

# Game Theory Principles V

## Experiment II

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1. All of you will participate in a two-round choice problem (unless you choose to opt out).
2. The order of participation will be randomly determined.
3. Everyone in class will observe your choices.

Each participant will be asked to make the following choices:

1. There are three paper cups, labeled M, L and R.
2. One of the paper cups contains a token.
3. The other two paper cups are empty.
4. Each of the three paper cups is equally likely to contain the token.
5. In the first round you are asked to **select one of the paper cups**, M, L or R.

6. After the first round the instructor will reveal the contents of one of the paper cups that you did not select.
7. The instructor will always reveal the contents of a paper cup that does not contain the token.

8. In the second round you are asked to reconsider your selection: You can either **stay** with your earlier selection **or switch** to a different cup.
9. After the second round, the content of the cup you selected in the second round will be revealed and if it contains the token you are entered into a lottery.

After all of you have participated in the two-round choice problems, one of the lottery entrants is randomly selected to receive \$10.

Before we play the game, I would like you to answer the following questions (you may revise your choices later, when we actually play the game):

1. Your name:
2. Your first-round choice: M, L, R.
3. Your second-round choice: “stay” or “switch.”
4. Suppose instead the instructor’s choice after the first round were random. What would your second-round choice be: “stay” or “switch”?
5. Explain your second-round choices: