This is an experiment in economic decision making. Exactly ten of you represent firms, and exactly ten of you represent workers in this experiment. Each firm is interested in hiring at most one worker and each worker can work for at most one firm.

If you are a firm, your earnings will depend on the effort expended by the worker you hire less the wage cost of employing the worker. Specifically, if the wage cost is $w$ and the worker hired expends $e$ units of effort, you will earn $2e - w$ dollars. If you do not hire a worker, you earn nothing.

If you are a worker, then your earnings will depend on the wages you receive less the cost of effort expended. Specifically, if your wage is $w$ and you expend $e$ units of effort, you will earn $w - e$ dollars. If you are unemployed, you earn nothing.

Decisions in the experiment take place over two periods.

In the first period, a double auction will be used to allocate labor services. During the double auction, firms are free to call out wages that they are willing to hire workers, which will then be posted on the board along with the ID# of the firm. Likewise, workers are free to call out wages at which they are willing to accept employment, which will also be posted on the board along with a worker ID#. At any time, firms and workers are free to accept any outstanding offers posted on the board simply by calling out. Once an offer is accepted, the employer is required to pay the worker that wage regardless of the level of effort, and the worker is obligated to work for that employer and will receive the agreed upon wage regardless of the effort level chosen. When either all workers have been matched or there is no further activity in the market, the auction will end.

In the second period, all worker who have accepted employment must simultaneously and privately choose an effort level $e$ from the set $E = \{1, 2, 3, 4, 5\}$. Once these choices have been made, efforts are revealed and payoffs are realized. Please record all relevant information on your index card.

Finally, I will roll two ten-sided dice and the firm whose ID# corresponds to the dark red die will be paid in cash as will the worker whose ID# corresponds to the orange die.

Are there any questions?