Appendix I
Experimental Instructions

Introduction

This is an experiment in decision-making. Research foundations have provided funds for conducting this research. Your payoffs will depend partly only on your decisions and partly on chance. It will not depend on the decisions of the other participants in the experiments. Please pay careful attention to the instructions as a considerable amount of money is at stake.

The entire experiment should be complete within an hour and a half. At the end of the experiment you will be paid privately. At this time, you will receive $5 as a participation fee (simply for showing up on time). Details of how you will make decisions and receive payments will be provided below.

During the experiment we will speak in terms of experimental tokens instead of dollars. Your payoffs will be calculated in terms of tokens and then translated at the end of the experiment into dollars at the following rate:

$$2 \text{ Tokens} = 1 \text{ Dollar}$$

A decision problem

In this experiment, you will participate in 50 independent decision problems that share a common form. This section describes in detail the process that will be repeated in all decision problems and the computer program that you will use to make your decisions.

In each decision problem you will be asked to allocate tokens between three accounts, labeled x, y and z. Each choice will involve choosing a point on a three-dimensional graph representing possible token allocations, x / y / z. The x account corresponds to the x-axis, the y account corresponds to the y-axis and the z account corresponds to the z-axis in a three-dimensional graph. In each choice, you may choose any combination of x / y / z that is on the plane that is shaded in gray. Examples of planes that you might face appear in Attachment 1.

Each decision problem will start by having the computer select such a plane randomly from the set of planes that intersect with at least one of the axes (x, y or z) at 50 tokens or more but with no intercept exceeding 100 tokens. The planes selected for you in different decision problems are independent of each other and independent of the planes selected for any of the other participants in their decision problems.

For example, as illustrated in Attachment 2, choice A represents an allocation in which you allocate approximately 20 tokens in the x account, 21 tokens in the y account, and 30 tokens in the z account. Another possible allocation is B, in which you allocate approximately 40 tokens in the x account, 17 tokens in the y account, and 11 tokens in the z account.

To choose an allocation, use the mouse to move the pointer on the computer screen to the allocation that you desire. On the right hand side of the program dialog window, you will be informed of the exact allocation that the pointer is located. When you are ready to make your decision, left-click to enter your chosen allocation. After that, confirm your decision by clicking on the Submit button. Note that you can choose only x / y / z combinations that are on the gray plane. To move on to the next round, press the OK button. The computer program dialog window is shown in Attachment 3.

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Your payoff at each decision round is determined by the number of tokens in each account. At the end of the round, the computer will randomly select one of the accounts, x, y or z. For each participant, account y will be selected with $1/3$ chance, account x will be selected with some chance p and account z will be selected with some chance q such that the sum of p and q is equal to $2/3$. You will be not be informed about the values of p and q. You will only receive the number of tokens you allocated to the account that was chosen.

Next, you will be asked to make an allocation in another independent decision. This process will be repeated until all 50 rounds are completed. At the end of the last round, you will be informed the experiment has ended.

Earnings

Your earnings in the experiment are determined as follows. At the end of the experiment, the computer will randomly select one decision round from each participant to carry out (that is, 1 out of 50). The round selected depends solely upon chance. For each participant, it is equally likely that any round will be chosen.

The round selected, your choice and your payment will be shown in the large window that appears at the center of the program dialog window. At the end of the experiment, the tokens will be converted into money. Each token will be worth 0.50 Dollars. Your final earnings in the experiment will be your earnings in the round selected plus the $5 show-up fee. You will receive your payment as you leave the experiment.
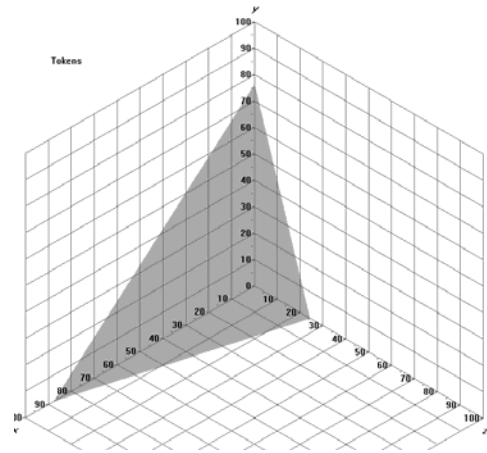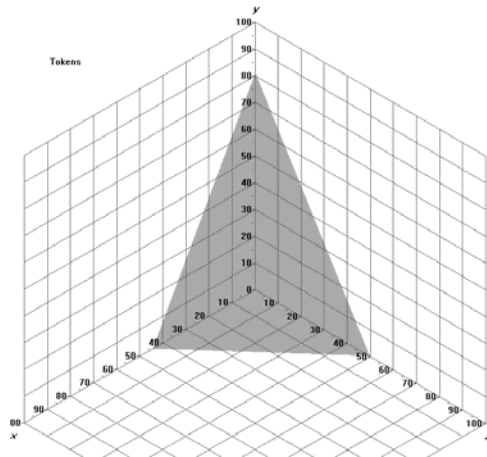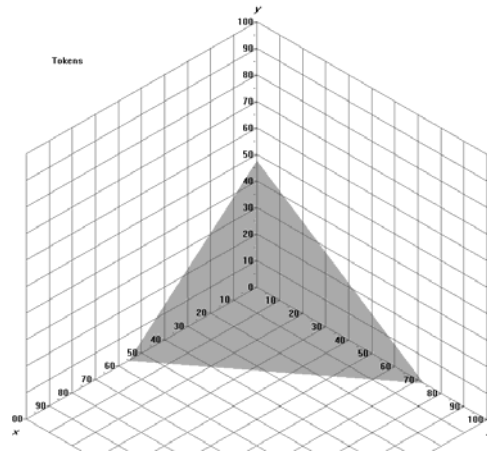
Rules

Your participation in the experiment and any information about your payoffs will be kept strictly confidential. Your payment-receipt and participant form are the only places in which your name and social security number are recorded.

You will never be asked to reveal your identity to anyone during the course of the experiment. Neither the experimenters nor the other participants 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.
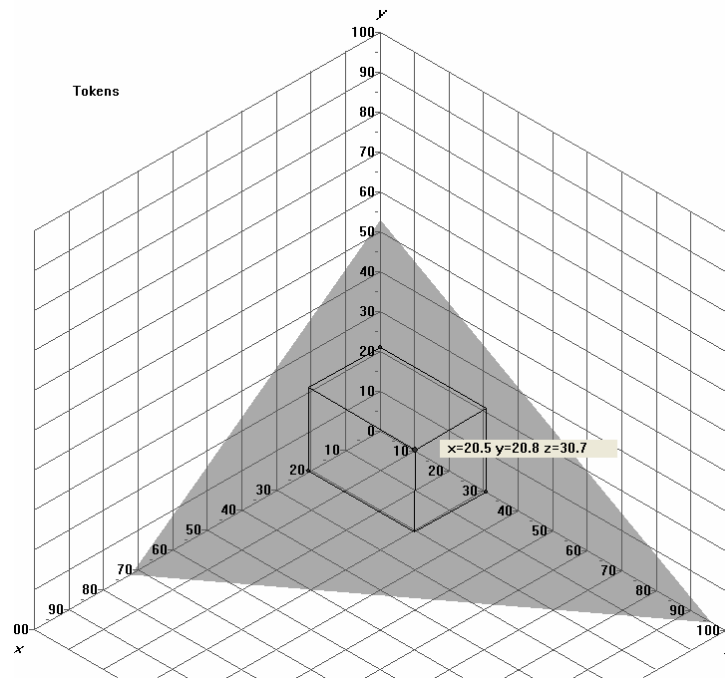
Please do not talk with anyone during the experiment. We ask everyone to remain silent until the end of the last round. If there are no further questions, you are ready to start. An instructor will approach your desk and activate your program.
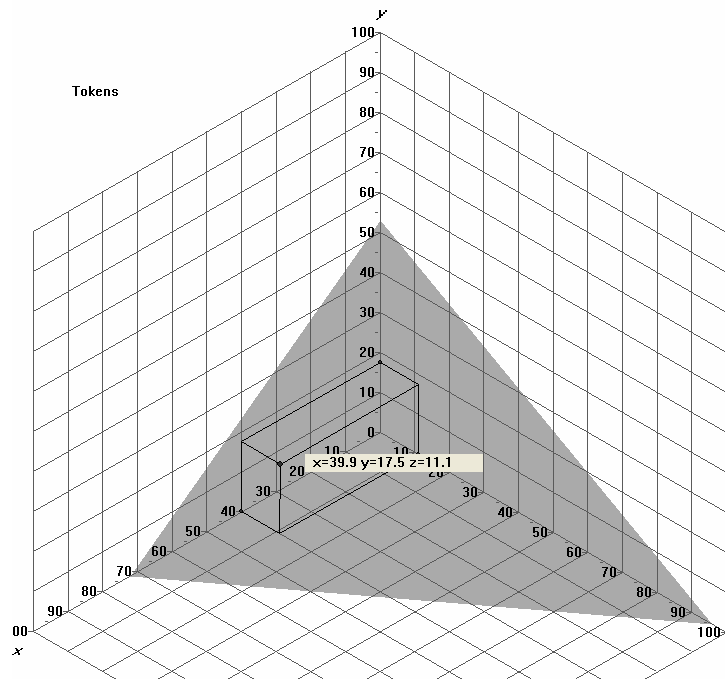
Attachment 1

Attachment 2

Choice A

Choice B

Attachment 3