Experiment Instructions Appendix to

Learning, Teaching, and Turn Taking in the Repeated Assignment Game

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Instructions

This is an experiment in the economics of strategic decision making. The Research Grant Council of Hong Kong has provided funds for this research. If you follow the instructions and make appropriate decisions, you can earn an appreciable amount of money. The currency used in the experiment is called “francs.” Your francs will be converted to Hong Kong Dollars at a rate of 60 francs to one dollar. At the end of today’s session, you will be paid in private and in cash.

It is important that you remain silent and do not look at other people’s work. If you have any questions, or need assistance of any kind, please raise your hand and an experimenter will come to you. If you talk, laugh, exclaim out loud, etc., you will be asked to leave and you will not be paid. We expect and appreciate your cooperation.

Please pay careful attention during these instructions. When the instructions are completed, you will take a short quiz on your computer to verify your understanding. You will be able to refer back to the instructions as you answer the quiz questions. The computer will record how many quiz questions you answer correctly, and you will be paid $3 for correct answer(s) to each question.

The experiment consists of many separate decision making periods. At the beginning of the experiment you will be randomly grouped with another participant to form a two-person group. You will be grouped with this same participant for a random number of periods, as explained later. Although you will be grouped with someone in this room, you will never learn the identity of the person in your group.

Your Choice

During each period, you and the other person you are grouped with will make one choice, X or Y. You and the other person make this choice simultaneously; that is, you do not learn the choice of the other person until after you make your choice, and vice versa. Both you and the other person may choose either X or Y.

The computer program will display on the decision screen the earning table, which shows how the choice of you and the other person determine the earnings of each person, as illustrated in the following Figure.
Decision Screen for Person 1 (Person 2’s is very similar)

Your earnings from the choices each period are found in the box determined by you and the other person. If both you and the other person choose X, then earnings are paid as shown in the box in the upper left on the screen. If both you and the other person choose Y, then earnings are paid as shown in the box in the lower right on the screen. The other two boxes indicate earnings when one chooses X and the other chooses Y. To illustrate with a random example: given that earnings are determined as in the above figure, if you choose X and the other person, chooses X, then you receive 1 and the other person receives 1. You can find these amounts by looking at the appropriate box in the Figure.
The End of the Period

After everyone has made choices for the current period you will be automatically switched to the outcome screen, as shown below. This screen displays your choice as well as the choice of the other person in your group. It also shows your earnings for this period and your cumulative earnings for this grouping so far.

Once the outcome screen is displayed you should record your choice and the choice of the other person in your group on your Personal Record Sheet. Also record your current and cumulative earnings for this grouping. Click on the OK button on the lower right of your screen when the experimenter instructs you.
The Random Ending to Each Grouping

At the beginning of the experiment, the computer will randomly match you with another participant to form a two person group. You will remain grouped with the same person in your two-person group for some random number of periods. At the end of each decision period, we will throw a ten-sided die on the floor in front of some of the participants. The outcome of the roll will be announced verbally to everyone. If the die comes up 1, 2, 3, 4, 5, 6, 7, 8 or 9, then you will remain grouped with the same participant for another period; at the end of the next period, the die will be thrown again, and again the grouping will continue for at least another round if a 1, 2, 3, 4, 5, 6, 7, 8 or 9, is thrown.

If the die comes up a 0 on any throw, then the current grouping is immediately terminated. The experiment will also be terminated at that time if one of the following conditions hold: (1) the total number of periods conducted in the experiment at that point exceeds 120 or (2) if you have already been grouped with seven different persons to form seven different two-person groups at that point, or (3) if less than 30 minutes remain in the two-hour block of time reserved for this lab session. Otherwise, you will be randomly re-grouped with another different participant to form a new two-person group. You will remain grouped with this same person for some random number of periods, with the same die-throwing rule to determine the termination of each random re-grouping of participants. Furthermore, the random grouping performed by the computer will ensure that if you have been grouped with another participant to form a two-person group before, then you will never be grouped with this same participant in this experiment again. Remember that you will never learn the actual identity of the individuals you are grouped with.

That is, if John is grouped with Rachel in the first grouping, John will remain grouped with Rachel for some random number of periods. When the grouping is terminated because the die comes up a 0 on a particular throw, the grouping is terminated. John will be re-grouped with another person other than Rachel, and will remain grouped with this new person for some random number of periods, and John will never be grouped with Rachel again for the rest of the experiment. Note that rule (2) above implies that in this experiment, you will at most be grouped with seven different participants to form different two-person groups.
Earning Tables and Exchange Rate

At the beginning of the experiment and before any two-person groups are formed, the 16 participants of today’s experiment will be randomly divided into two equal-sized clusters, with 8 participants in each cluster. Participants in both clusters will be making decisions using exactly the same rules as explained above, except that participants in each cluster will be using an earning table that differs from the earning table used by participants in the other cluster. If a participant is randomly assigned to one of these two clusters in the beginning of the experiment, he/she remains in the same cluster for the whole experiment and he/she will only be matched with participants in the same cluster to form a two-person group. This means that you will be using the same earning table throughout the whole experiment, and that whenever you are randomly matched with another participant to form a two-person group, you will be matched with a participant who is also using the same earning table that you use throughout the whole experiment.

Before we begin the experiment you will take a short quiz on your computer to verify your understanding of these instructions. Please feel free to refer back to the instructions as you answer the quiz questions. The computer will record how many quiz questions you answer correctly, and you will be paid $3 for correct answer(s) to each question. Also feel free to raise your hand to summon an experimenter if you do not understand the explanation for a wrong answer. Please do not say anything before the experimenter comes to you, as the experimenter will answer your question in private.

The earning table in Figure 1 above provides an example regarding how the choice of you and the other person determine the earnings of each person. When we start the quiz, the actual earning table that indicates how your choice and the choice of that person you are grouped with determine the earnings of each person will be displayed. This is the earning table that you will be using throughout the whole experiment. Please record the information on your Record for the Earning Table.