

Instructions

October 9, 2014

Welcome! You are about to participate in an experiment in the economics of decision making. If you listen carefully and make good decisions, you could earn a considerable amount of money that will be paid to you in cash at the end of the experiment.

Please remain silent and do not look at other participants' screens. If you have any questions, or need assistance of any kind, please raise your hand and we will come to you. Do not attempt to use the computer for any other purpose than what is explicitly required by the experiment. This means you are not allowed to browse the internet, check emails, etc. If you disrupt the experiment by using your smart phone, talking, laughing, etc., you may be asked to leave and may not be paid. We expect and appreciate your cooperation today.

The Basic Idea

The experiment will be divided into a number of periods, and each period will be broken up into subperiods. For each period, you will be matched anonymously with a counterpart, who is another participant in today's experiment.

Throughout each period you will choose a position within a range of possible positions. The number of points you earn each period will depend on your choice and the choice(s) of your counterpart.

At the end of the session, two periods will be randomly chosen to be the paid periods. The number of points you earned in those periods will be converted to US dollars at a rate shown on the whiteboard, and paid to you in cash.

Choosing Your Position

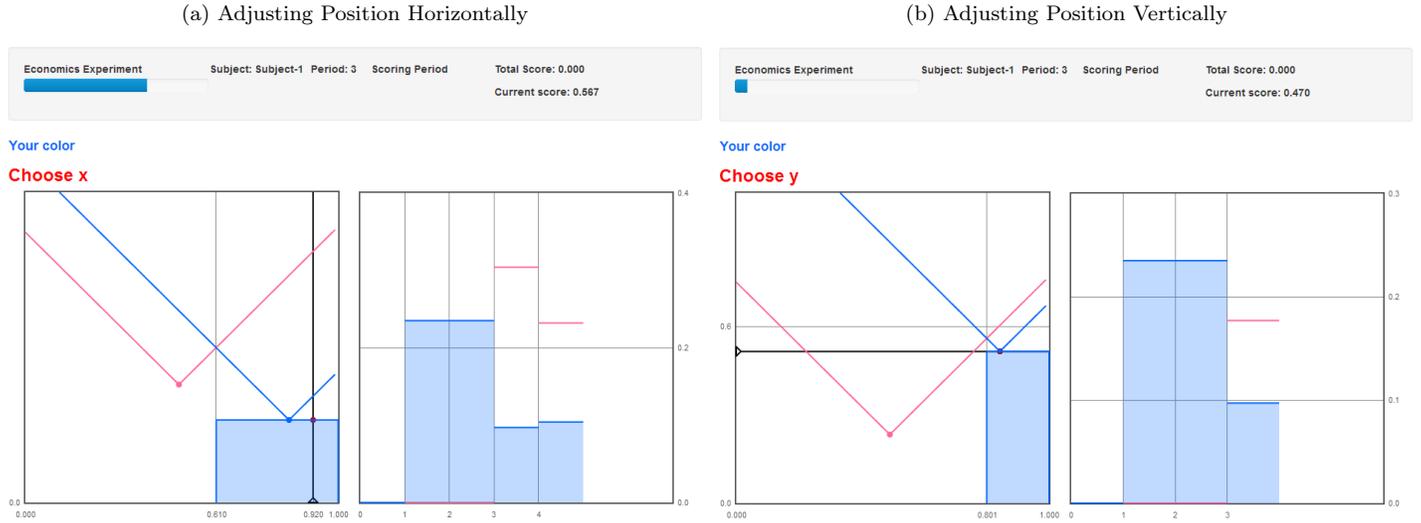
Figures 1 and 2 show the user interface. A gray line will follow your mouse as it moves over the screen, but your location will not adjust until you click the mouse. You will be able to select your position by clicking on your desired position with your mouse on the screen. This will proceed in stages. At the beginning of the period, you are in the first subperiod. In this subperiod, you will only be able to adjust your position along the x-axis (horizontally). In the next subperiod, you will be able to adjust your position only along the y-axis (vertically). There will be between one and four subperiods in which you can only adjust your position vertically. You will be able to adjust your position within a subperiod, but your final position is the position you have selected when the subperiod ends.

How You Earn Points

You earn points at a rate proportional to the size of the action area you control. At every subperiod during the experiment you will see your position and earnings from the previous subperiod, and the position and earnings of your counterpart from the previous subperiod. In Figure 1a, your position from the previous subperiod is indicated by the blue dot in the box on the left side. Note that your color will always be indicated by the color of the words "Your color" above the box on the left. Your flow of earnings is shown in the box on the right by a blue area. Similarly, the position of your counterpart is indicated by the pink dot on the left, and the current earnings of your counterpart is shown by the pink line on the right. Note that

your flow of earnings is also shown as a number in the box at the top of the screen under “Current score.” Also note that you do not receive earnings after making only a horizontal adjustment of your position, as your earnings depend on both your horizontal *and* vertical positions. The black line and red dot indicate the position you currently have selected for your horizontal position, which you are free to adjust until the end of the subperiod. Figure 1b is identical to Figure 1a, except that the black line and red dot indicate the position you currently have selected for your vertical position.

Figure 1: User Interfaces During Practice Periods



Note that the figure also includes lines running away from your position and from your counterpart’s position, as well as a shaded area indicating the action area you control. The intersection of your line with your counterpart’s line determines the size of the action area you control.

Periods

The time remaining in the subperiod is shown by the progress bar at the top of the screen. After a brief intermission, a new subperiod will begin. At the end of each *period*, you will be matched with new counterparts who may be different participants than in the previous period.

Frequently asked questions

1. Is this some kind of psychological experiment with an agenda you haven’t told us?
 - (a) Answer: No. It is an economics experiment. If we do anything deceptive or don’t pay you cash as described then you can complain to the campus Human Subjects Committee and we will be in serious trouble. These instructions are meant to clarify the game and show you how you earn money; our interest is simply in seeing how people make decisions.
2. Will there be practice periods?
 - (a) Answer: Yes. You will have two unpaid 100-second practice periods. Use this time to familiarize yourself the controls of the software, and how your choice and the choices of your counterparts affect your flow payoffs.