be asked a set of questions designed to discover your
attitude towards your sessions´ winnings. In these questions,
you will be offered a hypothetical choice between a "50-50
GAMBLE" and a "SURE-THING". If you prefer:

the GAMBLE, type G

the SURE-THING, type S

or are INDIFFERENT between them, type I

Example 2:

SURE-THING	50-50 GAMBLE	YOUR CHOICE, (S,G,I)
$5.00	$0.00 or 10.00	SURE-THING
$4.00	$0.00 or 10.00	SURE-THING
$3.00	$0.00 or 10.00	SURE-THING
$2.00	$0.00 or 10.00	GAMBLE
$2.50	$0.00 or 10.00	INDIFFERENT
$6.25	$2.50 or 10.00	SURE-THING

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$5.25          $2.50 or 10.00          SURE-THING
$4.25          $2.50 or 10.00          GAMBLE
$4.75          $2.50 or 10.00          SURE-THING
$4.50          $2.50 or 10.00          INDIFFERENT

$1.25          $0.00 or 2.50           SURE-THING
$0.25          $0.00 or 2.50           GAMBLE
$0.75          $0.00 or 2.50           INDIFFERENT
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[3] The TRADING QUARTER

When trading is open, the Claims can be bought and sold. First, however, you must get to the post where the Claim you wish to buy or sell is traded.

Example 3:

XXX TRADING POST

or

YYY TRADING POST

Once you are at a TRADING POST you have several options. You can BID, OFFER, LIST your orders, CANCEL an order, or get the QUOTE. Suppose you BID to buy a Claim.

Example 4:

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BID:
PRICE       40
SHARES      25
CONFIRMED:  ORDER NUMBER 1
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Suppose you OFFER to sell some of your Claims.

Example 5:

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OFFER:
PRICE       45
SHARES      10
CONFIRMED:  ORDER NUMBER 2
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LIST your active orders:

Example 6:

LIST ACTIVE ORDERS:

	NUMBER	SHARES	PRICE
OFFER	2	10	45
BID	1	25	40
END OF LIST			

Suppose you now think you want to OFFER at price 42.

Example 7:

OFFER:
PRICE   42
SHARES   10
CONFIRMED: ORDER NUMBER 3

Now, LIST your active orders:

Example 8:

LIST ACTIVE ORDERS:

	NUMBER	SHARES	PRICE
OFFER	3	10	42
BID	1	25	40
END OF LIST			

Notice that the OFFER at price 45 is not present on the LIST. This is because only one BID and one OFFER is permitted for each Claim. Thus, any new BID or OFFER will cancel out the old BID or OFFER.

If you choose to CANCEL an order:

Example 9:

CANCEL ACTIVE ORDER:
ORDER NUMBER   3
ORDER 3 CANCELLED

Thus, we have CANCELled the new OFFER we just input above.

To find out the best current market BID and OFFER price, you would check the QUOTE.

QUOTE: 40   NO

Notice that we CANCELled the only OFFER. Thus, there is ´NO´

offer price.

To display your ACCOUNTS at any time:

Example 11:

ACCOUNTS:
25,000   250 XXX   250 YYY

Since no trading has occurred, the ACCOUNTS are unchanged.

Suppose now someone has OFFERed to sell you 25 shares at 40.

If so you would be notified of your transaction.

Example 12:

***: YOU BOUGHT 25 SHARES OF YYY AT 40

If you tried to LIST your orders now:

Example 13:

LIST ACTIVE ORDERS:
NO ACTIVE ORDERS

The OFFER was CANCELled. The BID was bought.

Now look at the ACCOUNTS:

Example 14:

ACCOUNTS:
24,000   250 XXX   275 YYY

Specialists have one additional command whi h only they can

use.

Example 15:

SPECIALISTS BOOK FOR XXX
NO ACTIVE ORDERS

This is the way a Specialist looks at his book. The book for a

given claim is all the orders bid lower or offered higher than

the best market price. The function and significance of the book
will be explained by the experimenter.

    [4] The QUARTER BREAK

    When trading is closed, none of the above commands are
valid. The previous quarter has ended and trading is suspended.
Four events occur during the Quarter Break.

1) The CLAIM which pays off for the quarter is announced.

<div align="center">Example 16:</div>

PAYOFF RESULTS FOR QUARTER 1

STOCK: YYY

VALUE: 100 per SHARE

2) Your end-of-quarter statement of ACCOUNTS is typed out.

<div align="center">Example 17:</div>

STATEMENT OF ACCOUNTS

ACCOUNT NUMBER: 150
 24,000   250 XXX   275 YYY

3) Your TAKE-HOME account is updated:

<div align="center">Example 18:</div>

TAKE-HOME ACCOUNT

PREVIOUS BALANCE   0.00

+ CASH ACCOUNT (/1000)   0.24

+ PAYOFF OF YYY (/1000) 0.28

NEW BALANCE   0.52

4) You will be asked to FORECAST what you think will be the
PAYOFF-PROBABILITY and PRICE of each CLAIM at the end of ´next´
quarter.

Example 19:

QUARTERLY FORECAST QUESTIONAIRE

ACCOUNT NUMBER 150

QUESTION 1: What do you think will be the PAYOFF-PROBABILITY
      of each Claim at the end of next quarter?

NOTE: Forecasts IN PERCENT must be (0 < FORECAST < 100) and must
add up to 100.

      XXX: 66_
      YYY: 34_

QUESTION 2: What do you think will be the PRICE of each
      Claim at the end of next quarter?

NOTE: Forecasts IN POUNDS must be (0 < FORECAST < 100).

      XXX: 25_
      YYY: 59_

[5] End of Game. Final TAKE-HOME PAY printout.

Example 20:

END OF TRADING FOR THIS SESSION

TAKE HOME PAY FOR THIS SESSION

ACCOUNT NUMBER: 150
NAME: JOHN SMITH
TAKE-HOME PAY: $0.52

SPECIAL KEYS: ERROR, KILL, HELP

If you make an error or typing mistake on a number, hit an

E, for Error. You will get another chance to type it in

correctly.

If you want to get out of what ever you are doing, (i.e.

putting in a BID when you meant to OFFER), hit a K, for KILL.

KILL always returns you to the TRADING POST.

If you do not know what to do, or are not sure what is valid, hit an H for HELP.