

Market and price formation

Introduction to Pitgame



Introduction to Pitgame

Pitgame

- ▶ Pitgame is a group activity to be played in class
- ▶ The players adopt the role of traders on a **commodities exchange**
- ▶ Commodity: (unprocessed) good of generally standardised quality that is traded in large amounts
 - Example: crude oil, coffee, sugar
- ▶ Exchange: well-organised market in which goods are traded

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Role and objective

- ▶ You will be playing a trader on a commodities exchange
- ▶ Your goal is to buy the commodity at the lowest possible price or sell it at the highest possible price
- ▶ The maximum purchase price or minimum sale price is specified on your **playing card**

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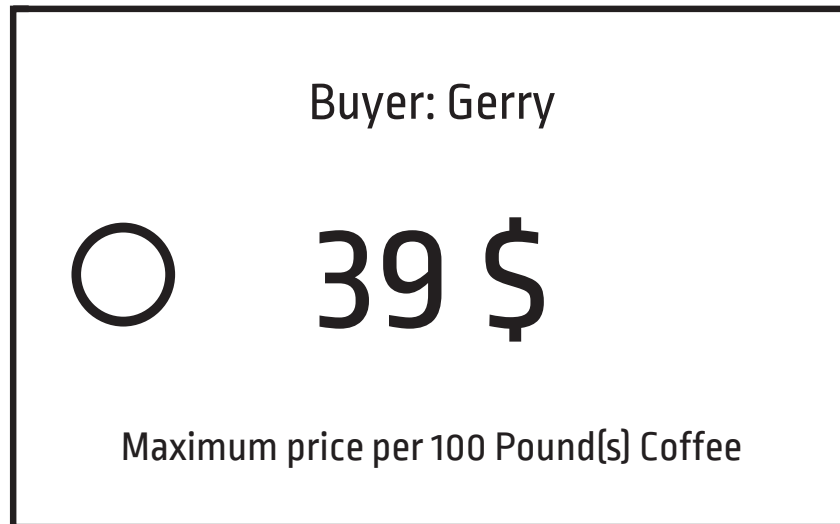
Playing card: example for seller: Beata



- ▶ So your goal is:
«Find a person who is willing to pay **at least** \$37 for 100 pounds of coffee»

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Playing card: example for buyer: Gerry



- ▶ So your goal is:
«Find a person who is asking
no more than \$100 for 100 pounds
of coffee»

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How to play

- ▶ The room contains both a **trading area** and a **registration area**
- ▶ In the trading area, find a suitable trading partner
- ▶ As soon as you and another person have agreed to trade, report to the registration area
- ▶ Your names and the agreed trade price are entered in the system

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Price display

- ▶ Trade prices are recorded continuously and projected onto the wall in the room
- ▶ It can be very useful to know the prices at which other players are making trades
- ▶ So, while you are trading, keep an eye on the current trade prices on the display

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Rules of the game

- ▶ The cards should not be shown to the other players
- ▶ The information on your card is binding: You may not pay more than the maximum price or ask for less than the minimum price
- ▶ Once a trade has been agreed, leave the trading area
- ▶ At the end of a round, all players return their cards