

## Online Appendix

### *Instructions: Teams*

This is an experiment in the economics of market decision making. The instructions are simple, and if you follow them carefully, you may earn a **CONSIDERABLE AMOUNT OF MONEY** which will be **PAID TO YOU IN CASH** at the end of the experiment.

### **Teams**

In this experiment, you will make decisions in teams. At the beginning of the experiment, you will be paired with another subject and this subject will be your partner for the entire experiment.

### **The One-Round Decision**

You and your partner will be paired with another team choosing between options A and B in the payoff table shown below, where the number listed in the top left hand corner of each box is your payoff and the payoff for the team you are paired with in the lower right hand corner.

	A	B
A	105 105	5 175
B	175 5	75 75

One round decisions work as follows: Think of yourself as the row player in terms of the payoff table. If your team chooses A and the other team chooses A your payoff will be 105 and the other team's payoff will be 105. If you choose A and the other team chooses B your payoff will be 5 and the other team's payoff will be 175. If you choose B and the other team chooses A your payoff will be 175 and the other team's payoff will be 5. Finally, if you both choose B, both teams will get a payoff of 75.

When making your choice, you will not know the choice of the other team since choices are made simultaneously. After all teams have made their choices, the computer will report back your choice and the choice of the team you have been paired with for that round, along with your payoffs and the other team's payoffs.

All payoffs are denominated in an Experimental Currency Unit (ECU). ECUs will be converted into dollars at a rate to be described below.

## **Blocks of Rounds**

You will be paired with the **same** other team for a set of 10 repeated choices using the **same** payoff table. After the 10<sup>th</sup> round, your team will be paired with another team in the room and you will proceed to make 10 repeated choices with that team. We will conduct a minimum of 5 blocks of choices of this sort (more if time permits), where for all blocks your partner remains the same but the team you will be paired with for the block will be a new team.

## **Talking to Your Partner and Making a Decision**

As a team you will make decisions jointly. That is, the two of you must decide together what choices to make and both of your payoffs will depend on these choices. To facilitate this, there will be a chat box on your screen to send messages back and forth to each other. Although we will record these messages, only you and your partner will see them. You should use this chat box to discuss your strategy and come to an agreement regarding what choice to make.

To make a choice use your mouse to click on the relevant radio button to the right of the table and click the "Send Choice" button. Once you hit the Send Choice button your possible payoffs will be highlighted in red. (*Your choice will not be recorded until you hit the Send Choice button!*) Once this is done your partner will see your choice in a grey radio button to the left of table. Similarly, once your partner has chosen you will see his/her choice. Once you and your partner have made the same choice that choice will become final after 5 seconds. If you want to change your choice, you must do so before the choice becomes final.

In the first two rounds of each block of choices, you will have 3 minutes to discuss what to do with your partner and to coordinate your choices. For rounds 3-10 of each block, you will have 1 1/2 minutes to do the same.

If time expires and you and your partner have not coordinated your choices, the computer looks to see if one of you has made a choice and use that for your team's choice. And if you have both made choices it will randomly pick one of you as the team leader and that will be your team's choice. In that case, the leader's choice will be sent as the team's choice. If neither you nor your partner has made a choice before time expires, the computer will automatically send the choice that your team made in the last round. *Please don't plan on using any of these options in making your choices as a round ends after all teams have made their choices, so these options are just designed to deal with "sleepy" teammates.*

Once your choice has been sent, you will move to a waiting screen where you will be able to continue chatting. Once all teams have made their choices, the round will end and you will no longer be able to chat during that round. When all teams have made their choices, you will see what your team chose for that round, what the team you are paired with chose for that round, and your earnings for that round.

Note, in sending messages back and forth between you and your teammate we request you follow two simple rules: (1) Be civil to each other and do not use profanity and (2) Do not

identify yourself. The communication channel is intended for you to use to discuss and coordinate your choices and should be used that way.

## Payoffs

You earnings for today will be based on the sum total of your team's earnings in *each and every* round you participate in. You will each get your teams earnings (they will *not* be split between the two of you). ECUs will be converted into dollars at the exchange rate of \$1 = 250 ECU. In addition, each of you will receive a \$6 participation fee. Are there any questions?

Before we begin, please answer the following questions to make sure you understand the structure of the experiment. When you are done, raise your hand and one of us will be around to check your answers.

1. Your partner will be the same for the entire session... True / False
2. The team you are will be matched with will stay the same within each block of 10 periods ... True / False
3. The team you are matched with will change every block of 10 periods... True / False
4. If you and your partner choose A...  
    ...if the other team chooses A, what will your payoff be? \_\_\_\_\_  
    ...if the other team chooses B, what will your payoff be? \_\_\_\_\_
5. If you and your partner choose B...  
    ...if the other team chooses A, what will your payoff be? \_\_\_\_\_  
    ...if the other team chooses B, what will your payoff be? \_\_\_\_\_

*Instructions: Individuals*

This is an experiment in the economics of market decision making. The instructions are simple, and if you follow them carefully, you may earn a **CONSIDERABLE AMOUNT OF MONEY** which will be **PAID TO YOU IN CASH** at the end of the experiment.

**The One-Round Decision**

You will be paired with another subject choosing between options A and B in the payoff table shown below, where the number listed in the top left hand corner of each box is your payoff and the payoff for the subject you are paired with in the lower right hand corner.

	A	B
A	105 105	5 175
B	175 5	75 75

One round decisions work as follows: Think of yourself as the row player in terms of the payoff table. If you choose A and the other subject chooses A your payoff will be 105 and the other subject's payoff will be 105. If you choose A and the other subject chooses B your payoff will be 5 and the other subject's payoff will be 175. If you choose B and the other subject chooses A your payoff will 175 and the other subject's payoff will be 5. Finally, if you both choose B, both of you will get a payoff of 75.

When making your choice, you will not know the choice of the other subject since choices are made simultaneously. You will have 30 seconds to make a choice. After all teams have made their choices, the computer will report back your choice and the choice of the subject you have been paired with for that round, along with your payoffs and the other subject's payoffs.

All payoffs are denominated in an Experimental Currency Unit (ECU). ECUs will be converted into dollars at a rate to be described below.

## Blocks of Rounds

You will be paired with the **same** other team for a set of 10 repeated choices using the **same** payoff table. After the 10<sup>th</sup> round, you will be paired with another subject in the room and you will proceed to make 10 repeated choices with that team. We will conduct a minimum of 5 blocks of choices of this sort (more if time permits).

## Payoffs

Your earnings for today will be based on the sum total of your earnings in *each and every* round you participate in. ECUs will be converted into dollars at the exchange rate of \$1 = 250 ECU. In addition, each of you will receive a \$6 participation fee. Are there any questions?

Before we begin, please answer the following questions to make sure you understand the structure of the experiment. When you are done, raise your hand and one of us will be around to check your answers.

1. The subject you are matched with will change every block of 10 periods... True / False

2. If you choose A...

...and the other subject chooses A, what will your payoff be? \_\_\_\_\_

...and the other subject chooses B, what will your payoff be? \_\_\_\_\_

3. If you choose B...

...and the other subject chooses A, what will your payoff be? \_\_\_\_\_

...and the other subject chooses B, what will your payoff be? \_\_\_\_\_

Block 1  
Round 1

Your partner's choice  
 A  
 B

	A	B
A	105 105	5 175
B	175 5	75 75

Your choice  
 A  
 B

Send Choice

**Figure A1** Choice screen for teams when one's partner has made a choice

Block 1  
 Round 2

Your partner's choice

A  
 B

You and your partner have selected the same choice.  
This choice will be sent in 5 seconds.

	A	B
A	105	5
B	175	75

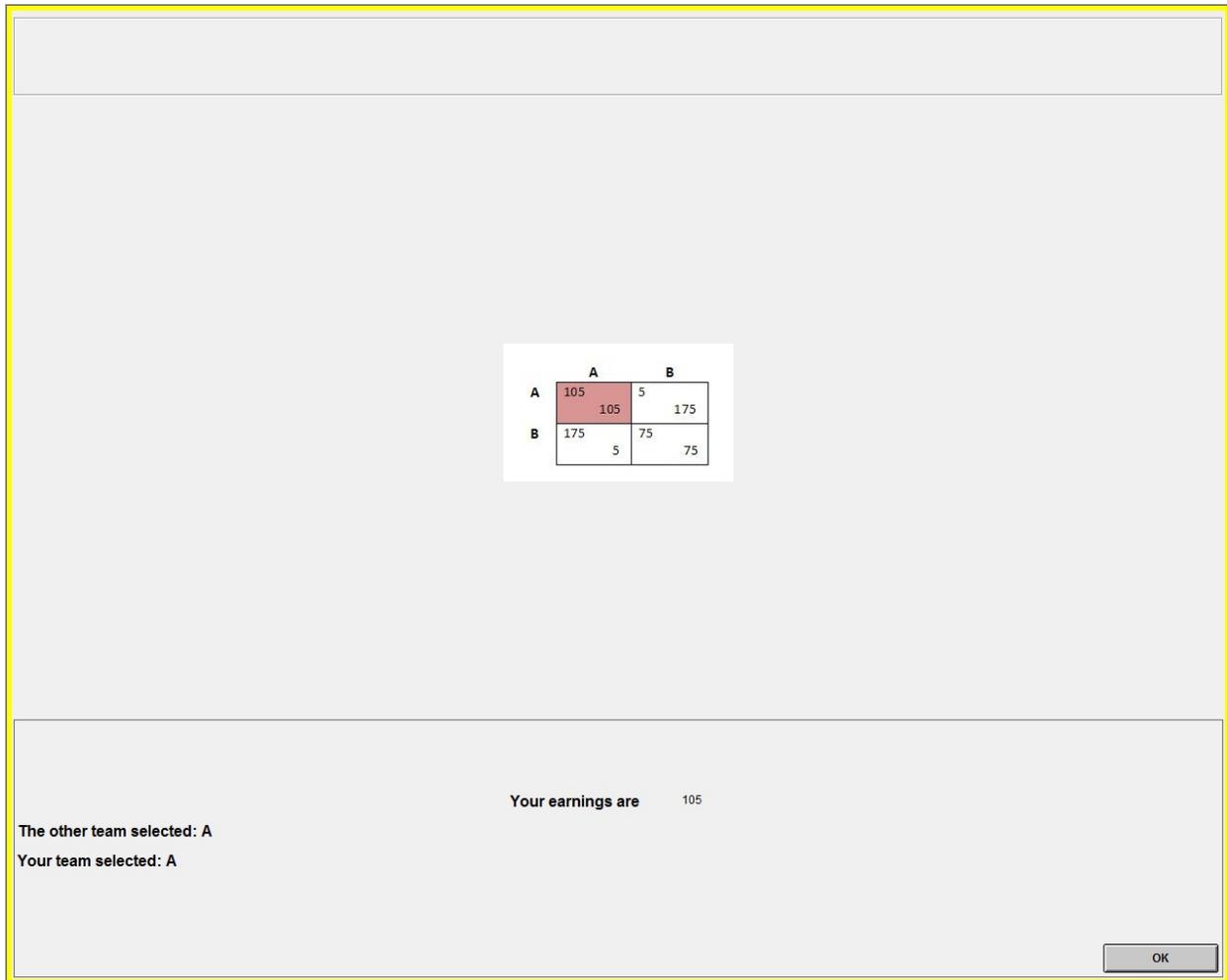
Your choice

A  
 B

This is a message

Yes it is.

**Figure A2** Choice screen when both members of a team have made a decision



**Figure A3** Choice screen for the results of one round within a super-game

Remaining time [sec]: 27

Block 1  
Round 1

	A	B
A	105 105	5 175
B	175 5	75 75

Your choice

A  
 B

**Send Choice**

**Figure A4** Choice screen for individuals