Instructions – Part 1

Welcome to this experiment. This is an experiment about decision-making. You will receive £3 for your participation. You can earn more money depending both on your decisions and the decisions of others.

During the experiment you are not allowed to communicate with any other participants or with anyone outside the laboratory. Please switch off your mobile phone now. If you have any questions at any time during the course of this experiment, please raise your hand. An experimenter will assist you privately.

Your decisions will be recorded privately at your computer terminal. Your identity will not be disclosed to other participants.

During the experiment all decisions are made in tokens (more details below). Your total earnings will also be calculated in tokens and, at the end of the experiment will be converted to Pounds at the following rate:

**100 tokens = £0.40**

You will be paid individually and privately in cash at the end of the experiment.

The experiment consists of three parts. Your total earnings will be the sum of your earnings from Part 1, Part 2 and Part 3, plus a participation fee of £3.

You will receive instructions for Part 2 after Part 1 is completed.

**Part 1 of the experiment consists of ten consecutive decision rounds.** Your total earnings in Part 1 will be the sum of your earnings from all these rounds. **You will be randomly divided into groups of three participants at the beginning of each round.** This means that you will not always interact with the same participants.

**In each of the 10 rounds, each participant has to choose a number from 1 to 7 (1, 2, 3, 4, 5, 6, 7). In each round, the smallest number chosen in each group will be identified.**

The payoff for each round is given by the formula below where *x* is the number you chose, and *min(x)* is the smallest number chosen by members of your group:

The following table reproduces the formula for all possible combinations of your number and the smallest number chosen by members of your group:



Here are some examples.

**Example 1:** Assume that you choose 3, the second group member chooses 3, and the third group member chooses 3, then in the table your number is “3” and the minimum number in your group is “3”, your earnings are therefore 90 tokens.

**Example 2:** Assume that you choose 5, the second group member chooses 6, and the third group member chooses 4, then in the table your number is “5” and the minimum number in your group is “4”, your earnings are therefore 90 tokens.

**Example 3:** Assume that you choose 4, the second group member chooses 1, and the third group member chooses 7, then in the table your number is “4” and the minimum number in your group is “1”, your earnings are therefore 40 tokens.

The payoffs for all members of the group are calculated in the same way based on their choice and the smallest number in your group. At the end of the round, you will be informed about the smallest number in your group and your own earnings. The same process will be repeated for a total of 10 rounds.

Part 2

You will receive instructions for Part 3 after Part 2 is completed.

**Part 2, like Part 1, consists of ten consecutive decision rounds.** Your total earnings in Part 2 will be the sum of your earnings from all these rounds. **You will again be randomly divided into groups of three participants at the beginning of each round.** This means again that you will not always interact with the same participants.

**In each of the 10 rounds, each participant has to choose a number from 1 to 7 (1, 2, 3, 4, 5, 6, 7). In each round, the smallest number chosen in each group will be identified.**

The payoff for each round is given by the formula below where *x* is the number you chose, and *min(x)* is the smallest number chosen by members of your group:

The following table reproduces the formula for all possible combinations of your number and the smallest number chosen by members of your group:



The payoffs for all members of the group are calculated in the same way based on their choice and the smallest number in your group. At the end of the round, you will be informed about the smallest number in your group and your own earnings. The same process will be repeated for a total of 10 rounds.

Part 3

**Part 3 of the experiment, like Part 1 and Part 2, consists of ten consecutive decision rounds.** Your total earnings in Part 3 will be the sum of your earnings from all these rounds. **You will again be randomly divided into groups of three participants at the beginning of each round.** This means that you will not always interact with the same participants.

**In each of the 10 rounds, each participant has to choose a number from 1 to 7 (1, 2, 3, 4, 5, 6, 7). In each round, the smallest number chosen in each group will be identified.**

The payoff for each round is given by the formula below where *x* is the number you chose, and *min(x)* is the smallest number chosen by members of your group:

The following table reproduces the formula for all possible combinations of your number and the smallest number chosen by members of your group:



The payoffs for all members of the group are calculated in the same way based on their choice and the smallest number in your group. At the end of the round, you will be informed about the smallest number in your group and your own earnings. The same process will be repeated for a total of 10 rounds.