

## Group vs. Private Investment Exercise

### Professor Walker – Extra Credit

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 their final earnings in cash. 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 \$100, 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 trading 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 weight of .5 to determine the number of extra-credit points received. For example, if an individual's performance index score is 80 that person will receive  $80 \times .5 = 40$  points. The maximum performance-based extra credit from this exercise is  $100 \times .5 = 50$  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 5 points 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 with an associated weight of 5. Thus, you can receive  $10 \times 5 = 50$  additional points by simply participating in all ten decision rounds.

You can think of the performance based points and the participation points as having a weight of .01% toward your final course grade. Thus, someone receiving the full 100 points would be getting 1% added on to their final grade in the class, someone getting 80 points would receive .8% points, and so on.

## 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. See [www.indiana.edu/~stcweb/](http://www.indiana.edu/~stcweb/) for a complete listing of these sites. 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](http://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 "START" in the lower-left corner of the Windows main display. After opening the START menu, use the mouse to point to "Programs" then "Communications" then click the left mouse button on "NovaNET 3.3". This will launch the NovaNET access software. After a delay of a few 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 market.

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.*

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

NovaNET group: **iucon**      NovaNET name: **vcm**

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: **micro**.

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.

### Timing of the Decision Rounds

Round 1 begins after class today.

Round 1 ends and Round 2 begins at midnight (11:59:59pm) on Saturday, 10/30.

Round 2 ends and Round 3 begins at noon on Wednesday, 11/3.

Round 3 ends and Round 4 begins at midnight on Saturday, 11/6.

Round 4 ends and Round 5 begins at noon on Wednesday, 11/10.

Round 5 ends and Round 6 begins at midnight on Saturday, 11/13.

Round 6 ends and Round 7 begins at noon on Wednesday, 11/17.

Round 7 ends and Round 8 begins at midnight on Saturday, 11/20.

Round 8 ends and Round 9 begins at noon on Wednesday, 11/24.

Round 9 ends and Round 10 begins at noon on Wednesday, 12/1. (Round 9 includes Thanksgiving Break.)

Round 10 ends at midnight on Saturday, 12/4.

**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.**

### **Notification of Participation in a Research Project**

The data collected in this class exercise may be used as part of a research project on economic decision making. Your decisions must be associated with your name in your instructor's files in order to determine your extra-credit points, but this information will be kept strictly confidential. All data will be stored securely and will be accessible only to the individuals conducting the research, unless you specifically give permission in writing to do otherwise. No reference will be made in oral or written research reports that could link you to the study.

If you do not wish to participate in this exercise, you may choose to do an alternative extra-credit assignment. The alternative assignment involves participating in a similar NovaNET exercise and writing short (maximum two pages) typed essay describing the exercise and the logic you used to determine your decisions. The grade on your essay will determine your performance-based extra-credit points. If you prefer to participate in this alternative exercise: 1) you must inform your instructor of this choice (e-mail is fine) prior to the end of decision round 1, and 2) do not log into the exercise as described in this handout.

If you feel you have not been treated in a manner consistent with these procedures, or if you feel that your rights as a research participant have been violated in any way, you may contact the office of the Human Subjects Committee, Carmichael Center L03, 530 E. Kirkwood Ave., Indiana University, Bloomington (e-mail: iub\_hsc@indiana.edu).

### **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.