

## Instructions

*These instructions are for G=4. Instructions and control questions were identical for the different sizes of the action set except for the one sentence highlighted below. The experimental procedures were as follows: subjects read the instructions, answered the questions, questions were checked by the experimenter, experimenter read the instructions aloud, experiment commenced. Subjects had no visual contact and could not communicate once they entered the laboratory.*

Thank you for agreeing to take part in this experiment which is funded by the University of Melbourne. If you read the following instructions carefully, you can, depending on your decisions and of those made by others, earn a considerable amount of money. It is therefore important that you take your time to understand the instructions.

The instructions are for your private information. Please do not communicate with the other participants during the experiment. Should you have any questions please ask us.

Throughout the experiment we shall talk of Experimental Monetary Units (EMU) rather than Australian Dollars. The exchange rate between EMU and Dollars is 7 EMU = \$1.

At the beginning of the experiment the computer will randomly match you with three other people in the lab. You will remain matched with the same group of three throughout the experiment.

### Your task

The experiment consists of 20 periods. At the beginning of each period you will be given an amount of 10 EMU. We will henceforth refer to this amount as your 'endowment'. In every period **your task will be to decide whether you wish to contribute or not to a joint project**. The three others with whom you are matched will also have to make the same decision.

Your earnings in each period depend on your decision and the decisions of the others with whom you are matched. In particular, your earnings are calculated using the following simple formula. If you have any difficulties, do not hesitate to ask us. (Note that the income of the three others with whom you are matched is calculated in the same way.)

$$\begin{array}{r} \text{Endowment} \\ - \quad \text{Your contribution to the joint project} \\ + \quad 0.4 * (\text{Sum of contributions to the joint account}) \\ \hline = \quad \text{Your earnings at the end of the period} \end{array}$$

**You can contribute any fraction of your endowment to the joint project.** More specifically, you can contribute any integer number from 0 to 10 EMU.<sup>1</sup> Once everyone has made their decision you will be reminded of your decision and will be informed about the others' decisions and about your earnings from the period.

If you have any questions please raise your hand to attract the attention of one of the experimenters. Otherwise, please proceed to answer the control questions on the next page.

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<sup>1</sup> In the restricted treatment, the first two sentences of this paragraph were substituted with: Note that **you can either contribute the whole of your endowment (10 EMU) or nothing (0 EMU) to the joint project**. You cannot choose a number in between 0 and 10.

# NOT FOR PUBLICATION

## Control Questions

1. If you and the other three people with whom you are matched decide to contribute the whole of the endowment to the joint project in a given period, how much will:
  - a. You earn: ..... EMU
  - b. Each of the other group members earn: ..... EMU
  
2. If you and the other three people with whom you are matched all decide to contribute nothing to the joint project in a given period, how much will:
  - a. You earn: ..... EMU
  - b. Each of the other group members earn: ..... EMU
  
3. If you decide to contribute zero to the joint project in a given period and the other three with whom you are matched decide to contribute their full endowment to the joint project, how much will:
  - a. You earn: ..... EMU
  - b. Each of the other group members earn: ..... EMU
  
4. If you decide to contribute the whole of your endowment to the joint project in a given period and the other three people with whom you are matched decide to contribute nothing to the joint project how much will:
  - a. You earn: ..... EMU
  - b. Each of the other group members earn: ..... EMU
  
5. How many periods will the experiment last? .....