Instructions for participants

Introduction

In the following, you will engage in several interactions with other participants. **Depending on your and the other participants' decisions, you can earn a considerable amount of money.**

At the end of the experiment, one of the interactions will be randomly chosen and your income from that interaction will be paid to you as a bonus payment.During the experiment, we will refer to monetary units instead of GBP.

100 monetary units (MU) = £ 0.50

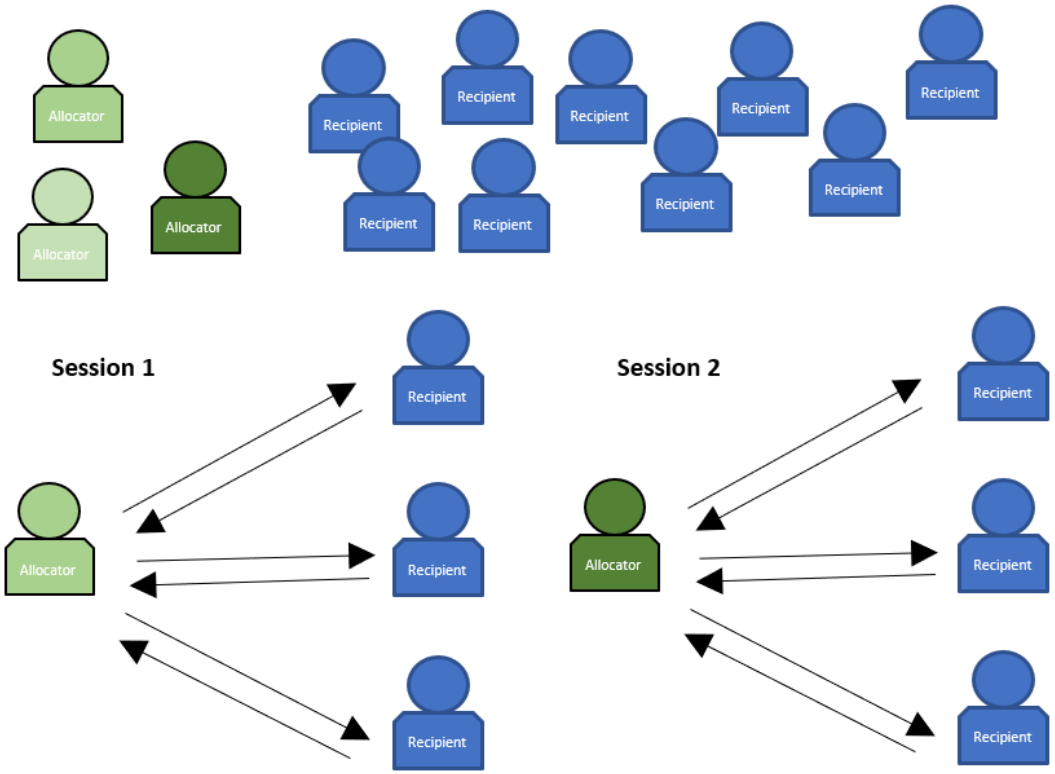
You will have to answer 3 questions regarding comprehension of the instructions correctly to receive the bonus payment.

Instructions

This task is about the allocation of monetary units between participants. Some participants will be assigned the role of „allocator“ and some participants will be assigned the role of „recipient“. The experiment consists of three sessions. For each session, one allocator will be grouped with three recipients. None of the group members knows the identity of the others and no one will meet the others knowingly.

Each session consists of two rounds of the allocation task between the allocation and each of the three recipients.

Between sessions, that is after the allocator has interacted with each of the three recipients, the group composition will be randomly reshuffled. **That is, in the second session, you will interact with different group members than in the first one**. The assignment as allocator or recipient will remain constant throughout the experiment.



The allocator

At the beginning of each round, allocator and recipient receive an endowment of 70 monetary units (MU). Then, the allocator can decide between two options (Option A and Option B) on how an **additional sum of monetary units** should be distributed among himself/herself and the recipient.

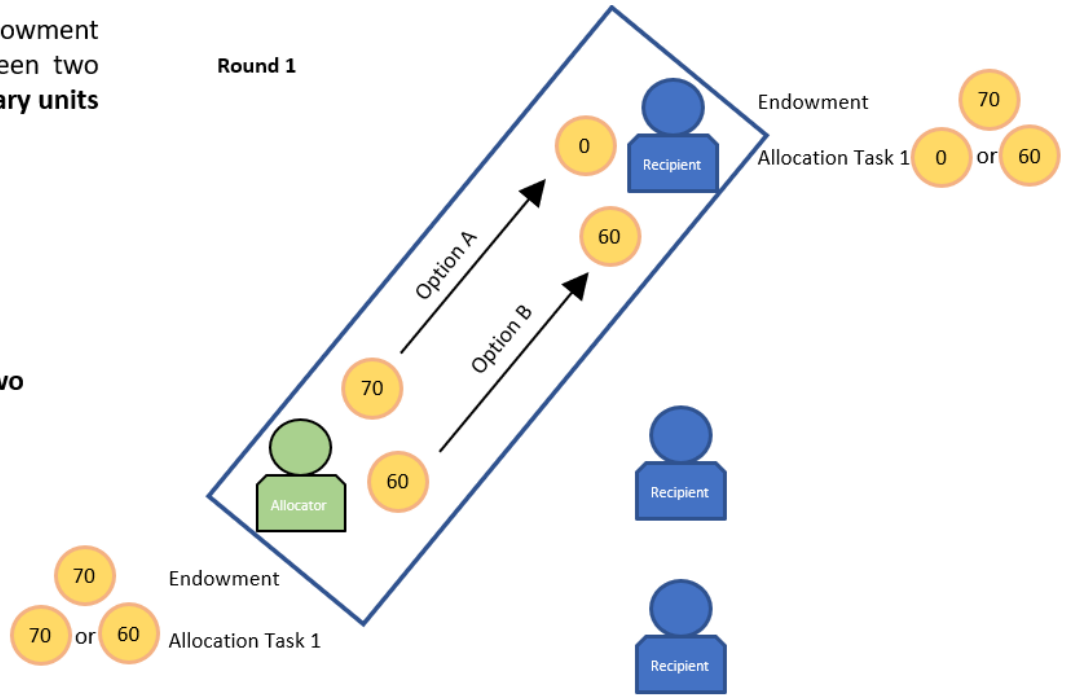
Option A:
The allocator receives 70 MU, the recipient receives 0 MU
Option B:
The allocator receives 60 MU, the recipient receives 60 MU

Important: The decision between the two options will be made in two different versions.

Version 1:
The **allocator decides** over the distribution of monetary units.
Version 2:
The **computer decides randomly** over the distribution of MU.
The allocator has no influence on the decision.

During the experiment, you will play both versions.

Before each session, you will be informed in which version the next interactions will take place.



The recipient

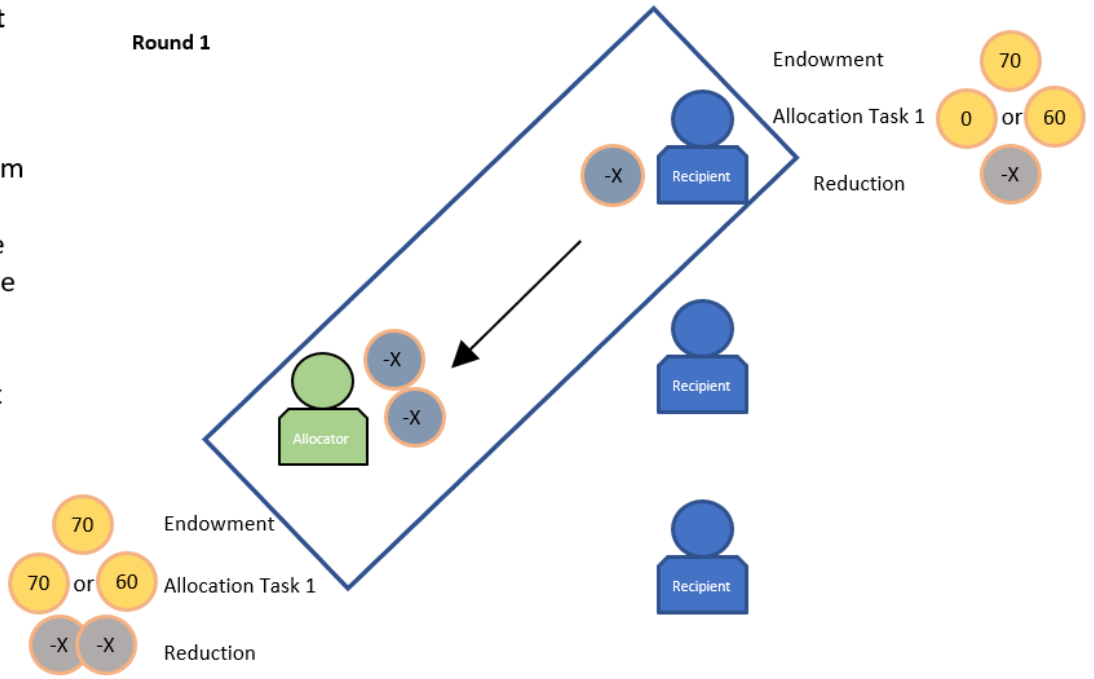
In the first round, the recipient can invest his/her endowment of 70 MU to reduce the income of the allocator depending on the allocator's decision.

For every MU the recipient invests, **two** MU are subtracted from the allocator's income. For example, if the recipient invests 5 MU, the income of the allocator will be reduced by 10 MU. The amount of monetary units invested to reduce the income of the allocator will be subtracted from the recipient's income.

The recipient will decide how many MU he/she wants to invest to reduce the income of the allocator given the allocator chooses Option A and given the allocator chooses Option B before any interactions are executed.

Depending on the decision of the allocator, the recipient's previously determined reaction will be executed.

Participants in the role of recipients will be paired with real other participants in the role of allocator and all decisions will be executed as announced. There is no deception in this study.



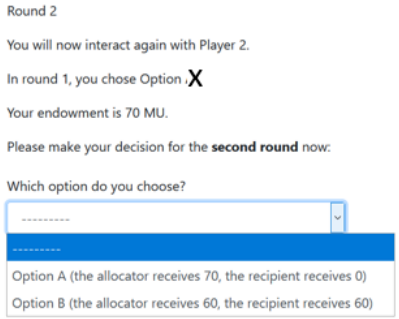
Open vs. hidden reduction

Important: There are two versions of how the reduction is executed—hidden reduction and open reduction. You will play both versions and will be informed at the beginning of each session in which version the next interactions will take place.

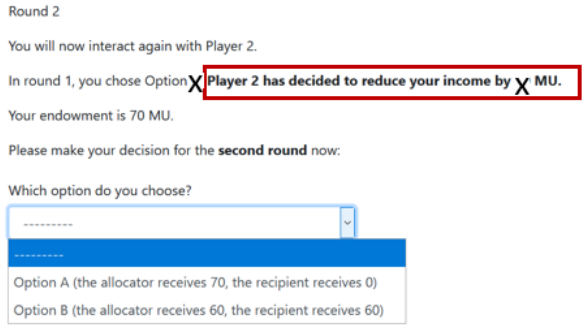
Hidden reduction:
Between rounds, the allocator will not be informed about the recipient's decision regarding reduction of the allocator's income. The reduction will, however, be executed in that the allocator's income is reduced. To ensure that also regarding the total income no inference on the potential reduction by the recipient is possible, a random number between -140 and +140 will be added to the allocator's total income before it is paid out. Only the final income will be presented. Therefore, **in this version, the allocator will not know if and by how much the recipient reduced his or her income.**

Open reduction:
Between rounds, the allocator is informed about the reduction by the recipient. Therefore, **in this version, the allocator will know if and by how much the recipient reduced his or her income.**

Allocator's screen under hidden reduction:



Allocator's screen under open reduction:

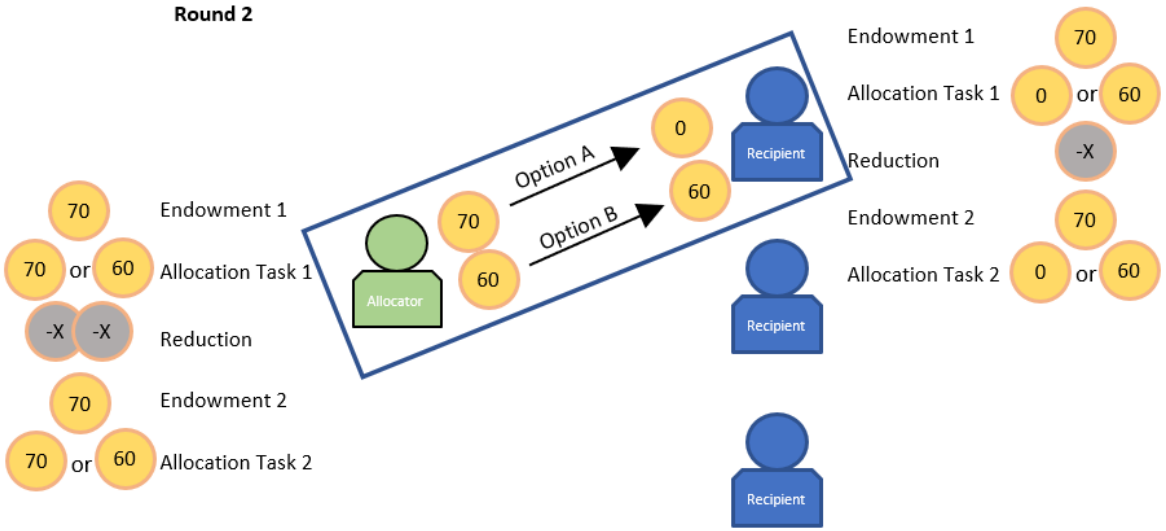


Further interactions

In the second round of the allocation task, allocator and recipient receive again an endowment of 70 MU. The allocator will then again decide between the two options (Option A and Option B) on how to distribute an additional sum of monetary units.

The allocator will then interact with the second and third recipient for two rounds of the allocation task.

Important: Every recipient can reduce the income of the allcator in their respective interaction.



(Participants in the decentralized punishment system)

Further interactions

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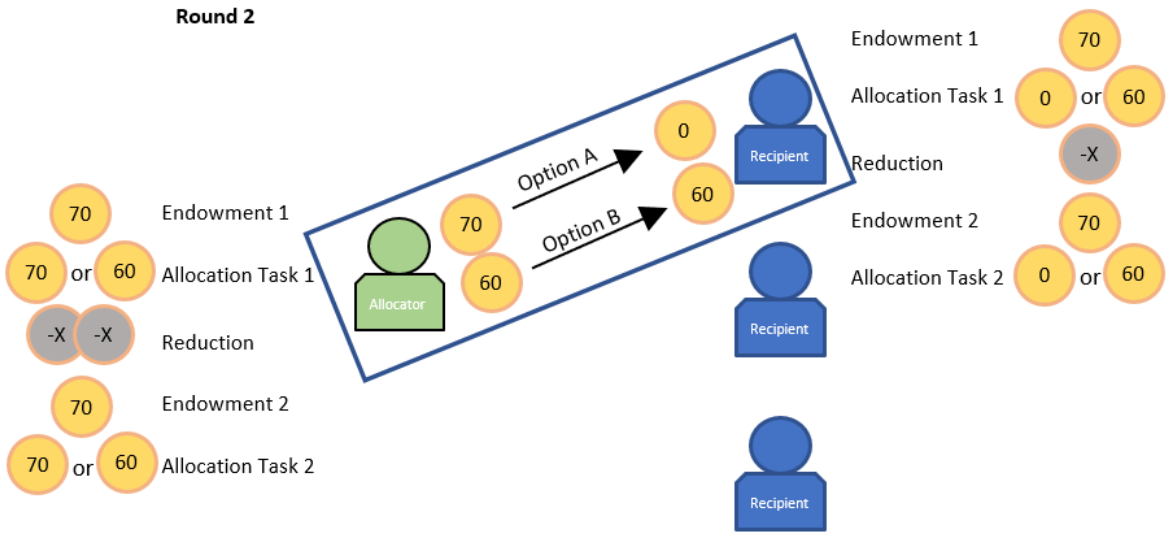
The allocator will then interact with the second and third recipient for two rounds of the allocation task.

Important:
The other two recipients cannot reduce the income of the allocator in their respective interaction.

You are the only group member who can reduce the income of the allocator. You will always be the first recipient the allocator interacts with.



(Participants in the centralized punishment system)

Your role

You will complete all three sessions of the allocation tasks in the role of **allocator**. Only Player 2 can reduce your income in his/her interaction. The other two group members in the role of recipient can not reduce your income in their respective interaction.

Next

Your role

You will complete all three sessions of the allocation tasks in the role of **recipient**. You are the only group member in the role of recipient who can reduce the income of the allocator. The other two group members in the role of recipient can not reduce the allocator's income in their respective interaction. You will always be the first recipient who interacts with the allocator.

Next

(Participants in the centralized punishment system)

Quiz

We will now present some **exemplary** decision screens to assess your understanding of the experiment. Please read the decision screens carefully and answer the following questions.

Next

Quiz: Question 1

Round 1
Option A: The allocator receives 70 MU, the recipient receives 0 MU.
Option B: The allocator receives 60 MU, the recipient receives 60 MU.

Your endowment is 70 MU.

Provided the **computer** has chosen **Option A**.

Your decision is **HIDDEN**. Thus, the allocator **will not** be informed about the reduction.

How many MU do you want to invest to reduce the income of the allocator? (0-70 MU):

Question 1: Who decides in this version between the two options?

The computer (the allocator has no influence)
The allocator

Quiz: Question 2

Round 1
Option A: The allocator receives 70 MU, the recipient receives 0 MU.
Option B: The allocator receives 60 MU, the recipient receives 60 MU.

Your endowment is 70 MU.

Provided the **allocator** has chosen **Option B**.

Your decision is **OPEN**. Thus, the allocator **will** be informed about the reduction.

How many MU do you want to invest to reduce the income of the allocator? (0-70 MU):

Question 2: Will the allocator be informed whether you reduced his/her income?

Yes (the allocator will be informed)
No (the allocator will not be informed)

Quiz: Question 3

Round 1
Option A: The allocator receives 70 MU, the recipient receives 0 MU.
Option B: The allocator receives 60 MU, the recipient receives 60 MU.

Your endowment is 70 MU.

Provided the **allocator** has chosen **Option A**.

Your decision is **OPEN**. Thus, the allocator **will** be informed about the reduction.

How many MU do you want to invest to reduce the income of the allocator? (0-70 MU):

Question 3: Who can reduce the income of the allocator?

Only one group member in the role of recipient in his/her respective interaction
Only one group member in the role of recipient in all interactions
All group members in the role of recipient in all interactions
All group members in the role of recipient in their respective interaction