

(These are for Com-outP-P10/R30 games)
Instructions

General:

The purpose of this experiment is to study how people behave in bargaining situations. If you follow the instructions carefully and make good decisions there will be an opportunity for you to earn money during the experiment.

You have been randomly assigned to be either a player 1 or a player 2. You can see whether you are a player 1 or a player 2 from the packet provided to you. Your role as either a player 1 or a player 2 will be fixed throughout the experiment.

A bargaining round involves the division of 100 chips between two bargainers. In each round, player 1 first proposes a division in the form of (X_1, X_2) where the sum of X_1 and X_2 should be 100. If the proposal is accepted by player 2, player 1 earns X_1 chips and player 2 earns X_2 chips. But, if player 2 rejects the proposal, player 1 will receive \$2.00 and player 2 will receive nothing. All proposals should be represented in integer form, i.e., $(0,100)$, $(1,99)$, $(2,98)$. . . $(98,2)$, $(99,1)$, $(100,0)$ are legitimate proposals, but $(0.1,99.9)$ etc. are not.

Each chip has different values to player 1 and player 2. While player 1's conversion rate is \$0.10/chip, player 2's conversion rate is \$0.30/chip. A Conversion Table is provided to you for your convenience.

During this experiment you will participate in 10 bargaining rounds. In each round you will be matched with a different player 2 if you are a player 1, and a different player 1 if you are a player 2. **At the end of the experiment, one of the bargaining rounds you participated in will be chosen at random, and you will be paid the cash value of the chips your earned for that round.**

It is important that you reveal your ID number to no one other than a monitor during or after the experiment.

The Conduct of a Round

A round proceeds as follows: Everyone looks at the first form on his pad of forms. Players 1 will have a Message Form, and players 2 will have a Player 2's Estimate Form. Each player 1 writes on the Message Form the division he proposes in the form of $(X1, X2)$ where the sum of $X1$ and $X2$ are 100. Each player 2 writes on the Player 2's Estimate Form his best estimate of the proposed division he will receive from player 1.

The experimenter will then collect the Message Form from each player 1 and the Estimate Form from each player 2. The Message Form is given to the player 2, player 1 is matched with for that round. After sending his Message Form, each player 1 will indicate on his Player 1's Estimate form, as a percentage, his best estimate of how likely it is that the player 2 receiving his proposal will accept his proposed division.

After receiving a Message Form, each player 2 will write down his identification number (R# as appears in your packet). Each player 2 then circles "accept" or "reject". If player 2 accepts player 1's proposed division, each player is credited with the division agreed upon, i.e. player 1 earns $X1$ chips and player 2 earns $X2$ chips for that round. If player 2 rejects player 1's proposed division of $(X1, X2)$ the round ends with player 1 earning \$2.00 and player 2 earning nothing. Player 2 should write down the proposed split, if he rejected or accepted it, and his payoff on the History Form.

After each player 2 has circled "accept" or "reject", and written the result on his History Form, the Message Form is returned to the player 1 who made the proposal.

Each of the 10 rounds will proceed as described above. All players will be assigned new partners for each of the 10 rounds.

Remember, at the end of this experiment we will randomly select **one round** from the rounds you played and pay you the cash value of the chips that you earned that round. Because each round might be the one chosen you should make your decision in each round as if that round will determine your earnings.

Admissible Messages

No communication is allowed except that indicated on the Message Form. You are not allowed to talk to each other. A proposal is to be indicated by writing on the Message Form the division you wish to propose. A response is to be indicated by circling either “Accept” or “Reject”. If you are player 2, you should write down your ID number in the space provided on the Message Form. **Nothing else is to be written on the Message Form.** If you violate these rules your agreement will be void and you will not be paid anything for the round.

Personal History Form

Inside your envelope you will find a Personal History Form. Please fill it out round by round for your reference. This Personal History Form will provide you with a history of the proposals made and which proposals, if any, were accepted. You may wish to review the history of your previous bargaining rounds when developing a strategy in later rounds.

All the information on these forms is **strictly private**. Do not show this form to any other participants. They will be collected at the end of round 10.

Are there any questions so far?

(These are for Inc-outP-P10/R30 games, for the proposer)
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