Experiment Instructions

Preliminaries

Thank you for participating in this study. If at any time you have questions, please raise your hand, and I will assist you. Please do not ask questions aloud. From now until the end of the session, communication of any kind between participants is not allowed. Please do not use the computer for any other purpose than participating in this study. Also, please turn off your cell phones.

Overview

The purpose of this session is to study decision making.
You will make a series of decisions that will affect your payoffs as well as the payoffs of others.
All studies run here in the Computer Lab for Experimental Research (CLER) do NOT use deception. Everything in these instructions is true, including the rules and the payoffs. Everyone received the same instructions.

What are my payoffs?

You will be paid your $10 show up fee plus the money made during the course of the following game.

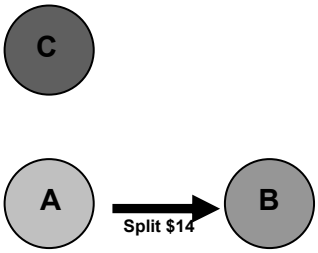
The Game

The game will be played in groups of three. We will play the game twelve times. Each time we play the game will be referred to as a "period".
In each period, everyone will be randomly assigned to one role and one group. You will play the same role for the first four periods, a second role for the second four periods, and the third role for the final four periods. You will play each role exactly once.

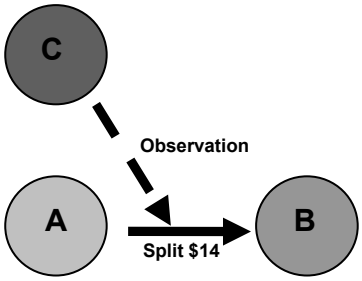
There are no computer players. The other two players in your group will be two other people in the room. You will be playing with two different people in each subsequent period.

Let's call the three roles A, B, and C. The game is completely anonymous, so players will only be referred to as A, B, or C for the duration of the experiment.

Here is how the game works:
Player A is going to split $14 with Player B. That is, A decides how to split the $14, and the two players are paid accordingly. B has no say in the decision. B will simply be informed of A's anonymous decision afterwards.



Player A has three options for how much to pass to Player B, keeping the rest for herself. Of the $14, Player A can pass $0, $2, or $7 to Player B.



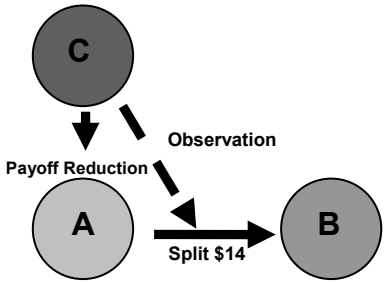
Player C then chooses how much to reduce Player A's payoff. C will make this decision with various amounts of information. Player C will not necessarily be told exactly how much Player A kept.

First, we will inform Player C two possible amounts that Player A sent. That is, there are three possible amounts Player A can send, and Player C will be shown two amounts and told Player A sent one of those two. The one amount that Player C is not shown is randomly chosen from the two amounts Player A did not send.

Before Player C makes her decision, however, there is a chance she will be given more information about Player A's behavior. With a 90% probability, we will tell Player C exactly how much Player A sent.

Player C will then choose how much to reduce Player A's payoff with the information she has been given.

How the punishment works is very simple.
Player C can reduce Player A's earnings as much as he/she wants, all the way to $0. She will choose by what percent Player A's payoff will be reduced.
That money will disappear from the game.
C has 20 seconds to make this decision. If she does not make a decision, A's payoff will not be reduced.



Following this decision, there will be a "computer coin flip" to determine whether this punishment is implemented. That is, with a 50% chance, Player A's payoff will be reduced by the amount decided, but with a 50% chance, Player A's payoff will not be reduced at all.

C cannot reduce B's payoff.
Player C is paid $7 no matter what happens in the game or what punishment decisions he/she makes.

At the end of each period, you will not be told all the decisions of the other players. We will learn what happened once we have played all twelve periods.

At that point, the computer will randomly choose one period. Your profits from that period, and that period only, will be the amount that you are paid when you leave, in addition to your show up fee.
Everyone will be paid for the same period. All twelve periods are equally likely to be the "payment period", so make thoughtful decisions in all twelve periods.

To recap, broken down by roles, the game is as follows:

Player A

- Will anonymously split $14 with B, without any input from B
- Can be punished by C
- Profit is equal to the amount A keeps in the "Split $14" game minus the punishment decided by C if the punishment is implemented. This happens with a 50% probability.

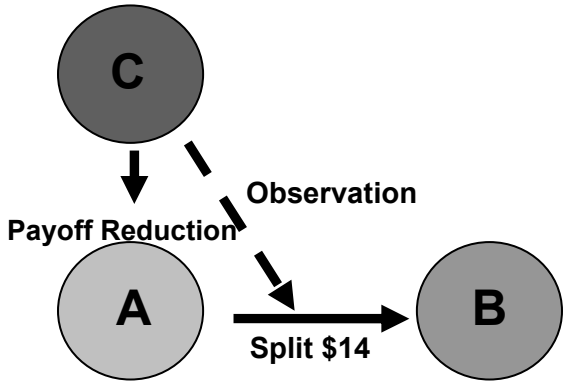
Player B

- Receives the amount that is decided by A. This is B's Profit.

Player C

- Based on what she knows about the behavior of A, C can reduce A's payoff by any percentage she wants.
- Player C is paid $7 no matter what happens in the game or what punishment decisions she makes.

Are there any questions about how this game works?



If at any time during the session you have questions, please raise your hand.

Good luck.