

Instructions

This is an experiment in the economics of decision-making. Your earnings will depend partly on your decisions and partly on chance. If you are careful and make good decisions, you may earn a considerable amount of money, which will be paid to you, privately, in cash, at the end of the experiment.

In this experiment, you will be asked to predict from which randomly chosen urn a ball was drawn. It is equally likely that either urn will be selected:

Urn A	Urn B
2 RED balls	2 WHITE balls
1 WHITE ball	1 RED ball

Once an urn is determined, each of you will get a draw (with replacement) from the urn. The result of this draw will be your private information and should not be shared with other participants.

After each person has seen his or her own draw, we will ask them to indicate the letter of the urn (A or B) that they think is more likely to have been used. When the first person has indicated a letter, it will be announced publicly. After announcing the first person's decision, the second person will be asked to indicate a letter (A or B), which will then be announced. This process will be repeated until all remaining people have made decisions. Finally, everyone will be informed of the urn that was actually used. Everyone who correctly indicated the letter of the urn used earns 4 tokens. All others lose 4 tokens.

The experiment will consist of 3 periods. In each period, you will be a member of a random 5/6-person group. Your position in the group will, again, be randomly determined in each period.

Are there any questions before we begin? Please do not talk with anyone during the experiment. We will insist that everyone remain silent until the end of the last period. If we observe you communicating with anyone else during the experiment we will pay you your cumulative earnings at that point and ask you to leave without completing the experiment.

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We will now repeat this experiment with one change. As before, the experiment consists of 3 periods and in each period everyone will be asked to indicate the letter of the urn (A or B) that they think is more likely to have been used.

The only change now is how the earnings are determined in each period.

If the majority of the group decisions (ties will be broken randomly) match the urn that was actually used, then everyone earns 4 tokens. Otherwise, everyone loses 4 tokens.

Are there any questions before we begin?

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The only change now is how the earnings are determined in each period.

If your decision matches the urn that was actually used, then you earn 1 token. Otherwise you lose 1 token. In addition, if your decision matches the majority of the group decisions, then you earn an additional 3 tokens. Otherwise you lose an additional 3 tokens.

Are there any questions before we begin?