This is an experiment in the economics of decision making. The National Science Foundation and other agencies have provided the funds for this research. The instructions are simple. If you follow them closely and make appropriate decisions, you may make an appreciable amount of money. These earnings will be paid to you, in cash, at the end of the experiment.

1. In this experiment you will be asked to make decisions in several periods. There are two types of agents involved in each decision - “A” players and “B” players. In each period each A player is paired with a B player. Each A player makes a decision first. Then each B player makes a decision after seeing the decision of the A player with whom he is paired.

2. A players: There are two types of A players – type 1 (A1) and type 2 (A2).

   Table 1 shows the payoffs for the A players. You all have copies of payoff Table 1, please look at it now. A’s payoffs depend on their type (whether they are an A1 or A2), the number they have chosen, and the actions of the B player they have been paired with for that period (whether the B player chooses X or Y). Thus, for example, if an A1 player were to choose 3, and the B player they were paired with chose X they would earn 150, and if the B player chose Y they would earn 426. Similarly, if an A2 chooses 3, and the B player they have been paired with chooses X they would earn 330, and if the B player chooses Y they would earn 606. Notice that for each possible choice payoffs for A2’s are higher than the payoffs for A1s. Also notice that for any choice payoffs are always higher for the A player if the B player they have been paired with chooses Y rather than X.

   A players have no choice over whether they are A1’s or A2’s. A’s type will be determined randomly in each period through a process to be described shortly. A’s will always know if they are an A1 or A2 for a given play of the game. This will be clear from the payoff table on your computer screens.

   In each play of the game A players move first by choosing a number. A1 players may choose any number between 1 and 7; A2 players may also choose any number between 1 and 7.

3. B players: B players make their choices after seeing the number chosen by the A player they have been paired with for that period. They do not know if the A player they have been paired with is an A1 or A2 type before they make their choice, they only get to see the number chosen by the A player they have been paired with.

   Table 2 shows the payoffs for the B player. You all have copies of Table 2, please look at it now.
For a B player if they know (or can guess correctly) that they are facing an A1 player, they earn more if they choose X than if they choose Y (500 versus 250). On the other hand, if they know (or can guess correctly) that they are facing an A2 type, they earn more if they choose Y, than if they choose X (250 versus 200). In cases where the B player is uncertain about the type of A player they have been paired with, the choice that maximizes earnings depends on your best estimate of the likelihood you are facing an A1 versus an A2 player.

After the B player has made her choice, payoffs for both A’s and B’s will be determined.

4. In each period there is a 50% chance that the A player will be an A1 and a 50% chance they will be an A2. In other words, in each period, on average, 1 out of 2 A players will be A1, while on average every 1 out of 2 A players will be an A2. However, which particular A players will be A1’s and which will be A2’s is determined randomly by the computer in each period.

5. In each period A and B players will be randomly matched with each other by the computer. The random matching process is such that for each set of six (6) periods, each A player will be paired with each B player only once. You will not know the identity of the other player you are matched with in any period.

6. You will play as both an A player and as a B player. Your designation as an A player or as a B player will stay the same for six (6) periods, and then you will switch roles for six (6) periods. This process will repeat 2 times for a total of 24 periods.

7. In each period you will be paired with another person. Who you are paired with will remain the same throughout today’s session. In each case one of you will be permitted to give advice to the other person. Who the advisor is and who the advisee is will remain the same throughout the session and has been determined randomly by the computer at the start of the session. Advisees are not permitted to send messages back to their advisors. Only the advisers can send messages to their advisees.

8. Advisers and advisees will always be the same player type: If the advisor is an A1 player, their advisee will also be an A1 player. If the advisor is an A2 player their advisee will also be an A2 player. If the adviser is a B player their advisee will also be a B player.

9. Advisors and advisees make their choices independently from each other, with advisees under no obligation to follow the advice they have been given. Further, advisers and advisees will be playing against different subjects in each round of the game. That is, if you are an A player and an adviser, the B player you are matched with is not the same B player you advise is matched with. And if you are a B player and an adviser, the A player you are matched is different from the A player your advisee is matched with, although the type of A player you are matched with (A1 or A2) will be the same for both of you.

Note, in sending messages to your advisee we request you follow two simple rules: (1) Be civil to your advisee and do not use any profanity and (2) Do not identify yourself. The communication channel is intended for you to provide advice and should be used that way. We are employing this advisor/advisee procedure to see what, if any, impact it will have on how people behave in these kinds of situations.
Before going any further, we want to make sure everyone knows how to read the payoff tables. So please answer the following questions. If you have any trouble with the questions raise your hand and one of our monitors will be around to answer your question. Our monitors will also be around to check your answers.

1. Suppose you are an A2 player. If you choose 4 and the B player you have been paired with chooses X your payoff will be ____________. On the other hand, if you choose 5 and the B player chooses Y your payoff will be ______________.

2. Suppose you are an A2 player. If you choose 4 and the B player you have been paired with chooses Y your payoff will be _____________. On the other hand, if you choose 5 and the B player you have been paired with chooses X your payoff will be ____________.

3. Suppose you are an A1 player. If you choose 2 and the B player you have been paired with chooses X your payoff will be __________. On the other hand, if you choose 3 and the B player you have been paired with chooses Y your payoff will be _____________.

4. Suppose you are an A1 player. If you choose 2 and the B player you have been paired with chooses Y your payoff will be __________. On the other hand, if you choose 3 and the B player you have been paired with chooses X then your payoff will be _________.

5. Suppose you are a B player. If you choose X and the A player is an A1 type you earn __________, while if it is an A2 type you earn ____________. On the other hand, if you choose Y and the A player is an A2 type you earn ____________, while if it is A1 type you earn _____________.

6. Will As and Bs be matched with each other (randomly/the same) in each period?

7. Suppose that you are an adviser and an A2 player, then you advisee will be a _____ player.

8. Suppose that you are an adviser and a B player, then your advisee will be a _____ player.

9. Suppose that you are an adviser and a B player and are matched with an A1 player, then your advisee (will/will not necessarily) be matched with an A1 player. 

10. Suppose that you are an adviser and an A player, then whatever choice the B player you are matched with made (will/will not necessarily) be the same as the choice of the B player your advisee is matched with.

11. As an adviser your advisee will always be the (same/different) person in each period. As an advisee your advisor will always be the (same/different) person in each period.
Parameters for DR/explanation: 10 minutes for choices

Remember to switch to 3 minutes for real play!!! (and 2 minutes after 12 periods of real play)

To be read to subjects: not to be included with the written instructions.

We’re going to do a practice period before we play for cash. The objective here is to familiarize you with your computer screen and the procedures. To get started we much first log in. We will come around to do this. When your screen comes on don’t do anything until I tell you to.

OK – everyone have a screen now?

Just look at it – Don’t do anything just yet until I tell you to. I need to explain your screen layouts first and walk you through a practice period before we play for cash.

You will know if you are an A or a B player by the payoff table on your screen – if it matches the A player’s payoffs on your hard copy you’re an A. If it matches the B player’s payoffs you’re a B. It will also indicate if you are an A or B at the top of your screen above the payoff table. And if you are an A – whether you are an A1 or an A2 type. Remember that as an adviser whatever type you are for this period you advisee will be the same type this period as well.

Put slides up here

One thing to note here, if you are an A2 player, on your computer screen your payoffs will be listed before the A1 player’s payoffs. Other than that everything is as on the payoff tables we handed out.

Next, notice that there is a dialogue box in the lower right hand corner of your screen. If you are the adviser the lower part of the box will be black which you can click onto to type a message to your advisee. (Only you and your advisee can see your messages, no other subjects can see them.) To send a message hit the enter key. Your messages will be reported at the top of the dialogue box. If you are an advisee the lower part of the dialogue box will be white and it will not be possible to type a message there. All you can do is get messages form your advisor. Advisors please send a message to your advisees now. “Hello, how are you” will do fine. Remember you must hit the enter key to send the message.

OK – have all the advisors sent a message and advisees seen their advisors message?

11. In each period the A players must choose first. To start you will have 3 minutes to make your choices.

On the right hand side of the payoff table will be a column titled “my choice” (this is in blue). Do you all see this?

You use your mouse to click on your choice under the “my choice” column. Possible payoffs for this choice will be highlighted in red.
You must confirm your choice. To do this click on the little box at the top of your screen which says Send choice (in red). You have to click this box to send your choice.

Since we need to keep the session moving, if no choice has been made after the 3 minutes is up you will be prompted to make one. Also at that time advisers will no longer be permitted to send messages to their advisees.

Note you do not have to use all the time allotted before making your choice and should not plan to do so unless it is necessary (as choices cannot go forward until all A players have made their choices).

Are there any questions?

A player advisers please feel free to start giving advice and to make your choices now. Remember you have to click on the number you want under the my choice column and then click on the send choice box at the top of the screen to send your choice. Remember, advisers and advisees choose independently of each other.

**Can start reading this while A players are choosing -**

12. Once all the A players have made their choices, each B player will see the A player’s choice, for the A player they have been paired with for this period. The number chosen is located just above the dialogue box (in pink). It will read “A player’s choice is xxx”. Please don’t do anything just yet.

The B player must now choose between X and Y.

You also have 3 minutes to make your choices. Since we need to keep the session moving, if no choice has been made after the 3 minutes is up you will be prompted to make one. Also at that time advisers will no longer be permitted to send messages to their advisees. As with the A players your choices become binding once you have clicked on the send box.

Are there any questions?

B player advisers please feel free to start giving advise and to make your choices now. Please note that you do not have to use all the time allotted before making your choice and should not plan to do so unless it is necessary. Remember you have to click on the letter you want (X or Y) under the my choice column and then click on the send choice box at the top of the screen to send your choice. Remember, advisers and advisees choose independently of each other.

Note that A player advisers can continue e-mailing while the B players are choosing. And B player advisers can continue e-mailing while the A players are choosing.

13. After both players have made their choices the computer will highlight each player’s actual payoff for the period (in red), and display the A player’s type, and both players’ choices in the space below the countdown clock. Please have a look at this information and record it on your Subject Record Sheets.
In addition, the decisions of all pairs in the current period will be shown on the left, bottom part of your screen. You will see each A players’ type, the number chosen, and whether the B player they were paired with chose X or Y. Note, that pairs have been ordered by the number A players have chosen, going from highest to lowest. There is space on your screens to display these choices for the last three (3) periods, with choices for the just completed period reported at the bottom of the display, the previous period just above it, and the period before that at the top of the display. You can also use the scroll bar to look back at earlier periods. Note if no choice has been made, and your choice time has run out, this scroll bar will become inoperative, as it is time to make your choice.

This information is provided automatically after each period except for the period preceding the changeover from A to B players and vice versa. So you will not see this information until after I reset the parameters for the next period.

Put another slide up here.

13. The payoff tables are in francs. Francs will be converted into dollars at the rate of 1 frank = .0025 dollars. In addition, advisors will receive a bonus equal to 35% of the earnings of the person they are advising. (Note — this is not a subtraction form the advisees earnings – just an extra payment to provide incentives to advisers to give the best advice they can.) At the end of the experiment, you will be paid the sum of your earnings for all periods. This will be paid to you in cash along with the $5 participation fee. FEEL FREE TO MAKE AS MUCH MONEY AS YOU POSSIBLY CAN.

Now we are going to play for cash.

Summary:

1. Your role as an A or B player will switch every ______ periods.

2. In each period each A player is paired with a DIFFERENT B player (and vice versa). In fact, the rotation rule is set up so that you will only play with the same person at most once (or twice) (and in random order) in each set of ______ periods.

3. For A players, in each period there is a 50% chance you will be an A1 type and a 50% chance you will be an A2 type. Thus, in each period there is a 50% chance the B player will be facing an A1 player and a 50% chance of facing an A2 player. Note, we use a block random design so that with an even number (ex 6) of A players half (3) will always be A1 and half (3) will always be A2. [With an odd number (ex 5) of A players (2) will always be A1 and (2) will always be A2 with the computer “flipping a coin” to determine what the 5th players type will be]. However, which A player is an A1 and which an A2 is determined randomly within each period.

4. You have 3 minutes to start with to make your choices. You do not have to use all this time. Once everyone has made their choice, we move onto the next stage so if you do not need the full time, don’t use it.
5. Information to the left of your screen shows what each A player has chosen, the B players response and the A players type. Responses for the latest period are reported at the bottom, for the previous period just above that, and so forth. The little number to the right of this listing is the period number just completed.

Are there any questions?