INSTRUCTIONS

Welcome

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 your question will be answered so everyone can hear.

General Instructions

1. In this experiment you will be repeatedly matched with a randomly selected person in the room. During each match, you will be asked to make decisions over a sequence of rounds.

2. The length of a match, that is the number of rounds in a match, is randomly determined as follows:

    After each round, there is a 90% probability that the match will continue for at least another round. Specifically, after each round, whether the match continues for another round will be determined by a random number between 1 and 100 generated by the computer. If the number is lower than or equal to 90 the match will continue for at least another round, otherwise it will end. For example, if you are in round 2, the probability that there will be a third round is 90% and if you are in round 9, the probability that there will be a tenth round is also 90%. That is, at any point in a match, the probability that the match will continue is 90%.

3. Once a match ends, you will be randomly paired with someone for a new match. You will not be able to identify who you've interacted with in previous or future matches.

4. In each round, your payoff depends on your choice, the choice of the person you are paired with, and on chance. More specifically, your payoff is determined by your choice (**A** or **B**), the choice of the person you are paired with (**A** or **B**), and a random draw (**a** or **b**). The probabilities with which **a** or **b** are drawn depend on the choice of the person you are paired.

The payoffs depend on choice and the random draw in the following way. If you select **A** and the random draw is **a**, your payoff is 46, while if the random draw is **b** your payoff is 8. Similarly, if you select **B**, the payoffs are 54 and 16 when the random draw is **a** and **b** respectively.

The random draw is determined as follows. If the person you are paired with chooses **A**, then the random draw is **a** with 90% probability and **b** with 10% probability. Similarly if he chooses **B**, it is **b** with 90% probability and **a** with 10% probability. The person you are paired with also gets a random draw. That random draw is determined in the same way yours is, and it determines (in combination with his choice) his payoff. The table below represents all the possible outcomes:

		Other's Choice				
Your		*A*		*B*		
Choice		a	b	a	b	← **Your random draw**
A	*a*	46, *46*	8, *46*	46, *54*	8, *54*	
	b	46, *8*	8, *8*	46, *16*	8, *16*	
B	*a*	54, *46*	16, *46*	54, *54*	16, *54*	
	b	54, *8*	16, *8*	54, *16*	16, *16*	

Other's Random Draw

In this table, the first number of each cell represents your payoff, and the second number (in italics) is the payoff of the person you are paired with receives. The first row indicates your choice, and the second the random draw of the person you are paired with. As you can see, your payoff does not depend on the random draw the other receives. The first column indicates the choice of the person you are paired with and the second column your random draw. For instance, the cell at the bottom right of the table indicates that if you choose **B** and your random draw is **b**, your payoff is 16 and if the other chooses ***B*** and his random draw is ***b***, then his payoff is 16. The cell immediately to the left indicates that if instead you had received the random draw ***a*** (since his choice is **B** this can only happen with 10% probability), your payoff would have been 54 but his would have been the same.

5. For each combination of your choice and the other's choice, you can calculate the expected payoffs given the probabilities of the random draws. The table below gives the payoff you can expect to get from each combination of choices:

Your Choice	Other's Choice	
	A	**B**
A	46 x 90% + 8 x 10%, *46 x 90% + 8 x 10%*	8 x 90% + 46 x 10%, *54 x 90% + 16 x 10%*
B	54 x 90% + 16 x 10%, *8 x 90% + 46 x 10%*	16 x 90% + 54 x 10%, *16 x 90% + 54 x 10%*

For example, when you and the other choose **A**, there is 90% probability your random draw is **a** and you make 46, but there is a 10% probability that your random draw is **b** and you make 8. Similarly, when you both choose **B**, there is a 90% probability his random draw is **b** and he makes 16 and there is a 10% probability that his random draw is **a** and he makes 54. The table below summarizes this:

Your Choice	Other's Choice	
	A	**B**
A	42.2, *42.2*	11.8, *50.2*
B	50.2, *11.8*	19.8, *19.8*

6. Total payoffs for each match will be the sum of payoffs obtained from each round of that match. Total payoffs for the experiment will be the sum of payoffs for all matches played.

7. The first match to end after 75 minutes of play will mark the end of the experiment. Your total payoffs will be converted to dollars at the rate of 0.0075$ for every point earned.

Are there any questions?

Now please take a look at the screen in front of the room.

Before we start, let me remind you that:

- The length of a match is randomly determined. After every round there is a

90% probability that the match will continue for another round. You will interact with the same person for the entire match.

- Every round, you will receive a random draw.

- Similarly the person you are paired with will receive a random draw.

- You will know what choice the person you are paired with made and he will know the choice you made. Neither will know what random draw the other had.

- Your payoff is determined by your choice and the random draw you receive.

- After a match is finished, you will be randomly paired with someone for a new match.