Appendix B

INSTRUCTIONS

This experiment has been designed to study decision-making behavior in small groups. The instructions for this experiment are simple. If you follow them carefully and make good decisions, you may earn a considerable amount of money. The participants may earn different amounts of money in this experiment because each participant’s earnings are based partly on his/her decisions and partly on the decisions of the other group members. The money you earn will be paid to you, in cash, at the end of the experiment. Therefore, it is important that you do your best. A research foundation has contributed the money to conduct this study.

In case you have any questions after reading these instructions, please raise your hand and the supervisor will come to answer them.

Description of the Task

You are one of three players, each of whom represents the leader of a political party. The political parties are called Party A, Party B, and Party C. Each party controls a number of seats that it won in a general election. No party has enough seats to form a government on its own. However, any two parties, or all three parties can join together to form a coalition government.

On each trial, you will be asked to decide whom you would like to cooperate with in order to form a government. You can attempt to cooperate with either of the other two parties, both of them, or neither if them. If you cooperate with no one you will not be part of the government.

Your choice is called your strategy. For example, if you are Party A, your four strategy choices are

B, C, B and C, or nobody.

If your strategy choice is B, that means you wish to cooperate with Party B only.
If your strategy choice is C, that means you wish to cooperate with Party C only.
If your strategy choice is B and C, that means you wish to cooperate with both Parties B and C.
If your strategy choice is nobody, that means you do not wish to cooperate with anyone.

Whether or not you actually end up cooperating with one or more other parties and being part of the government depends both on what you do (your strategy choice) and on what the other parties do (their strategy choices). Cooperation between any two parties is established if and only if each party includes the other in its strategy choice. Otherwise, two parties do not cooperate.

Cooperation between parties is conveniently represented by a graph, showing all three parties, in which two parties are connected by a link whenever each includes the other in its strategy choice. The graph is called a “cooperation structure.” The following four examples identify the resulting graphs from the four different strategy profiles. Please study them carefully.
Example 1.

Player Choose to cooperate with:

A B
B A and C
C B

In Example 1, Party A is willing to cooperate with Party B, and Party B is willing to cooperate with Party A. Hence a link forms between A and B. Also, Party B is willing to cooperate with Party C and Party C is willing to cooperate with Party B. Hence a second link forms between B and C. There is no link between A and C since neither party included the other in its strategy choice.

Example 2.

Player Choose to cooperate with:

A B and C
B A
C B

In Example 2, Party A is willing to cooperate with Party B, and Party B is willing to cooperate with Party A. Hence a link forms between A and B. Party A is also willing to cooperate with Party C, but C does not include A in its strategy choice. Hence no link forms between A and C. Party C is willing to cooperate with Party B, but B does not include C in its strategy choice. Hence no link forms between B and C.

The key point to remember here is that willingness to cooperate must be mutual in order for a link to form.
Example 3.

Player | Chooses to cooperate with:
-------|----------------------
A      | B and C
B      | A and C
C      | A and B

Each party in this example is willing to cooperate with both of the other parties. The result is full cooperation. All three pairs of parties are linked.

Example 4.

Player | Chooses to cooperate with:
-------|----------------------
A      | B
B      | A and C
C      | A and B

In Example 4, Party A is willing to cooperate with Party B, and Party B is willing to cooperate with Party A. Hence a link forms between A and B. Party B is also willing to cooperate with Party C, and Party C is willing to cooperate with Party B. Hence a link forms between B and C. Despite the fact that Party C is willing to cooperate with Party A, no link forms between A and C since A did not express willingness to cooperate with C.

Note that the graph in Example 4 is the same as the graph in Example 1. Different strategy profiles can lead to the same cooperation structure because links only form if willingness to cooperate is mutual.

Practice Session
Before the experiment begins, each player will be asked to demonstrate his/her understanding of how various coalition structures can form in a practice session. Prior to starting the experiment, you will be presented with four scenarios, similar to those on the previous page. For each of these scenarios, you will be asked what possible coalitions can form given your choice. Note that in all cases, different coalition structures can form depending on what the other players do. Thus, you can affect, but not necessarily
determine the outcome. After you answer each question, the computer will verify your answer, if correct, or otherwise provide you with the correct answer.

In the second part of the task, you will be required to correctly identify three graphs (coalition structures) in a row based on the decisions of all three players. This task is different from the first as here only one coalition structure is possible, given that you know the decisions of all three parties. The purpose of this task is to ensure you understand how a particular coalition structure forms based on the decisions of all three parties. The computer will continue to provide you with scenarios until you correctly identify three coalition structures in a row. The answers you provide during this practice session will not affect your earnings in any way. Once everyone has completed this task, the experiment will begin.

**Procedure**

At the beginning of each trial, the computer will divide all the players in the room into separate groups of three players each. Thus, on each trial, the computer will randomly match you with two other players and randomly assign each group member the roles of Party A, Party B, and Party C.

You will be shown a screen similar to the pictorial representation below. As you can see, you will be able to view all possible coalitions that can result as well as your associated payoff for each coalition, given that it forms. Your payoffs will be highlighted in each possible coalition formation.
Suppose that you have been assigned the role of Party C. After viewing the possible coalitions and associated payoffs, you will be asked whether you want to cooperate with:

(1) A only  
(2) B only  
(3) Both A and B  
(4) Nobody

The other players in your group (assigned the roles of Parties B and C) will also view the same screen and the same payoffs. Once each party leader in your group has made his/her decision, the computer will determine the appropriate coalition structure and resulting payments. To recapitulate, the key point to remember is that willingness to cooperate must be mutual in order for a link to form. Once you review your results, you will proceed to the next trial, if it is not the last.

Because you will be assuming different roles and because the coalition payoffs may change from trial to trial, it is important that you study both your payoff scheme as well as the payoff schemes for each of the other two players during each trial.

Also, because communication with the other group members is only conducted via the computer and the assignment of group members is made randomly, you will not know the identity of the other two players in your group, nor will either of them know your identity. Any other form of communication during the entire experiment is strictly forbidden.

**Payment at the End of the Session**

You will participate in a total of 30 trials. All the trials have the same structure – you will be assigned the role of Party A, Party B, or Party C and asked with whom you wish to cooperate to form a coalition. At the end of the experiment, your total earnings (paid in a fictitious currency called “francs”) will be converted to dollars at the exchange rate: 200 francs = $1.00. The supervisor will then pay you your earnings in cash.

The last three sheets of these instructions are only provided as scratch paper for your convenience.

Please look up to indicate that you have completed reading the instructions. The supervisor will start the experiment in just a few minutes.

Thank you for your participation.