Instructions

General Instructions

This is an experiment in the economics of strategic decision-making. Various research agencies have provided funds for the conduct of this research. The instructions are simple and if you follow them carefully and make good decisions you may earn a considerable amount of money that will be paid to you in cash at the end of the experiment. It is in your best interest to fully understand the instructions, so please feel free to ask any questions at any time. It is important that you do not talk or discuss your information with other participants in the room until the session is over.

This experiment consists of 2 sections. In each section there will be 20 periods. Therefore, you will make a total of 40 decisions. All transactions will be in experimental dollars. These experimental dollars will be converted to real US dollars at the end of the experiment at the rate of 250 experimental dollars = $1. Notice that the more experimental dollars you earn, the more US dollars you earn. What you earn depends partly on your decisions and partly on the decisions of other participants in this experiment. Also, for agreeing to participate, you will be given $3 US as show-up fee. Any additional earnings you make in this experiment will be added to this show-up fee.

In the beginning of the experiment, the 20 participants in today's experiment will be randomly matched into 2 groups of 10 players each. Your group composition will remain the same throughout the first section, and will change only once at the beginning of the second section. Furthermore, there is no way for you to identify which of the other participants are in your group because they can be seated anywhere in the room.

Specific Instructions for Section 1

You must travel to some Destination D. When you reach D, you will earn 275 experimental dollars. To reach D, you must choose between two options: **Route A** and **Route B**. You will pay a cost for traveling along each route. See the cost schedule accompanying these instructions.

Travel cost on Route A depends on the number of other players in your group that also choose Route A. Note that if you choose Route A, your payoff decreases as the number of other players choosing Route A increases, and vice versa.

Travel cost on Route B is equal to 150 or 225 experimental dollars, depending again on how many individuals chose Route B.

Your payoff from reaching destination D = 275 – Your Travel Cost

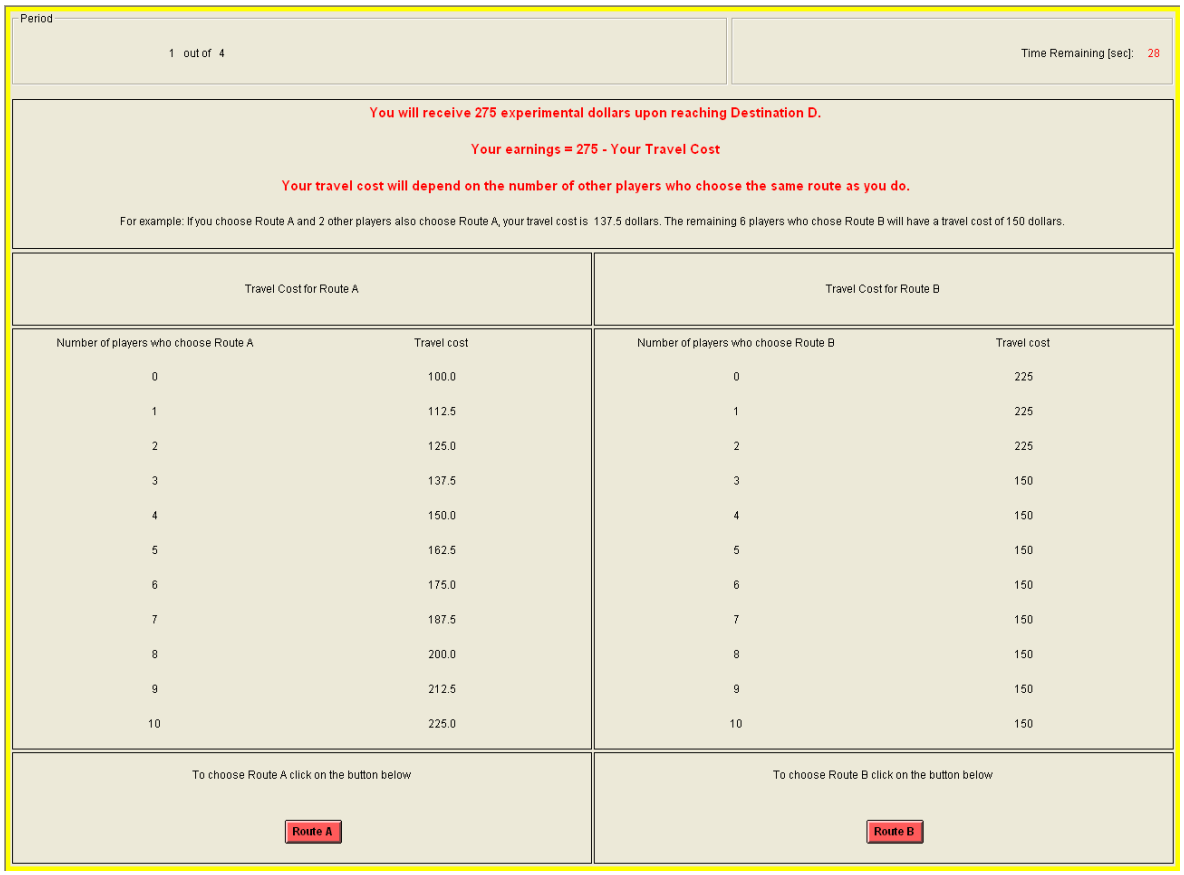

Figure 1: Decision Screen

Example 1: Suppose in a particular period you choose Route A and 1 other player in your group also chooses Route A. This means that a total of 2 players choose Route A. Then the travel cost for each player from Route A is 125 and you will each receive 150 (= 275 – 125) experimental dollars. The remaining 8 players who chose Route B pay a travel cost of 150 and receive a payoff of 125 (=275 – 150) experimental dollars.

Example 2: Suppose in a particular period you choose Route A and there are 7 other players in your group who also choose the same option. This means that a total of 8 players choose Route A. Then the travel cost for each player from Route A is 200 and you will each receive 75 (= 275 – 200) experimental dollars. The remaining 2 players who chose Route B pay a travel cost of 225 and receive a payoff of 50 (=275 – 225) experimental dollars.

You must click on either **Route A** button or **Route B** button to submit your travel decision. You cannot communicate or coordinate your choice with other players in any manner. The computer will wait until all players have made their decisions before displaying your period payoff in the next screen. See Figure 2 below.

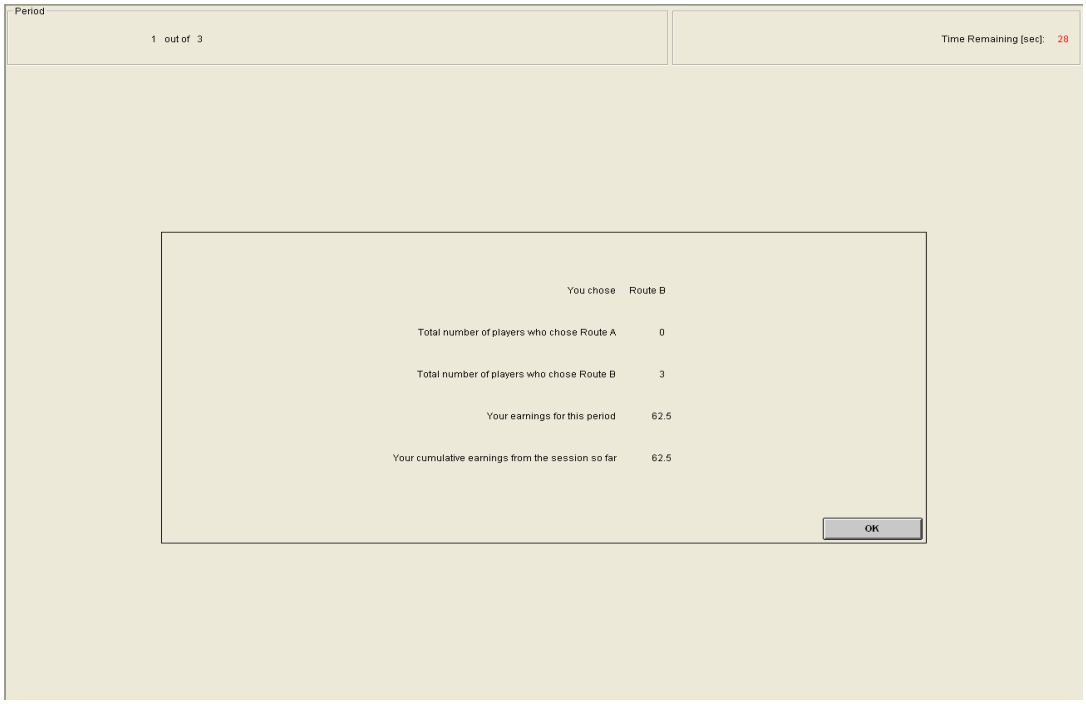

Figure 2: Outcome Screen

Once the outcome screen is displayed, you should record in your Personal Record Sheet the decision information: your choice, number of players who chose Route A and Route B, your earnings from this period and from the session so far. Then click on the button on the lower right of your screen to begin the next decision period.

Cost Schedule for Section 1

Number of players who chose Route A	Travel Cost for Route A	Number of players who chose Route B	Travel Cost for Route B
0	100	0	225
1	112.5	1	225
2	125	2	225
3	137.5	3	150
4	150	4	150
5	162.5	5	150
6	175	6	150
7	187.5	7	150
8	200	8	150
9	212.5	9	150
10	225	10	150

Specific Instructions for Section 2

Your decisions in this section are identical to the previous section. You must travel to some Destination D. When you reach D, you will earn 275 experimental dollars. To reach D, you must choose between two options: **Route A** and **Route B**. You will pay a cost for traveling along each route. See the cost schedule below.

Travel cost on Route A depends on the number of other players in your group that also choose Route A. Note that as before, if you choose Route A, your payoff decreases as the number of other players choosing Route A increases, and vice versa.

Travel cost on Route B is now fixed and equal to 180 experimental dollars. Therefore, your travel cost for Route B does *not* depend on how many individuals chose Route B.

Your payoff from reaching destination D = 275 – Your Travel Cost

Cost Schedule for Section 2

Number of players who chose Route A	Travel Cost for Route A	Number of players who chose Route B	Travel Cost for Route B
0	100	0	180
1	112.5	1	180
2	125	2	180
3	137.5	3	180
4	150	4	180
5	162.5	5	180
6	175	6	180
7	187.5	7	180
8	200	8	180
9	212.5	9	180
10	225	10	180

ID # _____

Record Sheet for Section 1

Period	Your choice	Number of players who choose Route A	Number of players who choose Route B	Your profit this period	Cumulative profit
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

ID # _____

Record Sheet for Section 2

Period	Your choice	Number of players who choose Route A	Number of players who choose Route B	Your profit this period	Cumulative profit
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

Cumulative Earnings from Section 1 _____ (in experimental dollars)

Cumulative Earnings from Section 2 _____(in experimental dollars)

Total Earnings _____(in experimental dollars)

Divided by 200

Total Earnings _____(in US dollars)