

THE UNIVERSITY OF WISCONSIN
Department of Economics

Subjects' Instructions.

WELCOME.

This experiment is a study of group and individual investment behavior. The instructions are simple. If you follow them carefully and make good investment decisions you may earn a considerable amount of money.

The money you earn will be paid to you, in cash, at the end of the experiment. A research foundation has provided the funds for this study.

THE INVESTMENT OPPORTUNITIES

You have been assigned to a group of 3 people. You and the other two members of your group will be investing in a Group Investment. Your payoff from the Group Investment will depend on how much you invest and how much the other two members of your group invest.

Each member of the group may invest from 0 tokens up to 7 tokens in the Group Investment. The payoffs (in cents) that **you** will earn from investing are listed in the table below. *All other members of your group will have an identical table of payoffs.*

		YOUR INVESTMENT							
		<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
TOTAL INVESTMENT BY THE OTHER TWO GROUP MEMBERS	<i>0</i>	0	1	3	6	9	10	11	10
	<i>1</i>	1	4	8	11	14	15	15	14
	<i>2</i>	5	9	14	18	20	21	20	17
	<i>3</i>	12	17	22	26	28	28	25	22
	<i>4</i>	21	28	33	36	37	35	32	27
	<i>5</i>	34	40	45	48	47	44	39	32
	<i>6</i>	49	56	60	61	59	54	47	38
	<i>7</i>	68	74	77	76	72	64	55	44
	<i>8</i>	90	95	96	93	86	76	64	51
	<i>9</i>	115	118	117	111	102	89	74	58
	<i>10</i>	143	144	140	131	119	103	85	66
	<i>11</i>	175	173	166	153	137	118	97	75
	<i>12</i>	210	205	193	177	157	134	109	84
	<i>13</i>	248	239	223	203	178	151	122	93
	<i>14</i>	290	276	256	230	201	169	136	103

We can illustrate how to use the table with an example. Suppose that you invested 4 in the Group Investment, and that one other player invested 2, while the other invested 7. Hence, the total invested by other players is $2 + 7 = 9$. You can then find your payoff by going down the column marked 4 to the row marked 9 . Your payoff is 102. We can also use the table to calculate the payoffs of the others. The player who invested 2 will see the total investment by the others to be $4 + 7 = 11$. Hence that player's payoff is 166. The player who invested 7 will see the total investment of other players to be $4 + 2 = 6$, hence will have a payoff of 38.

THE INVESTMENT DECISION

Your task is to decide how many tokens to invest in the Group Investment. You are free to invest any number from 0 to 7. Likewise, the other members of your group are also free to invest any number from 0 to 7. Hence, the two other members of your group may, in total, invest as little as 0 or as much as 14.

STAGES OF INVESTMENT

There will be 20 decision rounds in which you will be asked to make investment decisions. At the end of each round your earnings will be recorded by the experimenter. After the last round you will be paid your total earnings from all 20 rounds.

You have been given a packet of 20 INVESTMENT DECISION FORMs, one for each decision round. You are to record your decision using this form. Record your decision by circling the number of tokens you wish to invest in the Group Investment. Be sure that you mark the form clearly. *You must make your investment decisions without knowing what the others in your group are deciding.*

Do not discuss your decision with any other participant!

The experimenter will collect the form when you have filled it out. The experimenter will then calculate your earnings and convey them to you on an EARNINGS REPORT.

IMPORTANT NOTICE: The Earnings Report only tells you the total investment by the other members of your group and your personal earnings. It does not tell you the investment decisions or earnings of the other members of your group. YOUR INVESTMENT DECISIONS AND EARNINGS ARE CONFIDENTIAL.

After receiving your Earnings Report, you may begin filling out the next Investment Decision Form.

YOUR GROUP

You have been preassigned to a group of 3 participants. You will be a member of this group for only 4 decision rounds. After that you will be randomly reassigned to a new group of 3 participants. You will then be in that group for an additional 4 decision rounds. Then you will be randomly reassigned to another group of 3 participants. This will continue for all 20 decision rounds. Hence, during the course of the experiment, you will be a member of 5 different groups, and each group will be together for exactly 4 decision rounds.

NOTICE: The chance that any other participant will ever be in a group with you more than one time is extremely small.

NOTICE: Your identity will *never* be made known to any other participant at any time.

GOOD LUCK!

You may begin by completing the first Investment Decision form.

TOTAL
 INVESTMENT
 BY THE
 OTHER TWO
 GROUP
 MEMBERS

YOUR INVESTMENT

	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
<i>0</i>	0	1	3	6	9	10	11	10
<i>1</i>	1	4	8	11	14	15	15	14
<i>2</i>	5	9	14	18	20	21	20	17
<i>3</i>	12	17	22	26	28	28	25	22
<i>4</i>	21	28	33	36	37	35	32	27
<i>5</i>	34	40	45	48	47	44	39	32
<i>6</i>	49	56	60	61	59	54	47	38
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