

## **Welcome**

### **No Talking Allowed**

Now that the experiment has begun, we ask that you do not talk. If you have a question after we finish reading the instructions, please raise your hand and the experimenter will approach you and answer your question in private.

### **Complete Privacy**

This experiment is structured so that no one, including the experimenters or the other participants, will ever know the personal decision or money earnings of anyone in the experiment. This is accomplished by a procedure in which you collect your earnings, contained in a sealed envelope, from a numbered mailbox that only you have the key for. Your privacy is guaranteed because neither your name nor your student ID number will be entered in the computer that records your decisions in the experiment. The only identifying information that will be used is the number on the mailbox key that has been given to you. You will collect your money payoffs with privacy by using the key, which opens a mailbox located in a room adjacent to this room. The key and mailbox are labeled with the same number. You are the only person who knows your key and mailbox number.

### **Multiple Rounds**

This experiment consists of a SEQUENCE of decision rounds. In each round, you will face the same decision task. The decision task in each round is described below. You will not be told in advance the number of decision rounds.

### **Random Matching and Anonymity**

Each person will be randomly matched with 3 other people to form a group. Thus, each group will contain 4 individuals. YOU WILL REMAIN IN THIS GROUP FOR THE REST OF THIS EXPERIMENT.

For record keeping purposes, the computer will randomly assign each individual in a group an ID letter, either A, B, C or D. You are the only person who will know your ID letter.

YOU WILL HAVE THE SAME ID FOR THE REST OF THIS EXPERIMENT. For example, if you are assigned to be individual A in your group, your ID will be A in all decision rounds.

### **Cash Payoffs**

Your earnings in this experiment are expressed in EXPERIMENTAL CURRENCY UNITS, which we will refer to as ECUs. At the conclusion of the experiment you will be paid in U.S. dollars using a conversion rate of \$1 for every 10 ECUs of earnings from the experiment.

### **Starting Balances**

Each four person group begins EACH ROUND with an endowment of 40 tokens worth 3 ECUs each, yielding a Group Fund of 120 ECUs. Each individual begins EACH ROUND with an Individual Fund of 0 ECUs.

## **DECISION TASK IN EACH ROUND**

Each person will decide independently and privately whether or not to move any tokens from the Group Fund to his/her own Individual Fund. Each person can move up to a maximum of 10 tokens from the Group Fund to his/her own Individual Fund. Each token that a person subtracts from the Group Fund increases his/her own Individual Fund by 1 ECU. However, each token subtracted from the Group Fund by a group member reduces the value of the Group Fund by 3 ECUs

Each decision must be in whole tokens. Each person can subtract 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, or 10 tokens from the Group Fund.

After all individuals have made their decisions for the round, the computer will tabulate the results. You will be informed of the total number of tokens in the Group Fund and your total earnings for the round. You will also be informed of the number of tokens subtracted from the Group Fund by each member of the group. **THE GROUP MEMBERS WILL ONLY BE IDENTIFIED BY THEIR IDs, WHICH WILL REMAIN THE SAME IN EACH ROUND.** The group members will be ordered alphabetically by their IDs.

### **Earnings**

*Earnings in EACH round:* After all persons in the group make their decisions, the Group Fund will be divided equally among all individuals in the group. For each individual in the group, those earnings will be combined with the amount that the individual has in his/her own Individual Fund.

*Thus, a person's earnings in a round will equal the ending value of tokens (in ECUs) in his/her own Individual Fund plus one-fourth of the ending value of tokens in the Group Fund (in ECUs).*

**Three examples** illustrate how the tokens moved from the Group Fund to an Individual Fund are related to the values of the Individual and Group Funds.

- If a person subtracts 0 tokens from the Group Fund, that increases the value of his/her own Individual Fund by 0 ECUs and reduces the value of the Group Fund by 0 ECUs.
- If a person subtracts 5 tokens from the Group Fund, that increases the value of his/her own Individual Fund by 5 ECUs and reduces the value of the Group Fund by 15 ECUs.
- If a person subtracts 10 tokens from the Group Fund, that increases the value of his/her own Individual Fund by 10 ECUs and reduces the value of the Group Fund by 30 ECUs.

At the end of each round, you will receive information on all group members' decisions, as well as your earnings for that round. After reviewing the results page, you will be shown a "history" screen that displays a summary of past decisions of all group members and your earnings for each completed decision round.

While making your decision in each round, you will also be able to review the history screen and the instructions for the experiment. To see the history screen, click the "History of Decisions and Results" button. To review the instructions, click the "Instructions" button. After reviewing the history screen or the instructions, click the "Return to Decision" button to proceed.

*TOTAL Earnings:* Total Earnings for the experiment will be the sum of the earnings in all rounds of the experiment. Recall, at the conclusion of the experiment you will be paid in U.S. dollars using a conversion rate of \$1 for every 10 ECUs of earnings from the experiment.

After you are sure that you understand these instructions, **click on** the Finished Reading Instructions box in the upper left corner of your monitor screen to signal that you are ready to make your decisions.