

# WELCOME TO THE EXPERIMENT!

You are about to participate in an experiment on decision-making. What you earn depends partly on your decisions, partly on the decisions of others, and partly on chance.

- Please turn off cell phones and similar devices now.
- Please do not talk or in any way try to communicate with other participants.
- We will start with a brief instruction period. During the instruction period you will be given a description of the main features of the experiment.
- If you have any questions during this period, raise your hand and the experimenter will come to you and your question will be answered in private.

## General Instructions

In this experiment you will be matched for a sequence of rounds with two partners in the room. These two partnerships, **Partnership Red** and **Partnership Blue**, will begin and end at the same time. We refer to a sequence of rounds with these partners as a match. In each new match your two partners will change.

## Choices and Payoffs in Each Round

### Outcomes

There are two possible outcomes: **Success** and **Failure**, determined by your action, your partner's action and chance.

- If the outcome is **Success**, both partners get **200** points.
- If the outcome is **Failure**, both partners get **50** points.

### Choices

In each round, for each of your two partnerships, you have three possible choices of action: **A**, **B** and **END PARTNERSHIP**.

- If you choose **A**, you **lose 50** points.
- If you choose **B**, you **gain 50** points.
- If you choose **END PARTNERSHIP**, the partnership ends. You and your partner will each receive **75** points for the remaining rounds in the match.
- If you do not make a choice within the time limit shown on the screen, the computer will flip a fair coin and randomly choose between **A** and **B** for you.

If the partnership has not ended, we refer to it as an **active** partnership; otherwise as an **inactive** partnership.

### Actions to Outcomes

In every round, **Success** or **Failure** in each partnership depends on your choice, your partner's choice, and luck.

- If you and your partner both choose **A**, there is **98%** chance of **Success**, **2%** chance of **Failure**;
- If one partner chooses **A** and the other chooses **B**, there is **50%** chance of **Success**, **50%** chance of **Failure**;

- If you and your partner both choose **B**, there is **10%** chance of **Success** and **90%** chance of **Failure**.

## Active Partnerships

Your round payoff in every active partnership depends on the **outcome** and your choice of **action**. Your round payoff is the sum of the outcome and action payoffs. For example, if you choose action **A** (lose 50 points) and the outcome is **Failure** (gain 50 points) in the partnership, your round payoff for that partnership is  $50-50=0$  points. Your choices and payoffs in active partnerships in each round are summarized in Table 1 in your summary sheet.

For each active partnership, after you and your partner have made your choices, the outcome and your round payoff will be shown to you.

## Inactive Partnerships

If one partner chooses **END PARTNERSHIP** in an active partnership, there is no associated outcome and the partnership becomes inactive for the rest of the **match**. Both partners will make no further choices in an inactive partnership, and receive **75** points in every remaining round.

## A Match

- The experiment will be conducted in **blocks of 5 rounds**. The number of rounds that count towards a particular match's payment is the same for all partnerships, and is randomly determined by the computer.

At the end of every round the computer rolls a fair 100-sided die. The first round where this number is **higher** than 80 will be the **final** payment round. For example, if the first three rolls were equal to or lower than 80, then the first four rounds count for payment and the probability the fifth round counts for payment is 80%. If the fourth roll were higher than 80, then the fourth round is the final payment round and the fifth round will not count for payment in this match.

Matches are undertaken in blocks of 5 rounds. You will not learn whether or not payment has ended until the end of the block. If the payment ended in the block, the match is over and the computer will inform you in which round payment stopped. Then a new match will begin. If payment has not ended, the current match will continue for another block of 5 rounds with the same two partners.

- When a match has been completed, you will be **randomly** paired with two **new** partners in a **new** match. For any particular match the probability that you are partnered with any other participant is the same, though you will not be able to identify with whom you have interacted in previous or future matches. Your new

match partners are randomly chosen, but the computer makes sure you are **never** partnered with the same participant in two **consecutive** matches.

## Payment

- The first match to be completed after **1** hour will determine the end of the experiment.
- The computer will randomly select two **COMPLETED** matches from the experiment for payment, one for **Partnership Red** and one for **Partnership Blue**.
- For each partnership color and randomly selected match, you will receive as payment the sum of the payment rounds in that partnership across the match. You will **NOT** receive any payment from non-payment rounds within a block after the match ended.
- Your total payment for the experiment is the sum of the match payments in each of the two selected partnership-specific matches and will be converted to dollars at the rate of \$0.01 for every point earned. You will get \$5 as a show-up fee in addition.