

Instructions

Welcome to this experiment in the economics of decision-making. Funding for this experiment has been provided by the National Science Foundation. Please read and follow these instructions carefully. We ask that you not talk with one another for the duration of the experiment. If you have a question at any time, please raise your hand and your question will be answered in private.

In today's session you will play 16 games. Each game will consist of 3 rounds.

While there are other participants in the room each of you will be playing a game by yourself. For record keeping purposes, you will be identified only by the player ID number that was given to you at the start of this experiment. Please write this number down on your record sheet.

In the first round of each game, you will select one of four possible actions which are labeled XX, XY, YX and YY. Click on the radio button next to either XX, XY, YX or YY. When you are satisfied with your choice, click the submit button. Record your action choice, XX, XY, YX or YY on your record sheet under the heading 'Action Choice'. You get no payoff from this first round choice, but it is important that you know the action you chose in the first round.

After your first round choice has been made, the computer program randomly chooses one of the three actions that you DID NOT choose in round 1 and designates this action as the "success action". You will not be informed of the action that has been selected as the success action but you do know that the success action is *not* the action you chose in the round 1. All three of the other actions have an equal probability of being chosen as the success action. The success action will remain the same in the remaining rounds 2 and 3 of the game.

Round 2 then begins. Your computer monitor reminds you of the choice you made in round 1 and asks you to specify a probability, between 0 and 1 inclusive, with which you would like to *change* the action you chose in round 1 to one of the other three action choices. For example, if you chose action XY in round 1 you are indicating the probability with which you would like to switch to one of the other three actions, XX, YX, or YY, in round 2. Entering a probability of 0 means you will definitely choose the same action in round 2 that you chose in round 1 and entering a probability of 1 means you will definitely switch to a different action in round 2 from the one you chose in round 1. To enter a probability between 0 and 1, type a decimal point, followed by your probability, .zzz (up to 6 digits). In that case, in round 2 you will switch from your round 1 action with probability .zzz and you will not switch from your round 1 action with probability 1-.zzz. If you specify any nonzero probability of switching in round 2, you must also choose which of the three actions you want to switch to. You do this by clicking on the radio button next to one of the three actions you did not choose in round 1 – the radio button for your round 1 choice will be suspended. When you are satisfied with your choices, click the submit button. You can change your choices anytime prior to

clicking the submit button. Please record your switching probability for round 2 on your record sheet under the heading: 'Probability of Switching'.

Once all players have clicked submit, the computer program will determine any probabilistic choices by drawing a random number between 0 and 1. If the random number drawn is less than or equal to your chosen switching probability, your action choice in round 2 will be the one you specified, while if the random number is greater than your specified probability cut-off, your action choice in round 2 will be the same as your action choice in round 1.

More precisely, suppose you choose some probability $.zzz$, where $0 < .zzz < 1$. If the random number drawn between 0 and 1 is less than or equal to $.zzz$, your action choice in round 2 will differ from your round 1 action, according to the choice you indicated. Otherwise, your action choice in round 2 will be the same as your action choice in round 1. Thus, by choosing a probability of 1, you *always* switch your action since the random number drawn is always less than 1. On the other hand, by choosing a probability of 0 you *never* switch your action since the random number drawn is always greater than 0. Any probability between 0 and 1 means there is only some chance that you will switch your choice; the chance of switching (not switching) is higher (lower) the greater is the value of $.zzz$ that you specify.

Once *all* players have entered a probability of switching, the results for round 2 will be revealed. You will see the action you actually chose, XX, XY, YX or YY, and whether you achieved the success outcome in round 2. Please record your action choice (XX, XY, YX or YY) for round 2 on your record sheet under the heading: 'Action Choice'.

If you achieved the success action in round 2, you earn \$1 for the game. Record a Y for yes under the 'Success?' column of your record sheet and enter the amount \$1 in the 'Payoff' column. You will then sit out the third and final round of the game - your payoff for the third round is 0. Please sit quietly at your workstation. When round 3 begins you just need to click the submit button to continue on to the next game.

If you did not achieve the success action in round 2, you will record an N for no under the 'Success?' column of your record sheet. You will have another chance to achieve the success action in round 3. You will be reminded of your action choice in round 2. You are then asked to specify a probability between 0 and 1 inclusive with which you would like to *change* the action choice you made in round 2 to one of the other three action choices. As in round 2, a probability of 0 means you will definitely choose the same action in round 3 that you chose in round 2 and a probability of 1 means you will switch in round 3 to one of the three actions you did not choose in round 2. If you specify any probability in between 0 and 1, then you will switch in round 3 to some action you did not choose in round 2 with that probability and you will not switch from your round 2 action with probability 1 minus your chosen probability. As before, to enter a probability between 0 and 1, type a decimal point, followed by your probability, $.zzz$. If you specify any nonzero probability of switching in round 3, you must also choose which of the three actions you agree to switch to. You do this by clicking on the radio button next to one of

the three actions you want to switch to. This action cannot be the same action you chose in round 2 – the radio button for your round 2 choice is suspended. When you are satisfied with your choices, click the submit button. You can change your choices anytime prior to clicking the submit button. Please record your probability choice for round 3 on your record sheet under the heading: ‘Probability of Switching’.

Once *all* players have clicked submit, the computer will determine any probabilistic choices in the same manner as described above for round 2. The results of round 3 will then be revealed. You will see the action you chose, XX, XY, YX or YY, and whether or not you achieved the success action in round 3. Please record your action choice (XX, XY YX or YY) for round 3 on your record sheet.

If you achieved the success action in round 3, you earn \$0.50 for the game. Record a Y for yes under the ‘Success?’ column of your record sheet and enter the amount \$0.50 in the Payoff column. If no success has been reached in this third and final round of the game, you will record an N for no under the ‘Success?’ column of your record sheet and enter the amount 0 in the ‘Payoff’ column. The completion of round 3 marks the end of a game.

If the 8th game has not yet been played, you will proceed to play another three round game following the same procedures as described above. Following the first round of play, a success action will be randomly chosen from among the three actions you did not choose in the first round. Play then proceeds as before.

At the end of the session you will be paid your earnings from all games played in cash. Following the completion of the 8th game you will receive further instruction.

Questions? If you have a question, please raise your hand and your question will be answered in private.

Game	Round No.	Probability of Switching	Action Choice (XX, XY, YX, YY)	Success? Y/N	Payoff (\$1 or \$0.50)
1	1	--		--	--
1	2				
1	3				
2	1	--		--	--
2	2				
2	3				
3	1	--		--	--
3	2				
3	3				
4	1	--		--	--
4	2				
4	3				
5	1	--		--	--
5	2				
5	3				
6	1	--		--	--
6	2				
6	3				
7	1	--		--	--
7	2				
7	3				
8	1	--		--	--
8	2				
8	3				
				Total Amount	

Instructions, Continued

You will play 8 more three-round games. The rules for these next 8 games are identical to the rules for the first 8 games. The only difference is in the payoff amounts you receive if you achieve the success action in round 3. If you achieve the success action in round 2, you earn \$1 as before. But in the remaining 8 games, if you achieve the success action in round 3, you earn \$6 (rather than \$0.50 as in the first 8 games). That is the only difference.

Again, you get to keep all your earnings from all games played.

Are there any questions before we begin?

Game	Round No.	Probability of Switching	Action Choice (XX, XY, YX, YY)	Success? Y/N	Payoff (\$1 or \$6)
9	1	--		--	--
9	2				
9	3				
10	1	--		--	--
10	2				
10	3				
11	1	--		--	--
11	2				
11	3				
12	1	--		--	--
12	2				
12	3				
13	1	--		--	--
13	2				
13	3				
14	1	--		--	--
14	2				
14	3				
15	1	--		--	--
15	2				
15	3				
16	1	--		--	--
16	2				
16	3				
				Total Amount Games 9-16	
				Total Amount Games 1-8*	
				Total Amount All 16 Games**	

* Enter the total amount from previous record sheet.

** Add together the amounts in the previous two boxes.