

## Instructions<sup>1</sup>

Welcome and thank you for participating in the experiment. Please keep silence and remain seated at your place. Please note that during the experiment any communication with other participants is not allowed. Please switch-off your mobile phones. Should you have any questions, raise your hand and an experimenter will answer you privately. All the decisions are made anonymously and no participant under any circumstances will know the identity of any other participant.

Your pay-off in this experiment depends on your decisions, the decisions of other participants, as well as on chance.

During the experiment your payment will be expressed in ECU (Experimental Currency Units). At the end of the experiment the payment that you earned will be converted in EUR at the following exchange rate:

**10 ECU = 1.00 EUR**

In addition to your pay-off you get the participation fee of 2.5 EUR. At the end of the experiment you will receive your total payment (pay-off+show-up fee) privately.

### Preliminary Remarks

In this experiment there are three roles: Player 1, Player 2, and Player 3. At the beginning of the experiment one third of the participants will be randomly assigned the role of Player 1, one third - the role of Player 2, and the other third - the role of Player 3. Each participants keeps his or her role throughout the experiment.

The experiment consists of 4 rounds. Each round consists of two parts. The following instructions describe the first part of each round. The instructions for the second part will be distributed after the first part of the first round.

The content of the part 1 and 2 in each round is identical (if not stated otherwise).

At the end of the experiment computer will randomly choose one of the rounds to be pay-off relevant. Both parts in this round affect your payment. Since the probability for each round to be chosen is the same, please decide carefully in each of the rounds.

Once you have learned your payment, we will ask you to answer a questionnaire. Your answers in the questionnaire do not affect your payment.

### Instructions for Part 1

In this part of the experiment, every participant will be matched with two other participants with the other two roles. That is, each group has exactly one Player 1, one Player 2 and one Player 3. In the first round 50% of groups will be assigned to **Condition 1**, and the other 50% of groups - to **Condition 2**.

In the second round, **Player 1** and **Player 2** interact in the same condition they have been assigned to in the first round of the experiment. In the remaining two rounds (round 3 and 4) players 1 and 2 interact in the other condition so that players 1 and 2 decide two times in Condition 1 and two times in Condition 2.

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<sup>1</sup>Translation from German.

**Player 3**, however, will be assigned with 50% probability to Condition 1 or Condition 2 in each round.

Before Player 1 and Player 2 make a decision they will be informed to which Condition they are assigned to. Player 3, however, will be informed about the Condition only after he or she has made a decision.

Participants make a decision in the following situation. There are five virtual boxes numbered 1 to 5. Each box may contain a monetary prize. The value of the prize is fixed for each player: **80 ECU** for Player 1, **80 ECU** for Player 2, and **40 ECU** for Player 3. The allocation of the prizes between the boxes depends on the Condition the participants are assigned to.

In **Condition 1** one of the boxes will be selected randomly, and the prizes for all the three players will be placed into this box. It means that for each group in this condition the prizes for the three players will be placed in the same box. The other four unselected boxes do not contain any prizes.

In **Condition 2** two of the boxes will be selected randomly. In one of the boxes the prizes for Player 1 and 2 will be placed, in the other box - the prize for Player 3. It means that for each group in this condition the prizes for Player 1 and 2 will be placed in the same box, and the prize for Player 3 will be placed in a different box. The other three boxes do not contain any prizes.

The earnings of the players depend on the decision of Player 3. Player 3 will be asked to open a box without knowing how the prizes are allocated between the boxes. Before making a decision, Player 3 will receive the message from Player 1 or Player 2 "Your prize is in box  $x$ ".

In contrast to Player 3, Player 1 and 2 will see the allocation of prizes on their computer screens. It means that Player 1 and 2 will see in which condition they interact. Player 1 and 2 will then be independently asked which Box they advise Player 3 to open: "Your prize is in box  $x$ ". In addition, the players will have to specify which message they want to send to Player 3: "My own message" or "The message of Player 2 (1)". After Player 1 and Player 2 have made their decisions, the computer will randomly select one of the players and implement the respective decisions. If the selected player has chosen "The message of Player 2(1)", the number of the box chosen by the other player will be sent to Player 3. If the selected player has chosen "My own message", then the number of the box that he or she has chosen will be sent to Player 3.

Player 3 will then receive the message "Your prize is in box  $x$ " and learns who sends the message. Player 3 will read on his or her screen:

"Player 1(2) has decided to send his own message. Player 1(2) sends you the following message", in case the selected player has chosen "My own message" **or**

"Player 1(2) has decided that Player 2(1) has to send the message. Player 2(1) sends you the following message", in case the selected player has chosen "The message of Player 2(1)".

Player 3 will then be asked to choose one of the five boxes and thereby define the earnings of the players in the group.

Please consider the examples of the possible prize allocations.

The example of the information presented to Player 1 and Player 2 in **Condition 1**

Box 1	Box 2	Box 3	Box 4	Box 5
Prize1: 0 Prize2: 0 Prize3: 0	Prize1: 80 Prize2: 80 Prize3: 40	Prize1: 0 Prize2: 0 Prize3: 0	Prize1: 0 Prize2: 0 Prize3: 0	Prize1: 0 Prize2: 0 Prize3: 0

Example of the information presented to Player 1 and Player 2 in **Condition 2**

Box 1	Box 2	Box 3	Box 4	Box 5
Prize1: 0 Prize2: 0 Prize3: 0	Prize1: 0 Prize2: 0 Prize3: 40	Prize1: 0 Prize2: 0 Prize3: 0	Prize1: 80 Prize2: 80 Prize3: 0	Prize1: 0 Prize2: 0 Prize3: 0

Information presented to Player 3 in **Condition 1** and **Condition 2**

Box 1	Box 2	Box 3	Box 4	Box 5
Prize1: ? Prize2: ? Prize3: ?	Prize1: ? Prize2: ? Prize3: ?	Prize1: ? Prize2: ? Prize3: ?	Prize1: ? Prize2: ? Prize3: ?	Prize1: ? Prize2: ? Prize3: ?

\* This is only one of many possible allocation of prizes. The actual allocation in the experiment will be defined according to the procedure described above.

After Player 3 has made the decision, all the players will be informed about the allocation of prizes, the message sent to Player 1, the player who sent the message, the decision of Player 3 and the earnings of the players in the group.

The experiment will then continue to part 2.

If you have read the instructions carefully and do not have questions, please click on 'Continue'. Before the experiment starts, you will be asked a few control questions to check your understanding of the part 1 of the experiment.

Good Luck!

## Instructions for Part 2

In this part of the experiment, participants are re-matched in the groups of three. Each group consists of Player 1, 2, and 3. Each participant keeps the role that he or she was assigned to at the beginning of the experiment. Note that the matching procedure guarantees that no one will meet the participants from part 1 again.

Player 1 and 2 will then be independently asked how much out of their earnings in part 1 they would like to share with Player 3. Please note that this Player 3 is *not* the one that you interacted with in part 1. It is another participant who had the role of Player 1 in another group. Players 1 and 2 can send any amount between 0 ECU and their earnings from part 1 of the experiment to Player 3. (If Player 1 and 2 received 0 ECU from part 1, they will be asked how much money they would have sent to Player 3 should they received 80 ECU) Before making the decisions, Players 1 and 2 will know only their own earnings from part 1 of the experiment. Nobody knows the earnings of the other participants in the group. After Player 1 and 2 have made their decisions, the computer will select one of the players with equal probability. The decision of the selected player will be implemented and the respective amount will be transferred to Player 3. The decision of unselected player (and the decisions of players with 0 ECU from part 1) will not be implemented.

The participants will be then informed about the following:

- 1) the transfer chosen by Player 1 and 2;
- 2) the selected player, and
- 3) the final payment of the participants in the group.

This would be the end of part 2.

If you have read the instructions carefully and do not have questions, click on 'Continue' to start part 2 of the experiment.