

Appendix A

Exact Transcript of Instructions For MPCR = .5 Experiments

This is an experiment in the economics of group decision-making. You have already earned \$5.00 for showing up at the appointed time. If you follow the instructions closely and make decisions carefully, you will make a substantial amount of money in addition to your show-up fee.

There will be 10 decision-making periods. In each period, you are given an endowment of tokens. You need to decide how to divide these tokens between two accounts: a **private** account and a **public** account.

Each token you place in the **private** account generates a cash return to you (and to you alone) of 1 cent.

Tokens that group members invest in the **public** account will be added together to form the group investment. The group investment generates a cash return of 2 cents per token. These earnings are then divided equally between group members. Your group has 4 members (including yourself).

Returns to the group investment are illustrated in the table below. The left column lists various amounts of group investment; the right column contains the corresponding personal earnings for each group member.

Returns from the Group Investment

<i>Total investment by your group</i>	<i>Return to each group member (From group investment)</i>
0	0
20	10
40	20
60	30
100	50
150	75
200	100
300	150
400	200

Your records:

Your token endowment for each period, as well as your decisions and earnings, will show on the Record Sheet. Each row on the Record Sheet will represent a single decision period.

Example:

Assume that, in a specific period, your endowment is 100 tokens. Assume further that you decide to contribute 50 tokens to your private account and 50 tokens to the public account. The other group members together contribute an additional 250 tokens to their public accounts. That makes the group investment 300 tokens, which generates 600 cents ($300 * 2 = 600$). The 600 cents are then split equally among the 4 group members. Therefore, each group members earns 150 cents from the group investment ($600/4=150$). In addition to earnings from the group account, each member gets 1 cent for every token invested in his/her private account. As you invested 50 tokens in the private account, your total profit in this period is $150 + 50 = 200$ cents. Take a look at the Record Sheet. It displays the information for this hypothetical period. During the actual experiment, information will be displayed on the Record Sheet in the same way.

Each period proceeds as follows:

First, decide on the number of tokens to place in the private and in the public account, respectively. Use the mouse to move your cursor to the box labeled “Private Account”. To make your private investment, click on the box and enter the number of tokens you wish to allocate to this account. Do likewise for the box labeled “Public Account”. Entries in the two boxes must sum to your endowment. To change any of your entries, use the mouse to select what you have previously typed in that box and overwrite. To submit your investment click on the “Submit” button. You will then wait until everyone else has submitted his or her investment decision.

Second, once everyone has submitted his or her investment decision, you will be assigned to a group with 4 members (including yourself). Your total group investment will then be determined and your experimental earnings calculated.

Third, you will receive a message with your experimental earnings for the period. This information will also appear in your Record Sheet.

A new period will begin after everyone has acknowledged his or her earnings message.

After the last period, you will receive a message with your total experimental earnings (sum of earnings in each period).

This is the end of the instructions. If you have finished reading these instructions, push the red bar below.