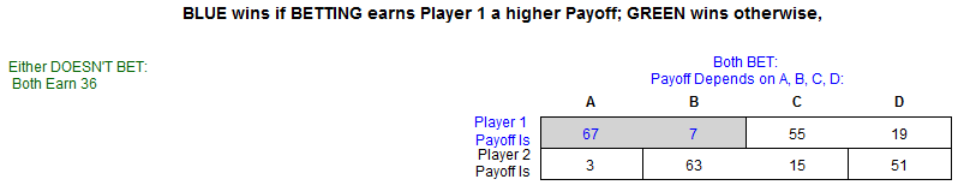
Instructions

In the next period of the experiment, everything will be **exactly the same except** we will change how the **winning stock** is determined.

In a **previous experiment ACTUAL undergraduate participants** were randomly matched into pairs to play the following game for real money.

Each participant is assigned to be either Player 1 or Player 2. During the game, each participant simply chooses whether or not to "Bet". The screenshot below shows the structure of the game and the consequences of betting.



Each Player's payoff is determined by whether they bet, the other Player bets, and a randomly chosen letter:

- If either player chooses not to bet, both Players earn 36 (left hand side of the screen)
- If both players Bet, then their payoffs are determined by a randomly chosen letter A, B, C, or D (each randomly selected with equal likelihood) according to the numbers in the table on the right hand side of the screen.

If both players bet then Player 1 earns 67 if A is selected, 7 if B is selected etc. Player 2 earns 3 if A is selected, 63 if B is selected etc. Thus the desirability of betting depends on the letter selected. Players did not necessarily know which letter was selected when choosing whether to bet. Instead, the computer gave them imperfect information, visualized by the boxes in the table.

- If the randomly chosen letter is A, Player 1 knows only that the letter is either A or B. Player 2 knows the letter is A for sure.
- If the randomly chosen letter is B, Player 1 knows only that the letter is either A or B. Player 2 only knows the letter is either B or C.
- If the randomly chosen letter is C, Player 1 knows only that the letter is either C or D. Player 2 only knows the letter is either B or C.
- If the randomly chosen letter is D, Player 1 knows only that the letter is either C or D. Player 2 knows the letter is D for sure.

Participants made their choices to Bet or not **simultaneously**, without observing one another's choices until after both had chosen. Both participants were however fully aware of the rules of the game and how their payoffs were determined.

In each round of the next period, we will randomly select one pair from this actual experiment and determine the value of the stock based on their actual guesses. Specifically, each round:

- The BLUE stock will be the winner if Player 1 would have had a higher payoff from choosing to Bet.
- The GREEN stock will be the winner if Player 1 would have had a higher payoff from choosing not to Bet **or** if Player 1's payoff doesn't depend on whether she bets or not (because Player 2 didn't Bet).

Importantly, we will only select games in which either A or B was chosen by the computer. Thus we will choose only games in which Player 1 knew that either A or B was chosen. Because of this Player 1 also knew that Player 2 had information that the letter was either A (if A was actually the randomly chosen letter) or either B or C (if the randomly chosen letter was actually B).

In the first example below, Player 2 Bet and the randomly chosen letter was B. As a result, Player 1 would have had a higher payoff from not betting (36) than betting (7). Therefore, Green is the winning stock in this round.

BETTING Would NOT Earn Player 1 a Higher Payoff: GREEN Wins

Either DOESN'T BET:
Both Earn 36

Both BET:
Payoff Depends on A, B, C, D:

	A	(B)	C	D
Player 1 Payoff Is	67	7	55	19
Player 2 Payoff Is	3	63	15	51

2 Did BET

In the second example below, Player 2 Bet and the randomly chosen letter was A. As a result, Player 1 would have had a higher payoff from betting (67) than not betting (36). Therefore, Blue is the winning stock in this round.

BETTING Would Earn Player 1 a Higher Payoff: BLUE Wins

Either DOESN'T BET:
Both Earn 36

Both BET:
Payoff Depends on A, B, C, D:

	(A)	B	C	D
Player 1 Payoff Is	67	7	55	19
Player 2 Payoff Is	3	63	15	51

2 Did BET

Finally, in the third example below, Player 2 didn't Bet. As a result, Player 1 earns 36 regardless of whether she bets or not. Therefore, Green is the winning stock in this round. In this case, the randomly chosen letter was B, but if Player 2 didn't Bet and the randomly chosen letter was A, Green would also be the winning stock.

BETTING Would NOT Earn Player 1 a Higher Payoff: GREEN Wins

Either DOESN'T BET:
Both Earn 36

Both BET:
Payoff Depends on A, B, C, D:

	A	(B)	C	D
Player 1 Payoff Is	67	7	55	19
Player 2 Payoff Is	3	63	15	51

2 Didn't BET

In summary, Blue wins if Player 1 earns a higher payoff from betting, and Green wins if Player 1 earns a higher payoff from not betting or the same payoff whether or not she bets. You should invest in the green versus blue stocks based on how you think Player 2's decided to Bet or not in the previous experiment.

We will only use this procedure in the next period. Please carefully think about your decisions as your earnings will depend a lot on the investment decision you make.