Appendix A   Instructions

Welcome! You are about to participate in an experiment in the economics of decision-making. If you listen carefully and make good decisions, you could earn a considerable amount of money that will be paid to you in cash at the end of the experiment.

Please remain silent and do not look at other participants' screens. If you have any questions or need any assistance, please raise your hand and we will come to you. Do not attempt to use the computer for any other purpose than what is explicitly required by the experiment. This means you are not allowed to browse the Internet, check email, etc. If you interrupt the experiment by using your smart phone, talking, laughing, etc., you may be asked to leave and may not be paid. We expect and appreciate your cooperation today.

A.1   The Basic Idea

This experiment is composed of ten segments. In each of which you are asked to make a sequence of ten choices/decisions between two lotteries presented to you. Each decision is a paired choice between "Option A" and "Option B." In each segment you will make ten choices and record them by clicking the radio button next to the option you chose, A or B. To determine you payment, we will randomly pick one of the ten segments by rolling a ten-side die, we will then randomly select one of your ten choices within that segment by another roll of the ten-sided die. Final payment will be determined by the outcome of your chosen lottery, which will be determined by a third and final roll of a ten-sided die.

Before you start making your choices, please let me explain in more detail how these choices will affect your earnings. Here is a ten-sided die that will be used to determine payoffs; the faces are numbered from 1 to 10 (the "0" face of the die will serve as 10.) After you have made all of your choices, we will throw this die three times, once to select one of the ten segments to be used, a second time to determine one of the ten choices for that segment, and a third and final time to determine what your payoff is for the option you chose, A (left) or B (right), for the particular decision selected. Even though you will make ten decisions per segment, only one of these will end up affecting your earnings for that segment, but you will not know in advance which decision will be used.

| ○ 3/10 of $3.00, 7/10 of $2.50 | ○ 3/10 of $4.82, 7/10 of $0.10 |

Figure A.1: Text Display

A lottery is defined by probabilities and a set of payoffs associated with these probabilities. As shown in the example in figure A.1, you will be asked to choose between lottery A (on the left), which offers you a payoff of $3 with probability 0.3 (30%) and a payoff of $2.50 with probability 0.7 (70%), and lottery B (on the right), which offers you a payoff of $4.82 with probability 0.3 (30%) and a payoff of $0.10 with probability 0.7 (70%).

Again, in a given segment, you will face a list of ten pairs of lotteries. You must make one choice between the two displayed lotteries for each of the ten pairs in the list. Payment for the experiment will be based on the lotteries you choose. A random segment is picked and a random line will be chosen for payment by a roll of a die and payment will be determined for each subject by the outcome of the chosen lottery (also by a roll of a die) on the randomly selected line.

A.2   Display Types

A.2.1   text Only

The following example illustrates one of the displays you will be seeing in this experiment. In the text only display you will be facing a list of different lotteries of the same form as in A.1. As you can see the probabilities and payoffs are displayed in text. In this specific line the lottery on the left has payoffs $3 with probability 0.3 (30%) and a payoff of $2.50 with probability 0.7 (70%), and lottery B (on the right), which offers you a payoff of $4.82 with probability 0.3 (30%) and a payoff of $0.10 with probability 0.7 (70%). You are to choose one of the two lotteries on this line for payment.
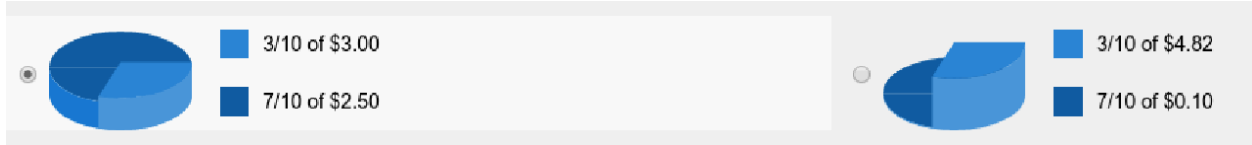
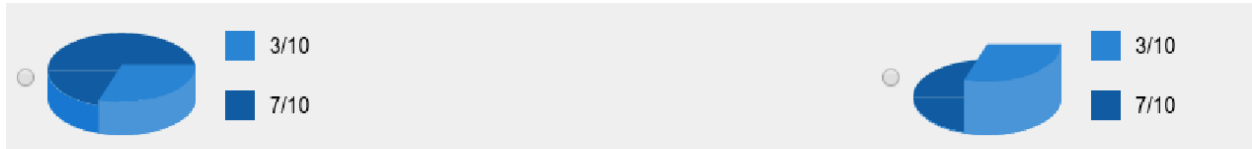Figure A.2: TT Display: Graphical with text prize and probability

Figure A.3: TF Display: Graphical with text probability only

A.2.2 Full graphics with payoff and probability in text

In this segment we combine a graphical and text representation of probabilities and payoffs. As demonstrated in figure A.2This display type will feature the probability of a given payoff in the size of the pie slice while the payoff is represented by the height of the pie slice. Therefore, a pie with two different (in color and volume) wedges represents each lottery; the size of a given wedge represents the probability while the height of the wedge represents the payoff. In order to get a full picture of the wedges you can rotate the pie graphs to the left and right by sliding your mouse over the figure (you don't need to click).

It's important to point out that both lotteries (A and B) are displayed on the same scale. This means that if a payoff in lottery A is $2 and a payoff in lottery B is $4, then the height of the $4 payoff in lottery B is twice as high as the height of the $2 payoff in lottery A. This is also true for payoffs in the same lottery. If lottery A pays $2 or $0.20, then the height of the $2 payoff will be ten times as high as the $0.20 payoff in the same lottery.

A.2.3 Full graphics with probability in text

This display type is similar to the full graphics with text. As you can see in figure A.3, the only difference is that now payoff is represented only in a graphical form (in the height of the pie slice), while the probabilities are display in text as well as graphically (in the size of the pie slice).
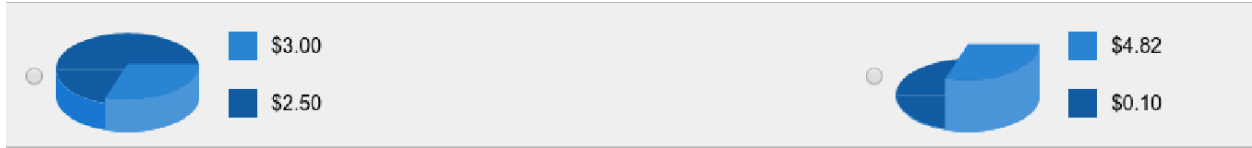
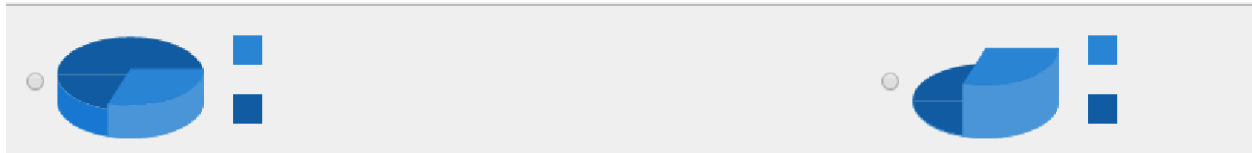Figure A.4: FT Display: Graphical with text prize only

Figure A.5: FF Display: Graphical with no text

A.2.4 Full graphics with payoff in text

This display type is similar to the full graphics with text. The only difference is that now probabilities are represented only in a graphical form (in the size of the pie slice), while the payoffs are display in text as well as graphically (in the height of the pie slice).

A.2.5 Fully graphical

This segment removes all text from the list and represents the lotteries in a fully graphical manner. The lotteries are again displayed with the probabilities represented by the size of the pie slice and the payoffs represented by the height of the pie slice. There is no text displaying probabilities or payoffs. Each lottery is fully characterized by the height and size of the pie wedges.

Are there any questions? Now you may begin making your choices. Please do not talk with anyone while we are doing this; raise your hand if you have a question.