

Instructions

This is an experiment in decision making. Funds have been provided to run this experiment. If you follow instructions and make good decisions you may earn a substantial amount of money, that will be paid to you in CASH at the end of the experiment. What you earn depends partly on your decisions and partly on the decisions of others.

The entire session will take place through computer terminals, and all interactions between you will be done through the computers. Please, do not talk or communicate in any way during the session. Please, turn off your phones now.

You will be randomly divided in groups of **6** persons, and will make a sequence of **10** decisions as a part of that group. After 10 periods, all groups will be disband and the phase will end. This will be the end of the experiment.

Task Description

Each period, you and every member of your group will choose an integer: **1, 2, 3, 4, 5, 6 or 7**. Your choice and the smallest number chosen in your group (**including yours**) will determine your payoff in that period. Table 1 presents your payoffs in all possible scenarios. For example, if you choose number 5 and the smallest number chosen in your group is 4 you will get 78 Cents (\$.78).

| | | Smallest Number Chosen | | | | | | |
|-------------|---|------------------------|------|------|------|------|------|------|
| | | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Your Choice | 7 | 1.30 | 1.10 | 0.90 | 0.70 | 0.50 | 0.30 | 0.10 |
| | 6 | — | 1.14 | 0.94 | 0.74 | 0.54 | 0.34 | 0.14 |
| | 5 | — | — | 0.98 | 0.78 | 0.58 | 0.38 | 0.18 |
| | 4 | — | — | — | 0.82 | 0.62 | 0.42 | 0.22 |
| | 3 | — | — | — | — | 0.66 | 0.46 | 0.26 |
| | 2 | — | — | — | — | — | 0.50 | 0.30 |
| | 1 | — | — | — | — | — | — | 0.34 |

Table 1 – Payoff from different actions

Once you and all the members of your group have chosen a number, a 1-minute countdown will begin. Only the number posted at the end of the countdown matters for your payoff.

1-minute Countdown

1. Graph Description

Before the 1-minute countdown, you and every member of your group have chosen a number: **1, 2, 3, 4, 5, 6 or 7**. Once every member of your group has made their initial choice, the 1-minute countdown begins.

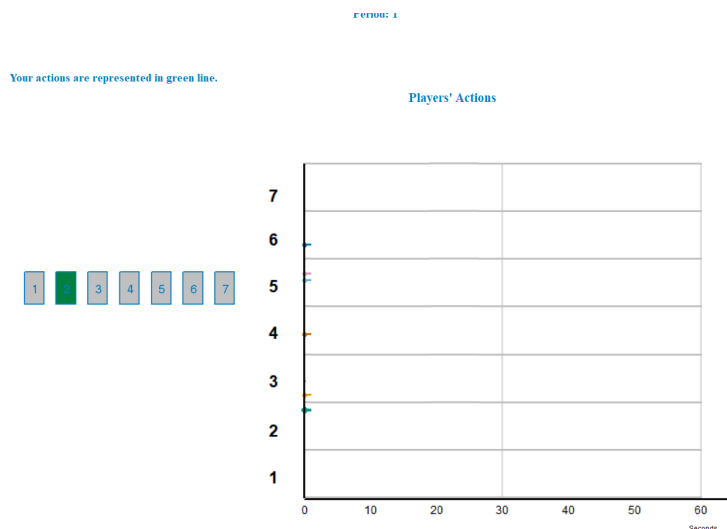


Figure 1 – Screen-shot of one possible scenario, as soon as the 1-minute countdown begins.

When the 1-minute countdown begins your screen will appear as in Figure 1. In Figure 1, we have placed time in seconds on the horizontal axes and the number chosen by each of your group members on the vertical axes.

The initially picked numbers chosen by you and your cohort are placed along the vertical line above the zero second mark. You will see the number posted of every participant in your group. For instance, in Figure 1, we see that 2 players have chosen number 5, 1 player has chosen 2, 1 player has chosen 3, 1 player has chosen 4 and 1 player has chosen 6. Your choice is always represented in the graph with the color green, and those of others by other colors. As you can see the player has CHOSEN NUMBER 2.

As time continues, during the 1 minute, you will be able to change your chosen number at any time by placing your cursor on your desired number to the left of the screen. When you choose a number, it will light up as the number 2 now is.

2. Revision Opportunities

However, the fact that you have changed your choice DOES NOT imply that the number on the graph will change. The number on the graph will only change if a **revision opportunity** is awarded to you. A revision opportunity is awarded at random times.

Every second a revision opportunity will be awarded to the group with 10% chance. When a revision opportunity is awarded to the group, it will be given to one of the 6 group members,

with equal probability of $\frac{1}{6}$. So the chance of any other member of your group having a revision opportunity and being able to change the posted number is exactly equal to yours: $p = .1 \times \frac{1}{6} \approx 1.6\%$.

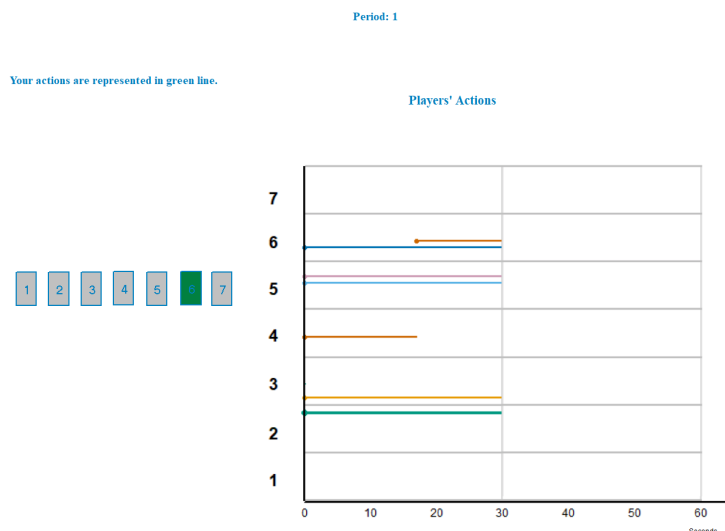


Figure 2 – Screen-shot of one possible scenario, after 30 seconds have passed.

If you had changed the number chosen, and received a revision opportunity, your number on the graph will change (the GREEN line will shift). If a revision opportunity is awarded to you, but you had not previously changed your chosen number, the number on the graph will **not** change. Let's call the number that you have chosen (the one that is lit up) which appears on the graph, your **NUMBER POSTED** on the graph.

When 30 seconds have passed your screen will appear as in Figure 2. You can see how many times any member of your group changed the number posted (the line changes) as well as whether a revision opportunity was awarded (*a dot on the line*). For instance, player ORANGE initially chose number 4, but after about 20 seconds the posted number became 6. Player GREEN has not changed the number posted. Note that player GREEN has chosen the number 6 (it is lit up in green), but given that no revision opportunity has arrived, the **NUMBER POSTED** on the graph is still 2.

3. Final Payoffs

At the end of the 1 minute countdown, you will receive a payoff that depends on your number posted and on the smallest number posted by a player in your group. *Only the numbers posted at the end* of the countdown matter for your payoff. The numbers posted before do not matter at all for your payoff. Your **final payoff** will be the sum of payoffs from all 10 periods plus the show up fee.

When 1-minute has passed your screen will appear as in Figure 3. You can see the number posted of every participant in your group. You will also see how many times has any member of your group changed the number posted (the line changes) as well as whether a revision

opportunity was awarded (a dot in the middle of the line). For instance, players yellow and pink had no revision opportunity during the 1-minute countdown, players light and dark blue had 1 revision each, and players orange and green had three revisions each. In particular, player green the number posted 2 times. Let us take a closer look at player GREEN:

- (a) She initially chose to post 2.
- (b) In second 31, a revision opportunity arrived and the number posted changed to 6.
- Note that this was only possible because she had changed the number chosen prior to the arrival of revision opportunity.
- (c) In seconds 37, another revision opportunity arrived and the number posted changed to 4.
- (d) In second 55, a revision opportunity arrived, but the number posted didn't change.

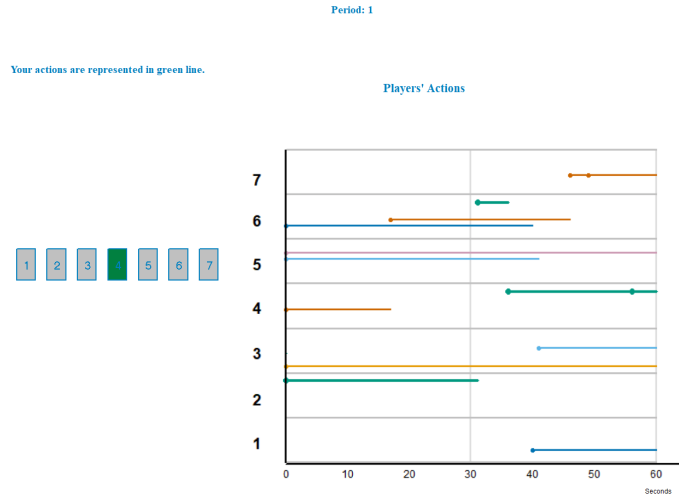


Figure 3 – Screen-shot of one possible scenario, after the 1-minute countdown has finished.

Note that only the number posted as the countdown ends matter for your payoff. For instance, GREEN's payoff depends only on his **last** number posted, and on **THE MINIMUM NUMBER POSTED** by his group members **at the end of the countdown**.

The following probability facts and calculations may be useful:

1. Each player is expected to receive $.1 \times \frac{1}{6} \times 60 = \mathbf{1}$ **revision** opportunities during the 1-minute countdown.
2. The chance of a player receiving **no revision** opportunity during the 1-minute countdown is approximately $(1 - .1 \times \frac{1}{6})^{60} \approx 0.36$, which is **approximately 36%**.
3. For any **10 second interval**, the chance of receiving at least one revision opportunity is of **approximately 15%**.
4. For any **20 second interval**, the chance of receiving at least one revision opportunity is of **approximately 30%**.