Subject Instructions

WELCOME

This experiment is a study of economic decision making. The instructions are simple. If you follow them carefully and make good decisions you may earn a considerable amount of money units (tokens).

The Game

There are two players in the game you will be playing, Player A and Player B. Both players start with 10 tokens as their initial endowment.

Player A gets to move first. They must decide how many of their 10 tokens to send to Player B. Any amount sent will get tripled so that if Player A were to send, say, 10 tokens Player B would then receive 30 tokens.

If Player A decides to send anything, they must also specify how many tokens they desire to receive back from Player B, which can be any amount between zero and the tripled transfer.

As soon as Player A has made their decisions, Player B will be informed of the amount sent and the desired back-transfer. Player B must then decide how many tokens to send back to Player A, which can be any amount between zero and the tripled transfer. This back-transfer, however, will not be tripled – i.e., if Player B were to send back, say, 8 tokens Player A would then receive exactly 8 tokens.

The final payoff of Player A is given by their endowment of 10 tokens minus the amount sent to Player B plus the actual back-transfer.

The final payoff of Player B is given by their endowment of 10 tokens plus the tripled transfer minus the actual back-transfer.

The Experiment

At the beginning of the experiment, you will be paired with one other participant to play the game described above.

Each of you will play the game both as Player A and Player B. It works as follows.

You will decide in the role of Player A first.

Afterwards, you will decide in the role of Player B. The earlier decisions of another participant in the role of Player A will determine the amount sent and the desired back-transfer for you.

In the end, one of these roles will be randomly selected to determine your payoff in the experiment.

Confidentiality

Your identity in the experiment will not be made known to any other participant at any time in the experiment.

Do not discuss your choices or payoffs with any other player!

Thank you and Good Luck!

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The overall design of the experiment is the same but the actual game is slightly different this time around.

Player A now has an additional option they can choose when specifying the desired back-transfer.

Player A can choose whether or not they want to impose the deduction on Player B in case they send back less then the desired amount. If *'no deduction'* is chosen, the game proceeds exactly as before. If *'deduction of 4 tokens'* is chosen, the final payoff of Player B will be reduced by 4 tokens in case they send back less than what is desired by Player A.

When choosing how many tokens to send back, Player B will know whether or not Player A has implemented the deduction option.