

Experiment Instructions

We invite you to participate in a research of economic decision-making. We ask you to read these instructions and to ask questions that you may have before we start the experiment.

Experiment Overview

In this experiment, you will be asked a series of verbal analogy questions that have appeared in past versions of an undergraduate entrance exam (SAT) and a graduate school entrance exam (GRE). The bulk of your earnings will depend on your ability to answer these questions correctly. You will also be asked to assign questions to some other participants currently in the lab, and the remaining part of your earnings will depend on whether or not *they* correctly answer the questions assigned by you.

The experiment consists of two questionnaires and three stages of play (see Experiment Timeline). You will fill out a questionnaire before Stage 1 and after Stage 3 of the experiment.

In **Stage 1**, you will have 15 minutes to answer 20 verbal analogy questions taken from past versions of SAT and GRE exams. 10 of these questions will be SAT questions, and 10 of them will be GRE questions. However, the questions will be presented to you in a random order and in the same format. So, you will not be able to tell the two apart. Your answer choices will be saved automatically by the computer. After you have completed all 20 questions, you can review and change your answers until you reach the time limit of the stage. After all participants have submitted their answers (or when the timer expires), you will learn about your success rates and the number of tokens earned on both tests. Then, you will indicate which type of questions, SAT or GRE, you would like to answer in *Stage 3* of the experiment.

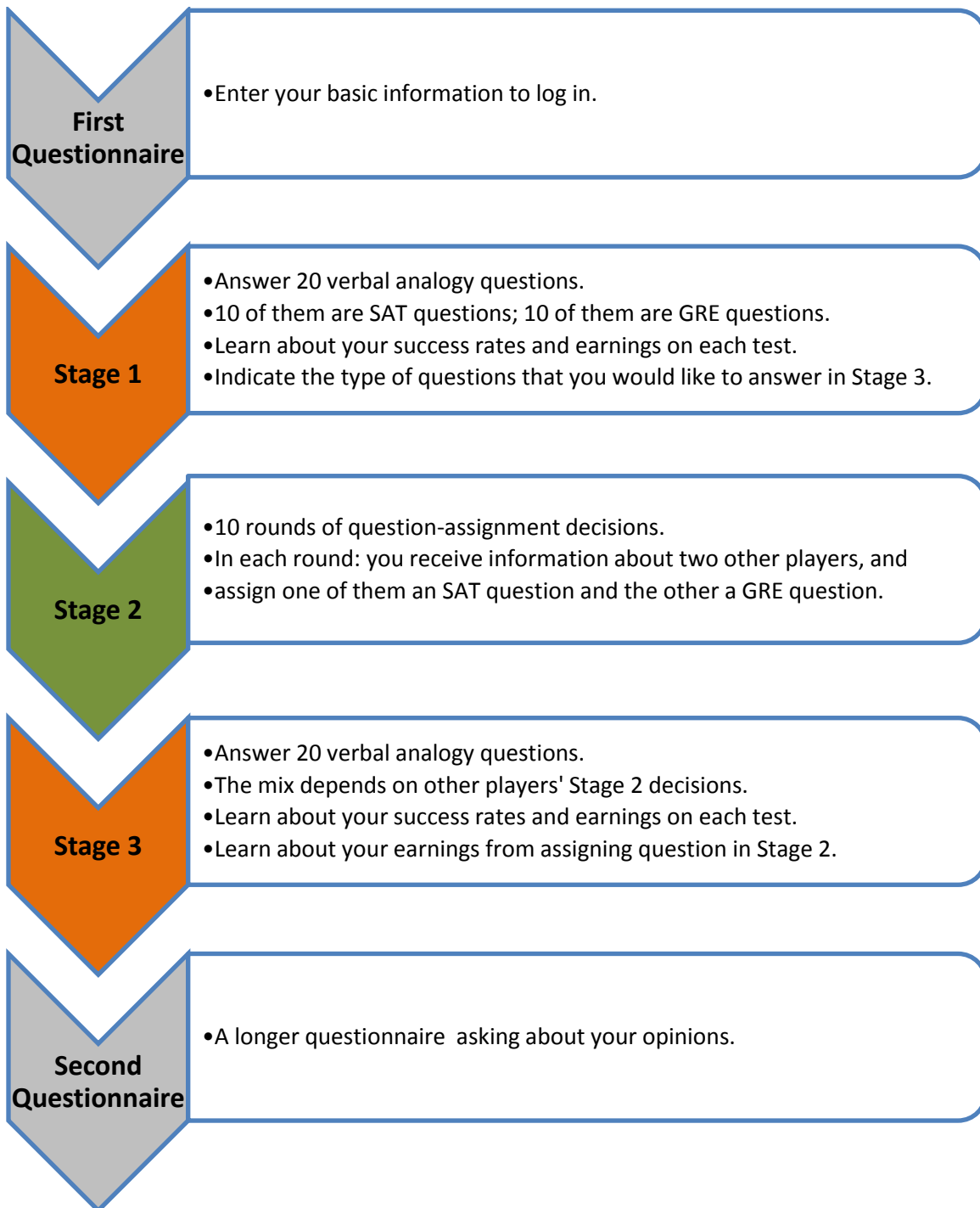
In **Stage 2**, each participant will make 10 rounds of question-assignment decisions. *In each round*, you will allocate an SAT question and a GRE question between two other players currently in the lab. You will receive information about their preferred question-type and their Stage 1 success rates, and you will assign an SAT question to one of them and a GRE question to the other. You will not know the specifics of any question you assign. You are simply determining the type of question assigned to each player.

Once everyone has made their decision, assignments will be recorded in our computer system and a new round of question-assignment will begin. Each round of question-assignment will follow the same structure described above. The only thing that will change from round to round is the pair of players you will assign questions to. By the end of the stage, you will have assigned 10 SAT questions and 10 GRE questions to different players currently in the lab.

In **Stage 3**, all players will receive 20 questions to complete as a result of Stage 2. The number of SAT and/or GRE questions you are given will depend only on the assignment decisions of your fellow players. You will have 15 minutes to answer all 20 questions. Like in Stage 1, the questions will be presented in the same format, and your answer choices will be saved automatically by the computer. Once you have submitted your responses, you will learn about your own success rates, the success rates of the players you allocated questions to, and your total earnings from this experiment.

You can use the handout titled “Experiment Timeline” to keep track of the progress of the experiment.

Experiment Timeline



Earnings Determination

Each correctly answered SAT question is worth 2 tokens.

Each correctly answered GRE question is worth 5 tokens.

Your total number of tokens earned in the experiment will be the sum of the tokens earned in the three stages of the experiment. Your earnings in tokens will be converted to dollars at the rate **5 tokens = \$1**.

Your earnings in Stage 1 and 3 will be the total number of tokens you earned for correctly answering the verbal analogy questions. You will earn nothing if you answer a question incorrectly.

- For example, if you correctly answer four SAT questions and three GRE questions in Stage 1, you would earn a total of 23 tokens (calculated as $2 \times \text{four} + 5 \times \text{three} = 23$).

Your earnings in Stage 2 will depend on the Stage 3 performance of the players you allocated questions to. You will earn 2 tokens if a player correctly answers an SAT question assigned by you and 5 tokens if a player correctly answers a GRE question assigned by you. You will earn nothing if the player answers the question incorrectly.

- For example, if six of the ten players you assigned an SAT question in Stage 2 answer the question correctly in Stage 3, you will receive 12 tokens ($2 \times \text{six} = 12$) from the SAT questions you assigned. If six of the ten players you assigned a GRE question in Stage 2 answer the question correctly in Stage 3, you will receive 30 tokens ($5 \times \text{six} = 30$) from the GRE questions you assigned.

In general, you will earn more tokens if you answer more questions correctly and/or if the players you assigned questions to answer more questions correctly.

Payment Method

All payments will be done by a third party to ensure that all participants' earnings are known neither by any other participant nor by the experimenter. A third party in a separate room will arrive with envelopes and distribute them by station letter. Before you leave, make sure you have received the proper amount and signed the receipt. You will hand in your receipt and envelope as you exit the lab. (These final instructions will be read again at the conclusion of the experiment.)

Now, before we begin...

In case any of you are not familiar with the SAT or GRE exams, let's review an example of verbal analogy questions before we start the experiment:

Question

ASPRIN : HEADACHE ::

Answer Choices

A.) nap : fatigue

B.) light : dark

C.) rubber : mat

D.) teammate : friendship

E.) clash : titan

Correct Answer:

A

The analogy, "ASPRIN : HEADACHE :: nap : fatigue," should be read "aspirin is to headache as nap is to fatigue." Analogy questions ask you to select the pair of words among the answer choices that most closely reflects the relationship between the pair of words in capital letters.

Now, you can open and run the Z-leaf application. A computer program will guide you through each stage of the experiment. Please follow the instructions that will appear on the screen closely and make sure that you complete the decisions within the time limit of each stage. You will be able to see the remaining time (in seconds) at the upper-right corner of the screen.