Instructions

You are about to participate in an economics experiment. If you follow the instructions 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. For the purpose of this experiment all monetary units are expressed in Experimental Currency Units (ECU) which will be converted to CZK at the end of the experiment. The conversion rate is 1 ECU = 5 CZK.

The experiment consist of a **number of rounds**. In each round you will be matched with other participants in this room. How you will be matched will be explained in more detail below (see below: **Matching scheme and parameterization**.)

Basic interaction. The basic interaction is between you and another participant; it is summarized in the following **earnings table** whose entries we call payoffs from here on:

		Column	
		One	Two
Row	One	3,3	1,4
	Two	4,1	2,2

You are the Row participant and have two actions at your disposal labeled One and Two. The other participant is the Column participant, who also has two actions at his or her disposal labeled One and Two. You earn the payoffs before the comma. The Column participant earns the payoffs after the comma. Note that your payoffs depend both on your action choice and the Column participant's choice. Similarly, the Column participant's payoffs depend on her or his choice as well as your choice. For example, if you choose One and the Column participant chooses Two, then your payoff is 1 ECU and that of the Column participant is 4 ECU.

[Any questions?]

The basic interaction is the basic building block of the experiment.

Group interaction. Assume now that you and the Column participant interact as before but that, in addition, the two of you interact with two other participants who face the same basic interaction that the two of you face. Let's call each pair of participants a group from here on and the participants in one group the members of that group. Your group and the other group will compete for an external prize, P.

The following table lists, in the rightmost column, your payoff for all 16 combinations of actions ("contingencies") by you, the other member of your group, and the two members of the other group.

The logic of the table is such that if the sum of the payoffs earned by the two members of your group is a) larger, b) equal to, or c) smaller, than the sum of the payoffs earned by the two members of the other group, then the two members of your group share equally a) the entire external prize P, b) 50% of the prize P, or c) 0% of the prize P, respectively.

Your group		Other group		
You	Other	Member 1	Member 2	Your payoff
One	One	One	One	3+P/4
One	One	One	Two	3+P/2
One	One	Two	One	3+P/2
One	One	Two	Two	3+P/2
One	Two	One	One	1
One	Two	One	Two	1+P/4
One	Two	Two	One	1+P/4
One	Two	Two	Two	1+P/2
Two	One	One	One	4
Two	One	One	Two	4+P/4
Two	One	Two	One	4+P/4
Two	One	Two	Two	4+P/2
Two	Two	One	One	2
Two	Two	One	Two	2
Two	Two	Two	One	2
Two	Two	Two	Two	2+P/4

In light of these contingencies, do you prefer to choose One or Two?
(This is the kind of question that you will be asked to answer once the experiment proper begins.)

Make sure to pay attention to both the payoff table and the size of the external prize P when choosing your action.

[Any questions?]

Matching scheme and parameterization. There is a total of 14 rounds. For each new round the prize, P, changes, and the computer draws randomly a new other member of your group, and a new other group that your group is matched against. You will not be given any feedback on the outcomes of your actions until after the last round: Then the payoff you earned in each round, and the total payoff, will be announced to you on the screen.