# INSTRUCTIONS

## Welcome

This is an experiment about decision making. You will be paid for participating, and the amount of money you will earn depends on the decisions that you and the other participants make. If you make good decisions you stand to earn a considerable amount of money. The entire experiment should be complete within an hour. At the end of the experiment you will be paid privately and in cash for your decisions. A research foundation has provided the funds for this experiment.

## Your Identity

You will never be asked to reveal your identity to anyone during the course of the experiment. Your name will never be recorded by anyone. Neither the people conducting the study nor those participating in it will be able to link you to any of your decisions.

In order to keep your decisions private, please do not reveal your choices to any other participant.

## Participant Number

We will use the participant number you used to log-in to identify you. You will use this number to collect your earnings at the end of the study. Your earnings will be presented to you in a closed envelope, and the person handing you the envelope will not know the amount of money inside, nor have any information about any decisions made in the experiment.

Your decisions and earnings will be known only to you.

## THIS EXPERIMENT

In this experiment you are asked to make a series of decisions about how to divide a set of tokens between yourself and several other participants in the room. You and the other participants will be matched randomly and you will not be told each other's identity.

In each decision you are asked to divide a certain number of tokens. You can Hold some tokens for yourself and Pass some to the other participants. However, the tokens can be worth different amounts to you and to the other participants.

The decision is best illustrated with some examples.

[Sample decision screen here]

In this choice you must divide 50 tokens with 3 other people. You can keep all the tokens, keep some and pass some, or pass all the tokens. Whatever you enter in the *Hold* portion plus whatever you enter in the *Pass* portion must sum to the total tokens to divide.

In this example, you will receive 10 cents for every token you hold, and *each of* the other participants will each receive 20 cents for every token you pass. For example, if you hold 50 and pass 0 tokens, you will receive 50x$0.10 = $5.00, and *each of* the other 3 participants will receive no tokens and $0. If you hold 0 tokens and pass 50, you will receive $0 and the *each of* the 3 other participants will receive 50x$0.20 = $10.00. However, you could choose any number between 0 and 50 to hold. For instance, you could choose to hold 29 tokens and pass 21. In this case you would earn 29x$0.10 = $2.90, and the each of the other 3 participants would each receive 21x$0.20 = $4.20.

You can enter some numbers in the above example to see how it works. (Note, the decisions can be entered by typing a number directly in either blank, or by clicking the arrows. Try it!)

[Sample decision screen here.]

In this example you will be matched with 5 other people. Every token you hold earns you 30 cents, and every token you pass earns *each of* the other 5 participants 10 cents. For example, if you hold 10 and pass 30 tokens, you will receive 10x$0.30 = $3.00, and *each of* the other 5 participants will receive 30x$0.10=$3.00. If you hold 20 tokens and pass 20, you will receive 20x$0.30=$6.00 and the *each of* the three other participants will receive 20x$0.10 = $2.00. Again, you could choose any number between 0 and 40 to hold. As before, feel free to enter some numbers in the example to see how it works.

**Important Note:** Whatever you enter in Pass is passed to *each* of the other participants. For instance, if you are matched with 10 other participants, and you pass 5 tokens, then *every one of the 10 others* will receive 5 tokens each.

## EARNING MONEY IN THIS EXPERIMENT

You will be asked to make 24 allocation decisions like the examples we just discussed. For each decision, the number of other participants you are paired with can be 1, 2, 3, 4, 5 or 9. The tokens can be valued at 10, 20, 30, or 40 cents each. Everyone in the study today will be making the same 24 decisions.

We will calculate your payments as follows:

After all your decisions are made, hit the [Submit] button at the bottom of the form. We will wait until all participants have made their decisions. The computer will then randomly pick **one of your decisions to carry out**. The computer will use a special randomization device that makes all decisions **equally likely** to be chosen.

Notice that there are two ways you earn money in this study. First is from your own Hold and Pass decisions, and second is from the Hold and Pass decisions of others.

Here is how we will calculate your earnings:

**Your Hold and Pass decisions:** You will get whatever you allocated to *Hold* in the decision chosen. The computer will then randomly choose other participants from the study to be the recipients of the amount you allocated to *Pass*. For instance, if the computer randomly picks a decision that involves dividing tokens with 4 others, then the computer will next randomly choose 4 other people in the study today to be the recipients of what you enter in Pass.

**Others' Hold and Pass decisions:** You will also be randomly selected to be a recipient of others' Pass allocations. The recipients of your Pass portion <u>will not</u> be the same participants who will be passing to you. That is, you <u>will not</u> receive any passed tokens from those other participants who may receive tokens passed by you.

The computer will then add your payoff from your decision, as well as any earnings you may have made as a recipient. This will be your total payoff from the study. We will place this money in an envelope. Someone who does not know how much is in any envelope will deliver your payments to you.

**Things to remember:**

1. You will make a total of 24 decisions.
2. The computer will randomly choose **one** of your decisions to carry out.
3. Each decision you make is **equally likely** to be chosen by the computer.
4. The recipients of whatever you pass will be randomly selected from those here today.
5. You may also be randomly selected to be a recipient.
6. These others that you may pass to will not also be passing to you.
7. You will be paid in cash at the end of the study today.

**Thank you very much. Good luck!**