

Instructions

This is an experiment in the economics of decision-making. A research foundation has provided funds for conducting this research. Your earnings will depend partly on your decisions and partly on the decisions of the other participants in the experiments. If you follow the instructions and make careful decisions, you may earn a considerable amount of money.

At this point, check the name of the computer you are using as it appears on the top of the monitor. At the end of the experiment, you should use your computer name to claim your earnings. At this time, you will receive £5 as a participation fee (simply for showing up on time). Details of how you will make decisions will be provided below.

During the experiment we will speak in terms of experimental tokens instead of pounds. Your payoffs will be calculated in terms of tokens and then exchanged at the end of the experiment into pounds at the following rate:

$$2 \text{ Tokens} = 1 \text{ Pound}$$

In this experiment, you will participate in 30 independent and identical (of the same form) rounds. In each round you will be asked to make a choice of an action among four possible actions, n , w , s and e .

Before the first round, you will be randomly assigned to one of the four types labeled N , W , S , or E . One fourth of the participants in the room will be designated as type- N participants, one fourth as type- W participants, one fourth as type- S participants and one fourth as type- E participants. Your type (N , W , S , or E) depends solely upon chance and will remain constant in all rounds throughout the experiment.

A decision round

Next, we will describe in detail the process that will be repeated in all 30 rounds. Each round starts by having the computer randomly form four-person groups by selecting one participant of type- N , one of type- W , one of type- S and one of type- E , per group.

The groups formed in each round depend solely upon chance and are independent of the groups formed in any of the other rounds. That is, in any group each participant of type- N is equally likely to be chosen for that group, and similarly with participants of type- W , type- S and type- E . Groups are formed by the computer.

In the beginning of the first round, each participant in your group will be asked to choose one action out of the four possible actions, n , w , s , or e , without knowing the action selected by each other. You will see four boxes, each labeled with a possible action, at the bottom left hand side of the screen (see Attachment 1). When you are ready to make your decision, simply use the mouse to click on one of them. You will then see a small pop-up window asking you to confirm your decision (see Attachment 2). Once everyone in your group has confirmed a decision, the first round will end and the computer will inform everyone the choices of actions made by all the participants in your group and the earnings (see Attachment 3).

After you observe the results of the first round, the second round will start the computer randomly forming new groups of four participants. The process will be repeated until all the 30 independent and identical rounds are completed. At the end of the last round, you will be informed the experiment has ended.

Earnings

Your earnings in each round are determined solely by the action you choose and the actions the other participants in your group choose.

- If all the participants in your group choose action n , type- N participant in your group will receive 3 tokens and each of the other types (type- W , type- S , and type- E) in your group will receive 1 token.
- If all the participants in your group choose action w , type- W participant in your group will receive 3 tokens and each of the other types (type- N , type- S , and type- E) in your group will receive 1 token.
- If all the participants in your group choose action s , type- S participant in your group will receive 3 tokens and each of the other types (type- N , type- W , and type- E) in your group will receive 1 token.
- If all the participants in your group choose action e , type- E participant in your group will receive 3 tokens and each of the other types (type- N , type- W , and type- S) in your group will receive 1 token.
- Otherwise, that is, if all the participants in your group do not choose a common action, every participant in your group will receive 0 token.

For example, if type- S participant chooses action s and all the other types choose action e , every participant will receive 0 token. This information on earnings is displayed at the top of right hand side of the screens (see Attachment 1).

Your final earnings in the experiment will be the sum of your earnings over the 30 rounds. At the end of the experiment, the tokens will be converted into money. You will receive your payment as you leave the experiment.

Rules

Please do not talk with anyone during the experiment. We ask everyone to remain silent until the end of the last round.

Your participation in the experiment and any information about your earnings will be kept strictly confidential. Your payments receipt is the only place in which your name is recorded.

If there are no further questions, you are ready to start. An instructor will activate your program.

Attachment 1

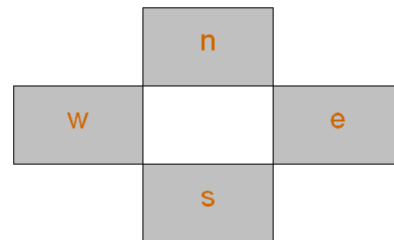
Round

2 of 2

You are a type-**N** participant

	N	E	S	W
All choose action n	3	1	1	1
All choose action e	1	3	1	1
All choose action s	1	1	3	1
All choose action w	1	1	1	3
Otherwise	0	0	0	0

Please choose your action



Previous Actions and Payoffs

Round	Action	Earnings
1	n	3

Attachment 2

Round

2 of 2

You are a type-**N** participant

	N	E	S	W
All choose action n	3	1	1	1
All choose action e	1	3	1	1
All choose action s	1	1	3	1
All choose action w	1	1	1	3
Otherwise	0	0	0	0

Please choose your action

Are you sure you wish to choose an action of n?

YES NO

Previous Actions and Payoffs

Round	Action	Earnings
1	n	3

Attachment 3

Round

2 of 2

You are a type-E participant. You chose the action e.

Action choices and payoffs of your group in this round are summarized below.

	N	E	S	W
Action	n	e	n	e
Payoff	0	0	0	0

Your total earnings so far are 1.

OK