

Instructions II: Lottery Pairs



Throughout this study, you will encounter pairs of lotteries. The lotteries, called **Option A** and **Option B**, will each pay out money depending on the color of a randomly drawn ball. We will present these lotteries to you in a table like the one below:

Color	Probability	Option A	Option B
	75%	\$10	\$15
	25%	\$20	\$10

The first two columns tell us the *likelihood* of drawing each colored ball. For each lottery pair, there are 20 balls total, one of which will be selected at random to determine payouts.

Color	Probability	Option A	Option B
	75%	\$10	\$15
	25%	\$20	\$10



The first column depicts the number of red and blue balls.

Color	Probability	Option A	Option B
	75%	\$10	\$15
	25%	\$20	\$10

This problem has 15 red balls...

...and 5 blue

The second column expresses the same information as probabilities.

Color	Probability	Option A	Option B
	75%	\$10	\$15
	25%	\$20	\$10

Red will be drawn 75% of the time


Blue will be drawn 25% of the time

The third and fourth columns tell us how much the options pay out for each ball color.





If **red** is drawn, A pays \$10, B pays \$15


If **blue** is drawn, A pays \$20, B pays \$10

Task 1



Which option would you prefer to receive?
Please choose one.

Color	Probability	Option A	Option B
 	75%	\$10	\$15
 	25%	\$20	\$10

Option A
Option B 

Your second task is to tell us how much each lottery is worth to you. We will show you the same table and ask:


Option A:

Option B:

To answer this question, it may help you to think about a sequence of choices of the form:

Would you prefer *Option A* or *\$X* for sure?


When *X* is small, you'd probably prefer to take Option A...



Frannie would choose Option A over \$10, \$11, or \$12...

Q1	Would you prefer:	Option A	or	\$10
Q2	Would you prefer:	Option A	or	\$11
Q3	Would you prefer:	Option A	or	\$12
Q4	Would you prefer:	Option A	or	\$13
Q5	Would you prefer:	Option A	or	\$14
Q6	Would you prefer:	Option A	or	\$15
Q7	Would you prefer:	Option A	or	\$16
Q8	Would you prefer:	Option A	or	\$17
Q9	Would you prefer:	Option A	or	\$18
Q10	Would you prefer:	Option A	or	\$19
Q11	Would you prefer:	Option A	or	\$20

As the sure amount of money get larger, we assume that at some point, **you'll switch to preferring the certain payment** over Option A.



...but Frannie would choose \$13, \$14, and so on over Option A.

Q1	Would you prefer:	Option A	or	\$10
Q2	Would you prefer:	Option A	or	\$11
Q3	Would you prefer:	Option A	or	\$12
Q4	Would you prefer:	Option A	or	\$13
Q5	Would you prefer:	Option A	or	\$14
Q6	Would you prefer:	Option A	or	\$15
Q7	Would you prefer:	Option A	or	\$16
Q8	Would you prefer:	Option A	or	\$17
Q9	Would you prefer:	Option A	or	\$18
Q10	Would you prefer:	Option A	or	\$19
Q11	Would you prefer:	Option A	or	\$20

When we ask you what dollar amount is worth the same to you as Option A, this is like asking what your "**switching point**" would be for a sequence of choices like these ones.



Frannie's **switching point** based on her choices is **\$13**



Q1	Would you prefer:	Option A	or	\$10
Q2	Would you prefer:	Option A	or	\$11
Q3	Would you prefer:	Option A	or	\$12
Q4	Would you prefer:	Option A	or	\$13
Q5	Would you prefer:	Option A	or	\$14
Q6	Would you prefer:	Option A	or	\$15
Q7	Would you prefer:	Option A	or	\$16
Q8	Would you prefer:	Option A	or	\$17
Q9	Would you prefer:	Option A	or	\$18
Q10	Would you prefer:	Option A	or	\$19
Q11	Would you prefer:	Option A	or	\$20

We will not literally ask you this sequence of questions for each problem. Instead, you will just enter **your dollar value of the lottery**. Then, we will assume that you'd always prefer the lottery over sure money *under* that value; and that you'd always prefer sure money when it is *over* that value.



Frannie enters her **switching point, \$13**

How much is each option worth to you in dollars?

Color	Probability	Option A	Option B
	75%	\$10	\$15
	25%	\$20	\$10

Option A:
Option B:

Task 3

For the final task, we will ask you a question about how you made your decisions. Your responses on this task are an important part of our study, so we ask that you take the time to answer as completely and honestly as you can. They will **not** affect your bonus payment and there are no right or wrong answers.