

Experimental Instructions

Welcome to the experiment and thanks for your participation.

You have been randomly assigned to an experimental condition with 16 people in total. In other words you and 15 others will be interacting via the computer network for this entire experimental session.

The experiment is divided into two parts and each part will last approximately 30-40 minutes long. Both parts of the experiment contribute to your final earnings. The instructions for the first part of the experiment follow directly below. The instructions for the second part of the experiment will be handed out to you only after all participants have completed the first part of the experiment. It is worth your effort to read and understand these instructions well. You will be paid based on your performance in this study; the better you perform, the higher your expected earnings will be for your participation today.

Your decision.

In this part you will play 40 independent rounds. At the beginning of each round, you will receive 20 “coins”. For each round, you will have to decide how many of your 20 coins to transfer into your “personal” account, and how many coins to transfer into a “group” account.

Your earnings for the round depend on how you and the other participants decide to divide the coins you have received between the two accounts.

Group matching.

For each round you will be assigned to a group of 4 people, that is, you and three other participants. Groups are strictly formed by ranking each individual transfer to the group account, from the highest to the lowest. Group 1 is composed of those participants who transferred the most to the group account; Group 4 is composed of those who transferred the least to the group account. The other groups (2 and 3) are between these two extremes. In case two or more individuals transferred the same amount to the group account, their relative position in the ranking will be decided randomly.

Return from personal account.

Each coin that you put into your personal account results in a simple one-to-one payoff towards your total earnings.

Return from group account.

Each coin that you put into the group account will pay you back some positive amount of money, but it depends also on how much the other group members have transferred to the group account, as described below.

The total amount of coins in your group account is equal to the sum of the transfers to the group account by each of the group members. That amount is then multiplied by 2 and distributed equally among the 4 group members. In other words, you will get a return equal to half of the group account total.

Final Earnings

Your total earnings for the first part of the experiment are equal to the sum of all your rounds’ earnings. One coin is equal to 0.01 CHF. This may not appear to be very much money, but remember there are 40 rounds in this part of the experiment so these earnings build up.

An example is given on the back of this sheet.

Example

Here is an example of one round to demonstrate this decision context, the sorting into different groups, and the different resulting payoffs. In the table below, pay attention to the following facts:

- Groups are strictly formed by ranking how much participants transferred to the group account. For example, in Group 1 all participants transferred to the group account more than (or at least as much as) any other participant in the experiment.
- Participant #9 transferred 10 to the personal account and he was sorted into Group 3. The other participants in Group 3 transferred a total of 36 coins to the group account. This amount is doubled and redistributed evenly back to the 4 members of the group—this is 18 for each participant. So then participant #9 earned 28 coins for this round.
- Ties are broken randomly. For example, participants #5 and #14 both transferred 16 coins into the group account, but participant #14 was randomly placed in Group 1 and participant #5 was randomly placed in Group 2.

Player ID	Group	Transfer to group account	Transfer to personal account	Total to group account	Amount returned to player	Total earnings for the round
3	1	20	0	72	36	36
11	1	19	1	72	36	37
10	1	17	3	72	36	39
14	1	16	4	72	36	40
5	2	16	4	57	28.5	32.5
1	2	14	6	57	28.5	34.5
7	2	14	6	57	28.5	34.5
6	2	13	7	57	28.5	35.5
8	3	11	9	36	18	27
9	3	10	10	36	18	28
4	3	8	12	36	18	30
12	3	7	13	36	18	31
16	4	6	14	14	7	21
13	4	5	15	14	7	22
15	4	2	18	14	7	25
2	4	1	19	14	7	26