

Welcome

You are about to participate in the first part of a two part study, and you will be paid for your participation with a cash voucher, privately, at the end of the session. What you earn depends partly on your decisions and partly on chance.

Please turn off pagers and cellular phones now. Please close any program you may have open on the computer.

The entire session will take place through computer terminals. Please do not talk or in any way try to communicate with other participants during the session.

We will start with a brief instruction period where you will be given a description of the main features of the first part. If you have any questions during this period, raise your hand and your question will be answered so everyone can hear. Once the first part is over, we will go over the instructions for the second part.

General Instructions

The first part will have 3 subparts. In the first two subparts you are asked to fill out questionnaires. Your answers to those in no way affect what will happen in the other parts. More specific instructions on how to answer each questionnaire will be given on your computer screen. Please take your time to answer the questionnaires correctly.

After the two questionnaires, you will be asked to state your preferences for different lotteries. Again, you will have specific instructions on your computer screen.

For the first part you will be paid a fixed fee of \$13 plus your earnings from the lottery which will be between \$0.20 and \$7.70 depending on your choices and chance.

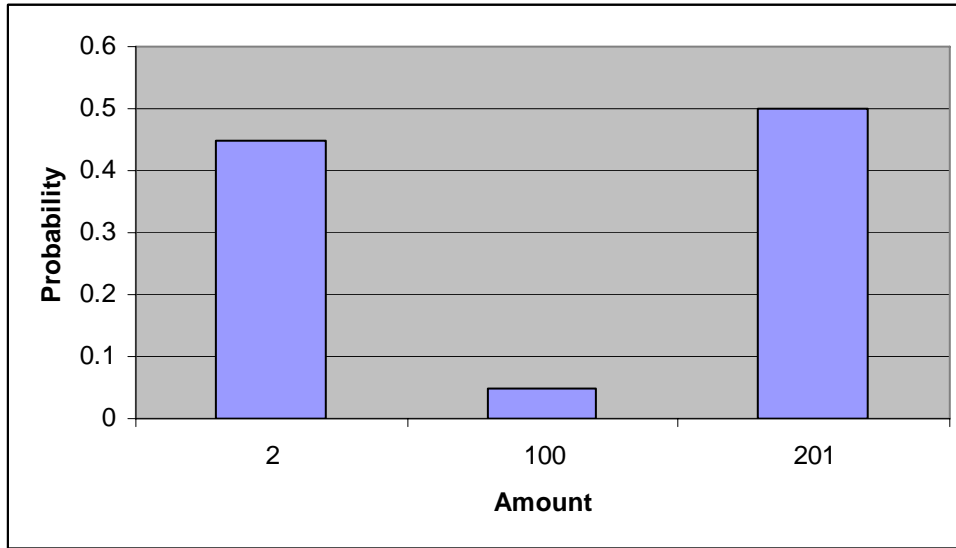
Are there any questions?

We will now continue with a brief instruction period. During the instruction period you will be given a description of the main features of this second part and will be shown how to use the computers. If you have any questions during this period, raise your hand and your question will be answered so everyone can hear. Please do not touch the computers until you are told to do so.

General Instructions

In this experiment you will be asked to repeatedly choose between two lotteries which will be presented to you sequentially in pairs. What we call a lottery is a set of dollar prizes with associated probabilities – i.e. different probability distributions defining a probability of winning each dollar prize. These lotteries will be presented to you in terms of a diagram showing graphically what the relevant probabilities and prizes are along with a table describing the actual probability associated with each dollar prize in a table.

For example, consider the following diagram (called a histogram). This diagram indicates the probability (on the y-axis) with which any amount (on the x-axis) will occur. For instance, the hypothetical lottery described in the histogram below indicates that a prize worth \$2 occurs 45% of the time, a prize worth \$100 occurs 5% of the time and a prize worth \$201 occurs 50% of the time.



The lotteries that will be presented to you will differ from the one depicted here in several ways. More precisely, they will have a large number of prizes, and the prizes will range over different prize sizes. In some the lowest prize will be a loss of \$5 and the largest a gain of \$25, while in others the prizes will range from \$0 to \$20. For all lotteries, however, the mean prize will be \$10 so that on average you can expect to receive \$10 in each lottery. The probabilities with which you receive the different prizes will vary across lotteries, of course.

In the experiment you will be presented with pairs of lotteries presented to you on your computer screen. One lottery will be on the left of your screen and one on the right. In total there will be 6 such pairs and for each pair you will be asked to select the one you prefer, i.e. the one you would prefer to have played out and a prize randomly determined.

Once you have selected the lottery you want by selecting “Left” or “Right” and confirming your choice by clicking “Submit”, you will receive another pair to choose from. This will occur 6 times.

After being presented with 6 such lottery pairs one of the pairs will be randomly selected. The computer will then check which lottery from this pair you selected and, using the distribution associated with that lottery, it will randomly determine the prize you win. This will determine your payoff for the experiment.

Final Payoff

In addition to the payoffs described above we will give you a \$13 show-up fee.

Are there any questions?

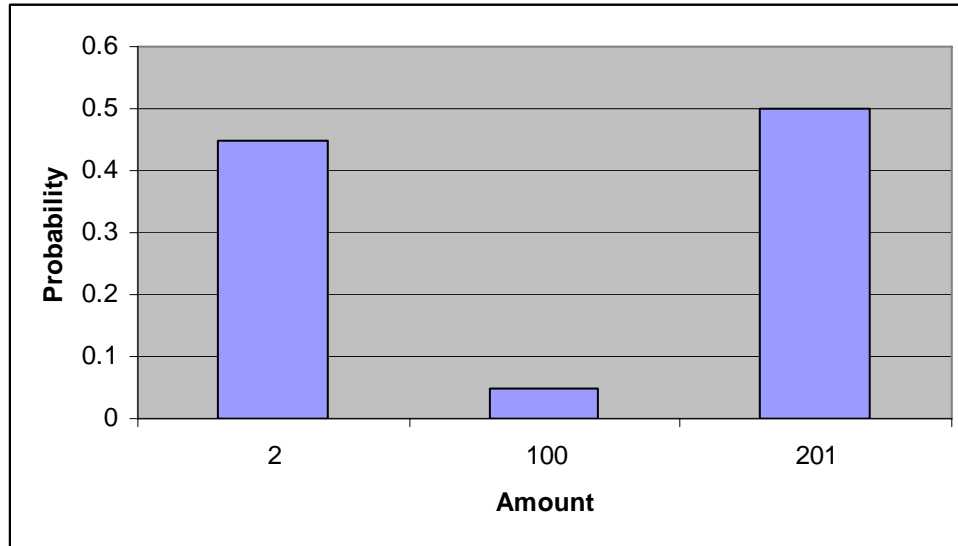
Please enter your netid where it asks for your name and click submit.

We will now continue with a brief instruction period. During the instruction period you will be given a description of the main features of this second part and will be shown how to use the computers. If you have any questions during this period, raise your hand and your question will be answered so everyone can hear. Please do not touch the computers until you are told to do so.

General Instructions

In this experiment you will be asked to repeatedly choose between two lotteries which will be presented to you sequentially in pairs. What we call a lottery is a set of dollar prizes with associated probabilities – i.e. different probability distributions defining a probability of winning each dollar prize. These lotteries can be described in terms of a diagram showing graphically what the relevant probabilities and prizes are along with a table describing the actual probability associated with each dollar prize in a table.

For example, consider the following diagram. This diagram indicates the probability (on the y-axis) with which any amount (on the x-axis) will occur. For instance, the hypothetical lottery described in the histogram below indicates that a prize worth \$2 occurs 45% of the time, a prize worth \$100 occurs 5% of the time and a prize worth \$201 occurs 50% of the time. Note also that a prize of \$100 OR MORE will occur with a probability of 55% while a prize of \$100 OR LESS will occur with a probability of 50%.



The lotteries you will be concerned with will differ from the one depicted here in several ways. More precisely, they will have a large number of prizes, and the prizes will range over different prize sizes. In some the lowest prize will be a loss of \$5 and the largest a gain of \$25, while in others the prizes will range from \$0 to \$20. For all lotteries, however, the mean prize will be \$10 so that on average you can expect to receive \$10 in each lottery. The probabilities with which you receive the different prizes will vary across lotteries, of course.

In the experiment you will have to choose between 6 pairs of lotteries presented to you one at a time in sequence. However, you will not be able to see these lotteries. Rather you will be able to ask the computer for some pieces of information that describe their properties and compares them. More precisely, you will be able to find out at most three properties of the lotteries you will be facing listed as follows:

- A: Probability of the outcome being \$4 or less.
- B: Probability of the outcome being \$16 or more.

C: Probability of the outcome being between \$8 and \$12.

In the experiment, before you decide whether you want to choose the “Left” or “Right” lottery in any of the 6 comparisons we will present, you will rank these three potential pieces of information or properties according to which you think is most relevant for your decision. Before any given comparison the computer will randomly decide how many pieces of information to give you and it will then present this information to you in the order of priority you have indicated. For example, say you rank the three pieces C, B, A. If, before a given comparison, the computer decides to offer you two pieces of information, it will show you properties C and B for each lottery, i.e., it will tell you the probabilities that your payoff will be either between \$8 and \$12 and the probability that it will be above \$16. If, on a given comparison, the computer decided to only offer you one piece of information, it would simply offer you C.

After receiving this information on any pair of lotteries, you will be asked to choose which lottery you prefer. Once you have selected the lottery you want by selecting “Left” or “Right” and confirming your choice by clicking “Submit”, you will receive another pair to choose from. The computer will record your choice and then move on to the next comparison. This will occur 6 times.

After being presented with 6 such lottery pairs, one of the pairs will be randomly selected. The computer will then check which lottery from this pair you selected and, using the distribution associated with that lottery, it will randomly determine the prize you win. This will determine your payoff for the experiment. Let us remind you that you will select your preference over different properties of lotteries only once at the beginning, and you will not have a chance to change that order later on in the experiment.

Are there any questions?

We will now continue with a brief instruction period. During the instruction period you will be given a description of the main features of this second part and will be shown how to use the computers. If you have any questions during this period, raise your hand and your question will be answered so everyone can hear. Please do not touch the computers until you are told to do so.

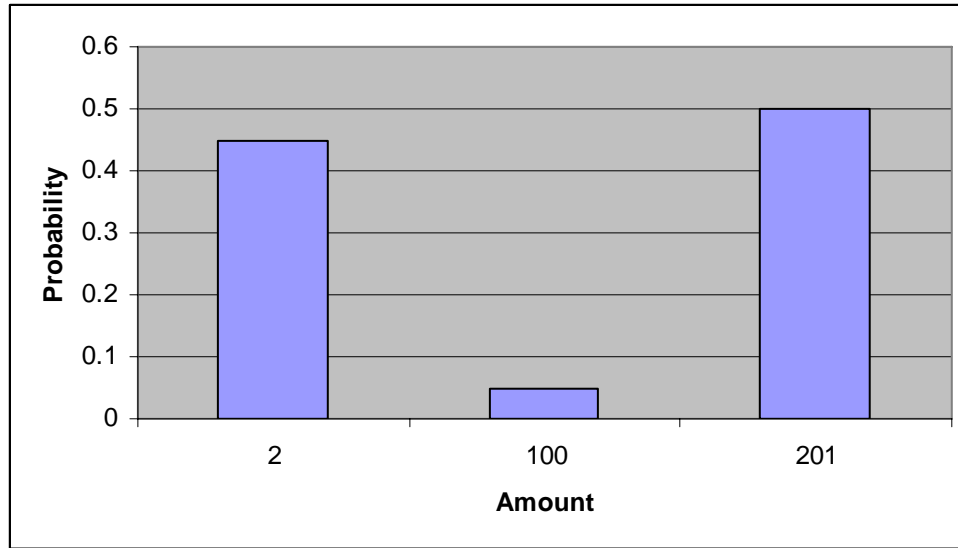
General Instructions

As you arrived in the lab, you were randomly assigned to be one of two types of subjects: type 1 or type 2. Once the software is started, your type will be indicated on the screen. We will describe the instructions for each type separately.

Type 1

1. In this experiment you will be asked to choose between two lotteries. What we call a lottery is a set of dollar prizes with associated probabilities – i.e. different probability distributions defining a probability of winning each dollar prize. These distributions will not be presented to you, but they will be presented to the Type 2 subject you are paired with (more on this below). They will be described to him/her in terms of a diagram showing graphically what the relevant probabilities and prizes are (that subject will also be given a table describing the actual probability associated with each dollar prize in a table).

2. The diagram seen by your pair member (called a histogram) indicates the probability (on the y-axis) with which any amount (on the x-axis) will occur. For instance, the hypothetical lottery described in the histogram below indicates that a prize worth \$2 occurs 45% of the time, a prize worth \$100 occurs 5% of the time and a prize worth \$201 occurs 50% of the time.



The lotteries that will be presented to your type-2 pair member will differ from the one depicted here in several ways. More precisely, they will have a large number of prizes, and the prizes will range over different prize sizes. In some the lowest prize will be a loss of \$5 and the largest a gain of \$25, while in others the prizes will range from \$0 to \$20. For all lotteries, however, the mean prize will be \$10 so that on average you can expect to received \$10 in each lottery. The probabilities with which you receive the different prizes will vary across lotteries, of course.

Before you make your choice you will receive advice from the type 2 subject you have been paired with on which lottery (Lottery Left or Lottery Right) to choose, along with a justification for that suggestion. For example, your type 2 pair member may say: “Choose lottery Left and not Lottery Right because the probability of receiving a prize of \$16 or more is 10% with Lottery A while it is only 4% with Lottery B.” The Type 2 subjects will be paid \$3.33 for each time you follow their advice no matter what advice that is. (In other words, they do not have a preferred lottery.)

3. You will be offered two choices: “Follow the advice” and “Do not follow the advice”. If the advice is “Choose Lottery Left and not lottery Right...” then selecting “Do not follow the advice” means that you select lottery Right. Similarly if the advice is “Choose Lottery Right and not lottery Left...” then selecting “Do not follow the advice” means that you select lottery Left. Once you have selected the lottery you want by selecting “Follow the advice” or “Do not follow the advice” and confirming your choice by clicking “Submit”, the type 2 subject you are paired with will be presented two new lotteries from which you will now choose. This process will be repeated 6 times.

4. After being presented with 6 such decision problems one of the Lotteries will be randomly selected and, using the distribution associated with that lottery, we will randomly determine the prize you win. You will then see the lottery you selected for this decision problem and the outcome of the lottery which is determined using that probability distribution.

Type 2

1. In this experiment you will be matched with a type 1 subject (the same subject for the entire session). You will see the pair of lotteries that your type-1 pair member will have to choose from (although they do not see it). Your task is to suggest a choice and a justification for that suggestion. You will choose the justification from a list that will be presented to you. All justifications present correct statements about the lottery pair (but read them carefully).

2. You will not receive any information about what the subject you have been paired with has selected until he/she has made all 6 choices. At that point you will be revealed your payoff which tells you how many times he/she selected the choice you suggested. You will be paid \$3.33 for each choice they took which corresponded to the choice you advised to take.

Are there any questions?

Please enter your netid where it asks for your name and click submit.