Instructions for Experiment on Knowledge Acquisition with a transaction cost

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[Make sure I have money in view, bingo cage in view, consent form, cups of balls, pens, highlighter, handouts 1-6, answer key, post-experiment questionnaire, receipt book]

[Pay on-time bonus]

Welcome to the UCSD Political Science Experimental Lab. In front of you is a consent form. Please read it and fill it out and feel free to ask any questions that you may have regarding the consent form.

Today's Experiment is part of a study on decision making. I will pay you for your participation after the experiment. The amount of money you will receive depends upon the decisions you make.

Now I am going to tell you how to make money. You make money by correctly predicting if there are more green balls or more purple balls in a bingo cage. You will earn 3 dollars for each correct prediction you make. You will earn nothing if you make an incorrect prediction. There will be seven opportunities to make a prediction. Thus, you will have the opportunity to earn 21 dollars if you make correct predictions in all seven games.

There will always be 100 balls in the bingo cage. Also, the balls in the cage are either green or purple. [Show subject one green ball and one purple ball and the bingo cage]. In addition to knowing that there are 100 balls which are each either green or purple, you will be given the distribution of the colors of the balls in the bingo cage. For example you may be told that 75 of the balls in the bingo cage are one color and the other 25 balls in the bingo cage are the other color.

You will also have the opportunity to obtain additional information. Although you will not see the bingo cage during the experiment, for a cost you may ask me to make a random draw from the bingo cage and observe the result of the draw. Each draw will cost you 10 cents. Before the experiment begins, you will be given 10 dollars which may be used to purchase draws from the bingo cage for all seven games. Any portion of the 10 dollars that is not used to purchase draws will be yours to keep at the end of the experiment. [Pass out the ten dollars to the subjects-one dollar bills and dimes]. If you make more than 100 draws, or in other words you spend all 10 dollars before the experiment is over, I will then deduct the ten cents for each additional draw over 100 draws from your past and future winnings.

While you may purchase as many draws as you like, it is important to note that the ball will be replaced after it has been drawn. Thus, it is possible that you could see the same ball more than once. You will only be allowed to see one ball at a time. Each draw, therefore, is an independent event, like flipping a coin: the outcome of the previous draw has no bearing on the current draw.

Are there any Questions?

For each of the seven games I will empty the bingo cage and fill it with a cup of 100 new balls of a different distribution. The seven cups of balls were pre-sorted before the experiment to match the given distributions. You may make a prediction at any point during the game. In order to make a prediction, simply raise your hand and state your prediction. For example, if you think there are more green balls than purple balls, raise your hand and say "I Predict green!" We will then proceed to the next game. I will not announce the correct answer until all games are finished. Once the games have been completed, I will pay you your winnings and you will be free to go.

Remember, in each game you will have the opportunity to earn 3 dollars for each correct prediction. You will earn nothing for each incorrect prediction.

To see how the experiment will proceed, we will do a practice game. Note that, although the bingo cage is visible for this practice game, it will not be visible to you for the other seven games. The bingo cage will be hidden from your sight during the experiment in order to prevent predictions being made based on your vision of the bingo cage.

Before each game I will give you a handout which summarizes the three pieces of information you know about the balls in the bingo cage. [Pass out handout for practice trial]. For the practice trial, you know that there are 100 balls in the bingo cage. Second, you know that the each ball is either green or purple. Thirdly, you know that the distribution of the colors of the balls for the practice trial is 75-25. Thus, for every 3 balls of one color, there will be one ball of the other color.

[Do the demonstration of how experiment will proceed]

-Fill the cage with the 75-25 balls -Ask subject if they would like to make a draw or prediction. Show subject that I will take a dime for each draw the subject makes. -Do one draw. Show the subject the draw and make sure they understand draws with replacement. -Ask them if they would like to make a draw or prediction. -Notify them that they make as many draws as they like until they want to make a prediction. -Emphasize that they must predict if there are more green or more purple balls (i.e. which color is in the majority)- make sure they don't think that there job is to predict what the next ball will be.

After the Prediction has been made, we will proceed to the next game.

Please feel free to use the handouts as scratch paper at any time during the experiment.

Are there any questions? We will now begin the experiment.

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