

Instructions for the Experiment

Welcome

Welcome to our study. At this time, please make sure you have turned off and put away all personal electronic devices. This study will take no more than 75 minutes. You will be paid your earnings from the study in addition to the \$7.50 participation payment in cash. Your earnings will depend on the decisions you and others make in this study, so it is important that you fully understand these instructions. These earnings will be denominated in Experimental Currency Units (or ECUs for short). At the end of the study, ECUs will be converted into dollars at the exchange rate of 10 ECUs for \$1.00 and will be paid to you privately in cash. If you have a question at any point, please raise your hand.

Structure

You will interact with other participants in this session through a computer program. Your personal identifying information will not be revealed to anyone. To the participants that you will interact with, you will be referred to as a unique alphabet letter randomly assigned to you. For this session, you will be referred to as:

“Participant [Your Participant ID]”

This study consists of 5 **segments**. At the beginning of each segment, all participants will be randomly placed in a group of 4. Each group will remain the same throughout the segment. When a new segment begins, all participants will be randomly placed in a new group of 4. In these 5 segments, you will be placed in 5 different groups and will not interact with the same persons in different segments.

Ending of Segments

Each segment consists of an uncertain number of rounds. The number of rounds in a segment is randomly selected by the computer in the following manner: after each round, there is an 80% chance that another round of the same segment will follow and there is a 20% chance that the segment will end after that round. You can think about this in the following way:

In each round, the computer will randomly select a number from 1 to 5. If the selected number is from 1 to 4, the next round will follow. If the selected number is 5, the segment will end.

Tokens and Allocation

- Each participant is endowed with 25 tokens at the beginning of each round and has to allocate these tokens between a **Private Account** and a **Group Account**. Each participant has their own Private Account and there is only one Group Account for each group.
- You will earn 1.0 ECU for each token you allocate to your Private Account. Each token allocated to the Group Account yields a return of 1.6 ECUs. Everyone in

the group will receive an equal share of earnings from the Group Account. Since there are 4 participants in a group, each participant will receive:

$1/4 \times 1.6 \times \text{the total number of tokens in the Group Account}$
in ECUs.

- We would like to emphasize each participant in a group will receive the same amount of ECUs from the Group Account, even though each allocated a different number of tokens to the Group Account.

Decisions

Each round consists of 2 stages.

- In stage 1, you will divide your 25 tokens between the Private Account and the Group Account. You will enter the number of tokens you want to allocate to the Group Account (a whole number between 0 and 25). The computer will automatically show how many tokens are allocated to the Private Account.
- In stage 2, you will view the results of the round and chat with your group members.
- You will be able to see **the total number of tokens in the group, but not the allocations of the other group members.**
- You will be able to chat with your group members for up to 90 seconds. Please avoid profanities and offensive language. This will not be tolerated. Do not use any language other than English. Also, avoid revealing your current seating location or personal identifying information about yourself such as your name, age, major, gender, etc.
- Even though you will make decisions in many rounds and the computer will calculate your earnings in ECUs for all of these rounds, the computer will randomly select **only 1 segment** to calculate your cash payment. The computer will use the sum of your earnings from all rounds in the selected segment and convert it into dollars at the exchange rate of 10 ECUs for \$1.00. You will know which segment is selected for your cash earnings at the end of the study.

Practice

You will be able to use a payoff calculator to practice your allocation decision. You can enter your hypothetical allocation to the Group Account and the hypothetical allocations of the other three group members. The calculator will then show you:

- The balance in your Private Account: $25 - (\text{your allocation to Group Account})$
- The total tokens in the Group Account:
 $(\text{your allocation}) + (\text{other member 1}) + (\text{other member 2}) + (\text{other member 3})$
- Your total earnings in ECUs for that round: $(\text{Private Account Balance}) + 1/4 \times 1.6 \times (\text{Total Tokens in Group Account})$

Remember that this is for practice. You are not interacting with other players. In actual rounds, you will interact with other players and you will not know their allocations until after you submit your own.

Quiz

Before proceeding, please complete the quiz.

1. How many participants are in a group?
2. How many segments are in this study?
3. The number of rounds in each segment is uncertain. (True/False)
4. During each round, the probability that it is the last round is 80%. (True/False)
5. Between segments, your group members change. (True/False)
6. Between rounds of the same segment, your group members change. (True/False)
7. Each participant starts with how many tokens per round?
8. If everybody in a group, including yourself, allocate 10 tokens to the Group Account, what are each member's earnings?
9. If you allocate 25 tokens to the group account and all others allocate 0, what are your earnings?
10. If you allocate 0 tokens to the group account and all others allocate 25, what are your earnings?
11. Your total earnings are the sum of the earnings from all segments. (True/False)