

Computerized Financial Asset Market Exercise S201, Professor Walker, First Semester 2009-10

You will have the opportunity to earn both cash and extra-credit points in a market decision-making exercise referred to as the "Single-Price Auction Market." Your participation in this exercise is totally voluntary. It is possible to get an A+ in this class based solely on your examination scores. Extra-credit points can only improve upon the course grade you earn based on your exam scores. At the end of the semester, extra-credit points are added to the weighted average of your exam scores to determine your semester grade in this course. For example, if the weighted average of your exam scores is 88, two extra-credit points will raise your semester grade to a 90.

The exercise consists of a series of five trading rounds in a market. When you log into the exercise for the first time (Round 1) the computer will present detailed instructions describing how the market operates. You will be able to review the instructions during all subsequent rounds if you wish to do so. After finishing the instructions you will enter your decisions for Trading Round 1. *It is very important that you study the instructions until you understand how the market operates.* Your performance as a trader may suffer if you don't follow this advice. You should feel free to discuss any aspect of this exercise with classmates or your instructor, however, since class credit will be awarded for participation, *it is an act of academic dishonesty to have someone else enter your decisions for you.*

Cash Rewards

The computerized instructions explain that you will earn an amount of money equal to your "cash holdings" in the market at the end of the final trading round. The actual cash earnings in this exercise will be determined as follows: at the market's conclusion $N/10$ traders will be drawn at random, where N is the total number of traders in the market and $N/10$ will be rounded to the nearest integer. These randomly selected traders will be paid 5% of the trader's final cash holdings in the market (five cents in U.S. currency for each market-exercise dollar). To be eligible for a cash reward, you must log onto the computer for at least half of the trading rounds in the market.

Extra-Credit Rewards

In addition to the cash rewards discussed above, you will receive extra-credit points based on: 1) your performance in the market measured by your final cash holdings relative to the final cash holdings of other participants with identical profit opportunities, and 2) your participation in the market measured by the number of rounds in which you log onto the computer and access the market information for that round. On the performance side, your final cash holdings will be converted into a rank score as follows.

Top 10% ranking based on final cash holdings=10, Second 10%=9, Third 10%=8, ... etc. ..., Bottom 10%=1

Your rank score will be multiplied by 5 to determine your extra-credit points from performance. For example, if an individual has a rank score of 7, this person will have $(7 \times 5) = 35$ extra-credit points. Similarly, a rank score of 10 generates the maximum of 50 extra-credit points based on performance.

In addition to the extra-credit points you earn based on your final cash holdings in the market, you will receive 10 points for each trading round in which you participate by logging into the market and participating in the market for that round. Thus, you can receive 50 additional extra-credit points by participating in all 5 trading rounds.

You can think of these points as .01% points. Thus, someone receiving the full 100 points would be getting 1% added on to their final grade in the class.

Accessing the Market

You can access the exercise on the NovaNET computer network from any of the Windows-based UITS student technology centers on campus. Alternatively, if you'd like to try installing the NovaNET access software on your home computer, go to Professor Williams' web site: www.indiana.edu/~arlwilli. Click the link in the lower-left frame titled "Download NovaNET Portal" then follow the instructions to download and install the software on your computer. In the STC's, access to NovaNET is available by clicking with the left mouse button on the "START" icon in the lower-left corner of the Windows main display. After opening the START menu, use the mouse to point to "All Programs" then "Communications" then click the left mouse button on "NovaNET 3.3". This will launch the NovaNET access software. After a delay of several seconds you should be presented with the NovaNET login page asking for your NovaNET group and name. To access the extra-credit exercise you must: 1) log into the NovaNET computer network, and 2) log into the NovaNET application program that runs the market.

To log into the NovaNET computer network, type your "NovaNET group" and "NovaNET name" as follows.

NovaNET group: **iecon** NovaNET name: **mkt**

After successfully logging in, you will be automatically routed to the snazzy title page for the market exercise and asked to type your "class file" and your "roster name". Use the following information.

Class file: **jw201a**

Roster name: **first 6 letters of your last name** plus the **last 4 numbers in your student ID number**.

So student Williams with ID#000-1234-567 has roster name willia4567. Spaces, accents, and punctuation marks in last names are ignored. For example, student O'Dell with ID#000-5678-910 has roster name odell8910. If you have any questions about how your specific name is entered on the NovaNET roster, feel free to ask your instructor.

After logging in for Round 1, you will be routed to a set of instructions that describe the extra-credit exercise. The first round will probably take less than 1 hour (feel free to take all the time you find necessary). Entering your decision for subsequent rounds will take less time since you will not have to review the instructions unless you desire to do so. Your decisions are automatically stored in the computer.

The exercise will consist of 5 trading rounds. The timing of each trading round is given below.

Round 1 begins after class today.

Round 1 ends and Round 2 begins at midnight on Saturday, 10/3.

Round 2 ends and Round 3 begins at noon on Wednesday, 10/7.

Round 3 ends and Round 4 begins at midnight on Saturday, 10/10.

Round 4 ends and Round 5 begins at noon on Wednesday, 10/14.

Round 5 ends at midnight on Saturday, 10/17.

You must work through the instructions and enter a decision for the first trading round in order to participate in subsequent rounds. Anyone who misses Round 1 is eliminated from further participation and will receive zero extra-credit points. While network or server outages are very rare, it is strongly recommended that you not wait until the last day to log into the first trading round. It is your responsibility to take into account the fact that any networked computing resource could be unexpectedly unavailable from time to time.

NovaNET uses special keypress names that can be selected by single-clicking with the left mouse button on the graphical "Function Key Bar" that appears along side the NovaNET window. (If you don't see it, click on Help in the menu bar at the top of the NovaNET window, then click on Function Key Bar to turn it on. If you don't see Help listed on the menu bar, right-click the NovaNET icon in the task bar at the bottom of your screen, point to "Portal Menu" and you will see the Help option.) NovaNET keys are also mapped into the PC's function keys. The following NovaNET to PC key mappings are the most important ones to be aware of when using the economics software:

NEXT = Enter or Return, EDIT = F5, HELP = F6, LAB=F7, BACK = F8, DATA = F9, STOP = F10.

To erase a typed response, use the Backspace key (←) or the EDIT = F5 key. To exit a NovaNET application program, hold down the shift key and hit F10 (Shift-STOP). To end a NovaNET session after properly exiting the application program, click X in the upper-right corner of the NovaNET window. Please report any chronic NovaNET access problems to your instructor.

Notification of Participation in a Research Project: IRB Study #08-13627

The data collected in this class exercise are part of a research project on market decision making being conducted by Professors James Walker and Arlington Williams of the Department of Economics. When you log into the exercise for the first time, you must choose whether or not your decisions are included as part of this research. The information given below will be available to you online when you are asked to allow or deny research consent. This is part of the standard procedures used by Indiana University for research using human subjects.

Informed Consent Statement - Indiana University, Bloomington

You will first proceed through a set of instructions on the NovaNET computer system that describe how the market will operate. You will then participate in a series of trading rounds. The class handout shows the time when each trading round will begin and end. In each trading round you can submit a bid price to buy and an ask price to sell shares of a dividend-earning asset. The bid-ask decisions of traders in the market, and the random dividend earnings from shares owned, will determine the performance-based extra-credit you receive and the cash you might earn through a procedure where participants' names are drawn randomly for cash payments. You will also earn participation-based extra credit as explained in the class handout. On average, the instructions require about 30 minutes, and each of the trading rounds less than 5 minutes. Over the course of three years, this study plans to collect decisions from over 1000 individuals in similar market settings.

RISKS

Your full name and ID number will not be recorded in this exercise; however, there may be a minimal risk of loss of confidentiality.

BENEFITS of THIS STUDY

Your decisions and those of others in this study will be used by the researchers for both education and research purposes. The research will expand our understanding of trading behavior and price formation in various financial asset market settings.

ALTERNATIVES TO TAKING PART IN THE STUDY

After reading this informed consent statement, you will have the option of choosing whether or not to have your decisions included as part of the research data. You also have the option not to participate in this decision exercise.

CONFIDENTIALITY

Your individual decisions will remain anonymous to other participants. Your identity will never be revealed in academic papers produced by this research. All decisions are recorded using a personal identifier containing only the first six letters of your last name and the last four numbers of your I.U. ID number. The researchers intend to keep the computerized database containing your personal identifier and decisions confidential, but absolute confidentiality can not be guaranteed. For example, personal information may be disclosed if required by law. The data may also be shared with other researchers, but only in a manner that cannot be linked to a particular individual. For quality assurance and data analysis, certain individuals and organizations may access the research database that will include your decisions in this exercise. These include the study investigators, their research associates, the I.U.B. Institutional Review Board or its designees, the study sponsor, the Department of Economics, and (as allowed by law) state or federal agencies, specifically the Office for Human Research Protections.

COMPENSATION

As explained in the class handout, extra credit and the possibility of cash earnings in this exercise do not depend on whether you choose to have your decisions used as part of the research.

COSTS OF PARTICIPATION

Other than your time, there are no costs to you associated with participation in this exercise.

THE CHOICE TO GIVE OR DENY RESEARCH CONSENT

Taking part in this study is voluntary. You may choose not to take part or may leave the study at any time. Leaving the study will not result in any penalty or loss of benefits to which you are entitled. Your decision whether or not to participate in this study will not affect your current or future relations with the investigators. Your professor will not be informed of your decision to give or deny consent until all grades have been posted for the semester.

CONTACT INFORMATION

If you have questions at any time about the study or the procedures, you may contact the researchers: Professor James Walker, Wylie Hall 240, (812) 855-2760, walkerj@indiana.edu, and Professor Arlington Williams, Wylie Hall 202, (812) 855-4564, williamsa@indiana.edu.

For questions about your rights as a research participant or to discuss problems, complaints, or concerns about a research study, or to obtain information, or offer input, contact the I.U.B. Human Subjects Office, 530 E. Kirkwood Ave., Carmichael Center, L03, Bloomington, IN 47408, (812) 855-3067 or by email at iub_hsc@indiana.edu.

**Computerized Financial Asset Market Exercise
E201, Professor Walker, Second Semester 2008-09**

Summary Points

Details are posted on the class website (<http://www.indiana.edu/~econjw/jw-s09-e201.html>).

- The exercise is completed on the NovaNet system. The class grade book is also managed on this system. The gradebook will be regularly updated as the semester progresses.
- **To participate, you must do Round 1 no later than 2/28. DON'T WAIT UNTIL THE LAST MINUTE!**
- The exercise is designed around a single price asset market, where all trades occur at the market clearing price. Complete instructions about the market are given on NovaNet.
- There are 5 trading rounds. The instructions should take you about 30 minutes. After that, participating in a round takes on a few minutes (or more if you like).
- You do not have to actually buy or sell to earn credit. Participating in a round by entering a maximum willingness to pay and/or a minimum willingness to accept gets you credit for the round.
- Each round you get a "dividend" signal about the value of shares traded. However, no dividends are paid until the last round. They are only paid to the trader who own the share in the last round.
- In addition to making bids to buy or offers to sell, you will be forecasting the end of market dividend. End of market comes in the 5th decision round!
- You will have the option of "consenting" to let your decisions be used for research purposes. In no way is this required and your decisions will not be linked to your actual name. Professor Walker will not know who chose to "consent" and who chose "not to consent."
- There is also a small probability that you will receive a cash payoff.
- To log into the NovaNET computer network, type your "NovaNET group" and "NovaNET name" as follows.

NovaNET group: **ieecon**

NovaNET name: **mkt**

After successfully logging in, you will be automatically routed to the snazzy title page for the market exercise and asked to type your "class file" and your "roster name". Use the following information.

Class file: **jw201**

Roster name: **first 6 letters of your last name** plus the **last 4 numbers in your student ID number**.