WELCOME

In the experiment today you will be asked to complete four different tasks. None of these will take more than 5 minutes. At the end of the experiment you will receive $7 for having completed the four tasks, in addition we will randomly select one of the tasks and pay you based on your performance in that task. Once you have completed the four tasks we determine which task counts for payment by drawing a number between 1 and 4. The method we use to determine your earnings varies across tasks. Before each task we will describe in detail how your payment is determined.

Your total earnings from the experiment are the sum of your payment for the randomly selected task, your $7-payment for completing the tasks, and a $5 show up fee. At the end of the experiment you will be asked to come to the side room where you will be paid in private.

Task 1 – Piece Rate

For Task 1 you will be asked to calculate the sum of five randomly chosen two-digit numbers. You will be given 5 minutes to calculate the correct sum of a series of these problems. You cannot use a calculator to determine this sum, however you are welcome to write the numbers down and make use of the provided scratch paper. You submit an answer by clicking the submit button with your mouse. When you enter an answer the computer will immediately tell you whether your answer is correct or not. Your answers to the problems are anonymous.

If Task 1 is the one randomly selected for payment, then you get 50 cents per problem you solve correctly in the 5 minutes. Your payment does not decrease if you provide an incorrect answer to a problem. We refer to this payment as the *piece rate* payment.

Please do not talk with one another for the duration of the experiment. If you have any questions, please raise your hand.

ARE THERE ANY QUESTIONS BEFORE WE BEGIN?

Task 2 - Tournament

As in Task 1 you will be given 5 minutes to calculate the correct sum of a series of five 2-digit numbers. However for this task your payment depends on your performance relative to that of a group of other participants. Each group consists of four people, the three other members of your group are located in the same row as you. The people immediately in front of you and behind you are in your group. If Task 2 is the one randomly selected for payment, then your earnings depend on the number of problems you solve compared to the three other people in your group. The individual who correctly solves the largest number of problems will receive $2 per correct problem, while the other participants receive no payment. We refer to this as the *tournament* payment. You will not be informed of how you did in the tournament until all four tasks have been completed. If there are ties the winner will be randomly determined.

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ARE THERE ANY QUESTIONS BEFORE WE BEGIN?

Task 3 - Choice

As in the previous two tasks you will be given 5 minutes to calculate the correct sum of a series of five 2-digit numbers. However you will now get to choose which of the two previous payment schemes you prefer to apply to your performance on the third task.

If Task 3 is the one randomly selected for payment, then your earnings for this task are determined as follows. If you choose the *piece rate* you receive 50 cents per problem you solve correctly. If you choose the *tournament* your performance will be evaluated relative to the performance of the other three participants of your group in the Task 2 - tournament. The Task 2-tournament is the one you just completed. If you correctly solve more problems than they did in Task 2, then you receive four times the payment from the piece rate, which is $2 per correct problem. You will receive no earnings for this task if you choose the tournament and do not solve more problems correctly now, than the others in your group did in the Task-2 tournament. You will not be informed of how you did in the tournament until all four tasks have been completed. If there are ties the winner will be randomly determined.

The next computer screen will ask you to choose whether you want the piece rate or the tournament applied to your performance. You will then be given 5 minutes to calculate the correct sum of a series of five randomly chosen two-digit numbers.

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ARE THERE ANY QUESTIONS BEFORE WE BEGIN?

Task 4 – Submit Piece Rate

You do not have to add any numbers for the fourth and final task of the experiment. Instead you may be paid one more time for the number of problems you solved in the Task 1 – Piece Rate. However, you now have to choose which payment scheme you want applied to the number of problems you solved. You can either choose to be paid according to the *piece rate*, or according to the *tournament.*

If the fourth task is the one selected for payment, then your earnings for this task are determined as follows. If you choose the *piece rate* you receive 50 cents per problem you solved in Task 1.

If you choose the *tournament* your performance will be evaluated relative to the performance of the other three participants of your group in the Task 1-piece rate. If you correctly solved more problems in Task 1 than they did then you receive four times the earnings of the piece rate, which is equivalent to $2 per correct problem. You will receive no earnings for this task if you choose the tournament and did not solve more problems correctly in Task 1 than the other members of your group.

The next computer screen will tell you how many problems you correctly solved in Task 1, and will ask you to choose whether you want the piece rate or the tournament applied to your performance.

Please do not talk with one another. If you have any questions, please raise your hand.

ARE THERE ANY QUESTIONS BEFORE WE BEGIN?