Experimental Instructions (β=36.8, Exclusive)

This is an experiment in strategic decision making. The experiment is designed to observe your behavior in decision making, not to test your knowledge. If you follow these instructions carefully and make appropriate decisions, you can earn a considerable amount of money that you will receive in cash at the end of the experiment. You will make decision as described below for 30 rounds, and your payment will be determined based on your performance in one round that is randomly selected out of these 30 rounds. To get familiar with the experiment, you will play 2 trial rounds before the actual experiment starts. Your performance in a round depends on the decisions you and your opponent make, and it also depends on your and your opponent's luck. Please do not communicate with other participants during the experiment. Experimenters will answer your questions before and during the experiment. Please raise your hand whenever you would like to ask a question, or you need assistance of any kind.

Your Decision

Before starting the actual experiment, you will have the chance to participate in 2 trial rounds to be familiar with the design. Then you will make decisions in 30 actual rounds. At each of 30 rounds, you will decide on the amount you want to invest in each given contest.
At the end of each round, your performance in each contest will depend on your investment and your luck component corresponding to that contest. Luck component corresponding to each contest will be an independent random number drawn from a uniform distribution between the range $[-36.8, 36.8]$. Note that although luck components are drawn from the same distribution, their realized values may be different. Also note that an investment equal to 0 means that you chose not to participate in the respective contest. At each round, you will have a renewed budget of \$10 to invest in any contest you want.

$$\text{Your performance } = 20 * \text{Log}(\text{Your investment }) + \text{Your luck component}$$

Payment and Profit

Your payment is your profit in one of the rounds that is randomly selected, and it will be converted to cash and paid at the end of the experiment by using \$1= €0.75 conversion rate. Your payment is private information to you, and you will sign a sheet showing your payment from the experiment.

Your profit at each round is calculated as follows. At the beginning of each round, you will be randomly matched with 1 other participant. You will compete against each other in a contest by deciding on your investments. The participant with the best performance among two participants wins the contest, and wins an award of \$30. A participant's profit at each round will be her/his initial budget (10 \$) plus the award she/he wins minus the cost she/he incurs from her/his investment. If a participant does not win an award, she/he will still incur her/his investment cost.

In particular, your profit at each round is calculated as follows:

If you win **the contest** in a round, your profit in that round will be the initial budget plus the award you received minus your investment. Specifically,

$$\text{Your profit in the round} = \text{Initial budget} + \textbf{Award} - \text{Investment in Contest}$$

If you do not win the contest in a round, your profit in that round will be your initial budget minus your expenses. Specifically,

$$\text{Your profit in the round} = \text{Initial budget} - \text{Investment in Contest}$$

Your payment from the experiment will be your profit in a round that is randomly selected from 30 rounds.

Feedback and Trial Periods

At the end of each round, you will see your cost of investment for each contest, whether you win the contest or not, and your profit at that round. The two trial rounds will not affect your payment. You will be able to see from your screen whether a round is trial or not before starting the round.