



THE UNIVERSITY OF
MELBOURNE

BRAIN MIND AND MARKETS LABORATORY

expectation. So, the sum of all remaining expected dividends is \$7 ($=14 \times 0.50$). In the third period there will be 13 more payments left, with an expected total dividend of \$6.50, etc.

How much you are willing to buy or sell your stock for in any given period will depend on the horizon you plan to hold this stock for and what you foresee other participants to be willing to buy and sell the stock for.

C. Compensation

The cash you are holding at the end of the 15th period is yours to take home. It will be converted to real dollars at a 10:1 exchange rate (meaning that 10 experimental dollars convert into 1 real dollar). In addition, you will be given 10 (real) dollars as sign-up reward. The expected amount of compensation for each participant in this experiment is \$35. The actual amount can be higher or lower depending on your individual performance but will not be above \$55 or below \$25.