Game 2: Sales Taxes in the Market for Oranges

Introduction

In this experiment, you will participate as either a buyer or a seller in ***a market for oranges***. You'll make decisions about buying or selling oranges, and your choices will determine your earnings—which count toward your participation marks.

Overview

- The experiment has **3 rounds (**each with **2 periods)**.
- Each market has **20 players:** 10 buyers ● 10 sellers.
- You'll be randomly assigned as a buyer or seller each period.
- Prices at which you buy or sell will determine your earnings.
- Your total earnings will be converted into participation marks (**max. 10**).
- **All participants receive 1 mark for joining**, even if you make no trades.

Your Role

- Before each round, you'll learn if you are a buyer or seller.
- You'll also get information about your costs (if seller) or buyer values (if buyer). **This information is private — only you see it.**

Sales Tax Rules

Round 1	No taxes (same as Game 1)
Round 2	**Sellers** pay a **$2 sales tax** for each unit sold. (Buyers do not pay tax.)
Round 3	**Buyers** pay a **$2 sales tax** for each unit bought. (Sellers do not pay tax.)

Sellers

- You may sell up to **4 oranges** each period.
- Sell **one orange at a time** — finish one sale before starting the next.
- Each orange has its own **cost**. Costs may differ for each orange, and each seller has their own unique costs.

Seller Earnings

For each orange you sell:

- **Round 1**: **Earnings = Selling price – Unit cost of the orange**
- **Round 2**: **Earnings = Selling price – Unit cost of the orange – $2 tax per unit**
- **Round 3**: **Earnings = Selling price – Unit cost of the orange**

- If you **DO NOT** sell anything, you **DO NOT** incur any cost or tax and your earnings are zero. You will make a loss if you sell at a price below your production cost**.**

Buyers

- You may buy up to **4 oranges** each period.
- Buy **one orange at a time** — finish one purchase before starting the next.
- Each orange has its own **buyer value** (how much the orange is worth to you). Values may differ for each orange, and each buyer has their own unique values.

Buyer Earnings

For each orange you buy:

- **Round 1**: **Earnings = Value of the Unit – Price paid**

- **Round 2**: **Earnings = Value of the Unit – Price paid**
- **Round 3**: **Earnings = Value of the Unit – Price paid – $2 tax per unit**

- If you **DO NOT** buy anything, you **DO NOT** receive any values and your earnings are zero. You will make a loss if you buy at a price above your buyer value.

Trading Mechanism

The trading mechanism is identical to that of Game 1. Please refer to the Game 1 Instruction for details on submitting bids/asks and making trades.

- When the market opens, buyers can submit **Bids**. Sellers can submit **Asks** anytime.
- At all times the program will display the highest three outstanding bids and the lowest three outstanding asks

- You buy an orange if:
  - You click Buy at Lowest Ask, OR
  - A seller accepts your bid.

- You sell an orange if:
  - You click Sell at Highest Bid, OR
  - A buyer accepts your ask.

- The price of every transaction in your group is depicted in the chart on your screen.
- Each trading period will end in **5 minutes**. When the trading is over, you will see the summary page. After a brief pause of 10 seconds, the next period will begin.