

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 individual begins EACH ROUND with an endowment of 10 tokens worth 1 ECU each, yielding an Individual Fund of 10 ECUs. Each four person group begins EACH ROUND with a Group Fund of 0 ECUs.

DECISION TASK IN EACH ROUND

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

Each decision must be in whole tokens. That is, each person can add 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, or 10 tokens to 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 allocation decisions of 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 remaining 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 to the Group Fund are related to the values of the Individual and Group Funds.

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

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.