Experimental instructions

Welcome!

Please put your mobile phones on silent mode.

You are going to participate in an economic experiment on decision making under uncertainty. All your decisions will be anonymous and ***the data generated will be treated as strictly confidentially.***

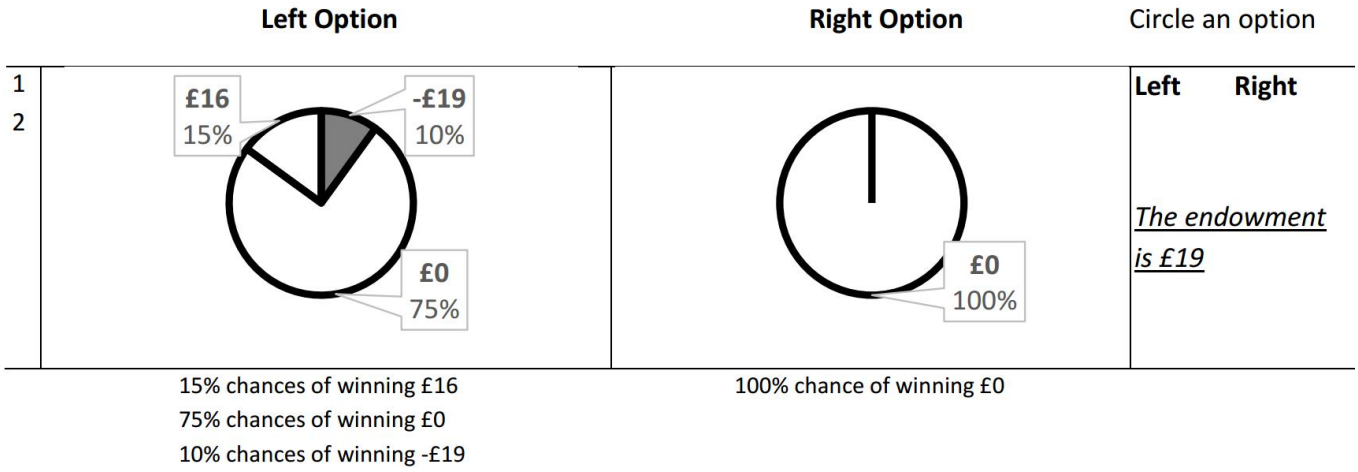
Please answer all the questions. There are no, right or wrong answers. Just give the answer you consider that most closely describes your preferences.

The Experiment

You will be asked to answer a series of questions, where you will have to choose between different two different options. You can think of these options as gambles or lotteries.

The options consist of a Left option and a Right option. You are asked to indicate which of the options, Left or Right, you prefer.

Below is an example of how the questions will look:



Both options are presented in the form of pie charts. The rewards are presented as segments (pieces of pie) and the size of each segment is proportional to the chance of winning of the reward.

Next to each region you will see labels which specify the exact **reward** and its corresponding **chance** of winning.

In this example, the Left Option consists of the rewards of £16 and £0 with 15% and 75% chances of winning them and a negative reward (loss) of -£19 (grey area) with a 10% chance of winning. The Right Option consists of a single and certain reward of £0. These are also summarised below the chart in words.

To indicate your choice, you circle either Left or Right in the last column next to the options. ***You circle only one option,*** either Left or Right.

For most questions you will have a cash endowment written next to the options. In this example it is £19, so the potential losses would be deducted from the endowment. ***This means that you don't pay anything***

out of your pocket. The endowment could change from question to question, but it will always be equal to the largest possible loss you may face.

Things to remember:

- The endowment is applicable only to losses, not gains.
- The Right Option will always be a single and certain reward which could change from question to question.
- Losses will be depicted as grey areas.

Apart from the above mixed Left Option (i.e., gains and losses), you will also face questions where the rewards are only gains or only losses, too. When the rewards are only losses, again all potential losses will be deducted from the question-specific endowment. There will be no endowment when all the rewards are only gains. The rewards and the corresponding chance of winning will change from question to question. Finally, you may also face questions where the Left Option has 2 rewards but not options with more than 3 rewards.

The Payment Process

At the end of the session each one of you will receive £15 as a participation fee. In addition, 1 in 5 participants (20%) will be randomly chosen by picking a number out of a hat and will be given the opportunity to receive additional cash rewards of up to **£50**, based on their answers for the randomly selected decision question as explained below.

Assume that the above decision question has been randomly selected for payment at the end of the experiment and you have chosen the Left Option as shown previously.

A random number between 1 and 100 will be drawn by using a 10-sided dice.

If the number drawn is between, and including, 1 and 15 (15% chance of winning) you win £16;

If the number is between 16 and 90 (75% chance of winning), you receive £0;

If the number is between 91 and 100 (10% chance of winning), you will lose £19; and

If you choose the Right Option, you will receive £0 (for certain).

The payment process for options with only gains or only losses will be identical.

All rewards are in cash and are **in addition** to the £15 show-up fee.

Please answer all the questions.

There are no correct or wrong answers. Just give the answer you consider that most closely describes your preferences.

Any question?