

Group vs. Private Investment Exercise

Professor Walker, S201, First Semester 2009-10

You will have the opportunity to earn extra-credit points in a decision-making exercise referred to as the "Group Investment Exercise." Your participation in this exercise is totally voluntary. It is possible to get an A+ in this class based solely on your examination scores. Extra-credit points can only improve upon the course grade you would earn based solely on your exam scores.

The exercise consists of a series of ten decision rounds. In each round you will choose to allocate "tokens" between a "PRIVATE ACCOUNT" and a "GROUP ACCOUNT". When you log into the exercise for the first time (Round 1) the computer will present detailed instructions describing the exercise. After finishing the instructions you will make your allocation decision for Round 1. You will be able to review the instructions during all subsequent rounds if you wish to do so.

Cash Rewards

The computerized instructions explain that you will earn an amount of money based on the outcomes from all decision rounds. Your actual cash earnings in this exercise will be determined as follows: at the conclusion of the exercise a student will be drawn at random and paid in cash **four times** their final earnings shown at the end of the exercise. This process of randomly choosing students for cash payments will be repeated until the total of all cash payments is greater than or equal to \$50, at which time the cash payment process will stop. To be eligible for a cash reward, you must log on to NovaNET and enter a decision for at least half of the decision rounds in the exercise.

Extra-Credit Rewards

In addition to the cash rewards discussed above, you will receive extra-credit points based on: 1) your **performance** as measured by your earnings over all decision rounds, and 2) your **participation** as measured by the number of rounds in which you log onto NovaNET, view the results from the previous round, and enter a decision.

The score recorded in the NovaNET gradebook summarizing your performance in this extra-credit exercise will be generated using the following "performance index" formula:

$$100 \times [(\text{Actual Earnings} - \text{Min. Possible Earnings}) / (\text{Max. Possible Earnings} - \text{Min. Possible Earnings})].$$

For each individual, this score can range from 0 (if the individual's actual earnings are equal to the minimum possible earnings) to 100 (if the individual's actual earnings are equal to the maximum possible earnings). This score will be multiplied by a gradebook weight of .005 to determine the number of extra-credit points received. For example, if an individual's performance index score is 80 that person will have $80 \times .005 = 0.4$ extra-credit points added to their final average for the course. The maximum performance-based extra credit from this exercise is $100 \times .005 = .5$ points, and the minimum is 0 points. *It is important to realize that your performance in this exercise is **not** based on a rank ordering of student earnings; it is possible for everyone in the class to earn either a small percentage or a large percentage of the maximum number of extra-credit points available in this exercise.*

In addition to the extra-credit points based on your final earnings, you will receive .05 of an extra-credit point for each round in which you participate by logging onto NovaNET and entering a decision. After the exercise is finished, the number of rounds in which you participated will be recorded in the gradebook with an associated weight of .1. Thus, you can receive $10 \times .05 = .5$ additional extra-credit points by simply participating in all ten decision rounds.

Accessing the Exercise

You can access the exercise on the NovaNET computer network from any of the Windows-based UITS student technology centers on campus. Alternatively, if you'd like to try installing the NovaNET access software on your home computer, go to Professor Williams' web site: www.indiana.edu/~arlwilli. Click the link in the lower-left frame titled "Download NovaNET Portal" then follow the instructions to download and install the software on your computer. In the STC's, access to NovaNET is available by clicking with the left mouse button on the "START" icon in the lower-left corner of the Windows main display. After opening the START menu, use the mouse to point to "All Programs" then "Communications" then click the left mouse button on "NovaNET 3.3". This will launch the NovaNET access software. After a delay of several seconds you should be presented with the NovaNET login page asking for your NovaNET group and name. To access the extra-credit exercise you must: 1) log into the NovaNET computer network, and 2) log into the NovaNET application program that runs the exercise.

To log on to NovaNET type your "NovaNET group" and "NovaNET name" as follows.

NovaNET group: **ieecon**

NovaNET name: **ycm**

After you successfully log on, you will be automatically routed to the "Group Investment Exercise" title page and asked to type your "class file" and your last name. Use the following information.

Class file: **jw201**

Roster name: **first 6 letters of your last name** plus the **last 4 numbers in your ten-digit IU ID number**

After logging in for Round 1, you will be routed to a set of instructions that describe the extra-credit exercise. The first round will probably take less than 15 minutes (feel free to take all the time you find necessary). Entering your decision for subsequent rounds will take less time since you do not have to read the instructions unless you desire to do so. Your allocation decisions are automatically stored by the computer.

Feel free to discuss any aspect of this extra-credit exercise with classmates if you care to do so. However, since extra-credit points are awarded for participation in the market, *it is an act of academic dishonesty to have someone else enter your decisions for you.*

Timing of the Decision Rounds

Round 1 begins after class today.

Round 1 ends and Round 2 begins at noon on Wednesday, 10/28

Round 2 ends and Round 3 begins at midnight (11:59:59pm) on Saturday, 10/31.

Round 3 ends and Round 4 begins at noon on Wednesday, 11/4.

Round 4 ends and Round 5 begins at midnight on Saturday, 11/7.

Round 5 ends and Round 6 begins at noon on Wednesday, 11/11.

Round 6 ends and Round 7 begins at midnight on Saturday, 11/14.

Round 7 ends and Round 8 begins at noon on Wednesday, 11/18.

Round 8 ends and Round 9 begins at midnight on Saturday, 11/21.

Round 9 ends and Round 10 begins at noon on Wednesday, 12/2. (Skip week of Thanksgiving.)

Round 10 ends at midnight on Saturday, 12/5.

You must work through the instructions and enter a decision for the first round in order to participate in subsequent rounds. Anyone who misses Round 1 is eliminated from further participation and will receive zero extra-credit points. While network or server outages are very rare, it is strongly recommended that you not wait until the last day to log into the first round. It is your responsibility to take into account the fact that any networked computing resource could be unexpectedly unavailable from time to time.

Special NovaNET Keys

NovaNET uses special key names that can be selected by single-clicking with the left mouse button on the graphical "Function Key Bar" that appears along side the NovaNET window. (If you don't see it, click on Help in the menu bar at the top of the NovaNET window, then click on Function Key Bar to turn it on. If you don't see Help listed on the menu bar, right-click the NovaNET icon in the task bar at the bottom of your screen, point to "Portal Menu" and you will see the Help option.) NovaNET keys are also mapped into the PC's function keys. The following NovaNET to PC key mappings are the most important ones to be aware of when using the economics software:

NEXT = Enter or Return, EDIT = F5, HELP = F6, LAB=F7, BACK = F8, DATA = F9, STOP = F10.

To erase a typed response, use the Backspace key (←) or the EDIT = F5 key. To exit a NovaNET application program, hold down the shift key and hit F10 (Shift-STOP). To end a NovaNET session after properly exiting the application program, click X in the upper-right corner of the NovaNET window.

Take this handout with you when you go to enter your decisions. If you have a problem accessing NovaNET, ask the STC consultant for assistance. Please report any chronic NovaNET access problems to your instructor.

Notification of Participation in Research Project

IRB Study #06-11254

The data collected in this class exercise are part of a research project on economic decision making being conducted by Professors James Walker and Arlington Williams of the Department of Economics. When you log into the exercise for the first time, you must choose whether or not your decisions are included as part of this research. The information given below will be available to you online when you are asked to allow or deny research consent. This is part of the standard procedures used by Indiana University for research using human subjects.

INFORMED CONSENT STATEMENT INDIANA UNIVERSITY - BLOOMINGTON

You will first proceed through a set of instructions on the NovaNet computer system that describe the economic decision making problem. You will then participate in a series of decision making rounds. Your decision in each round will be how to allocate an endowment of tokens between two accounts, a private account and a group account. As explained in the class handout, your decisions, along with the decisions of others in your group, will determine the extra-credit you receive, as well as the cash you might earn through a procedure where participants' names are drawn randomly for cash payments. As noted on the handout, the decision exercise will last six weeks. On average, the instructions require less than 15 minutes, and each of the 10 decision rounds less than 5 minutes. Over the course of three years, this study plans to collect decisions from over 700 individuals in similar decision making settings.

RISKS

Your full name and ID number will not be recorded in this exercise; however, there may be a minimal risk of loss of confidentiality.

BENEFITS of THIS STUDY

Your decisions and those of others in this study will be used by the researchers for both education and research purposes. The research will expand our understanding of individual behavior in group decision making settings. Course extra credit and the potential for cash benefits to you are discussed below.

ALTERNATIVES TO TAKING PART IN THE STUDY

After reading this informed consent statement, you will have the option of choosing whether or not to have your decisions included as part of the research data. You also have the option not to participate in this decision exercise.

CONFIDENTIALITY

Your individual decisions will remain anonymous to other participants. Your identity will never be revealed in academic papers produced by this research. All decisions are recorded using a personal identifier containing only the first six letters of your last name and the last four numbers of your I.U. identification number. The researchers intend to keep the computerized database containing your personal identifier and decisions confidential, but absolute confidentiality can not be guaranteed. For example, personal information may be disclosed if required by law. The data may also be shared with other researchers, but only in a manner that cannot be linked to a particular individual.

For quality assurance and data analysis, certain individuals and organizations may access the research database that will include your decisions in this exercise. These include the study investigators, their research associates, the I.U.B. Institutional Review Board or its designees, the study sponsor, the Department of Economics, and (as allowed by law) state or federal agencies, specifically the Office for Human Research Protections.

COMPENSATION

As explained in the class handout, extra credit and the possibility of cash earnings in this exercise do not depend on whether you choose to having your decisions used as part of the research.

COSTS OF PARTICIPATION

Other than your time, there are no costs to you associated with participation in this exercise.

CONTACT

If you have questions at any time about the study or the procedures, you may contact the researchers: Professor James Walker, Wylie Hall 240, (812) 855-2760, walkerj@indiana.edu, or Professor Arlington Williams, Wylie Hall 202, (812) 855-4564, williamama@indiana.edu.

For questions about your rights as a research participant or to discuss problems, complaints or concerns about a research study, or to obtain information, or offer input, contact the I.U.B. Human Subjects office, 530 E Kirkwood Ave, Carmichael Center, L03, Bloomington IN 47408, 812-855-3067 or by email at iub_hsc@indiana.edu.