

## Experimental Instructions

**Welcome and thank you for participating in this study.**

Please, carefully read the following instructions to understand the rules of the experiment. For your participation you will receive fixed show-up fee of 2.5 GBP (simply for participating in the study until the end of it). On top of this, you can earn an additional amount of money depending on the decisions made by you and the other participants during the study. It is therefore very important that you read these instructions with care. After reading the instructions, we will ask you several questions to test whether you understand the experiment. The experiment will continue after you answered all questions correctly.

During the experiment we will speak in terms of Points instead of GBP. Your final earnings will be calculated in terms of Points and then exchanged at the end of the experiment into GBPs at the following rate:

**200 Points = 1 GBP**

The experiment consists of two parts. We start by describing Part 1.

### **Part 1**

#### *General Setup:*

The experiment consists of 30 rounds. At the beginning of the experiment, groups of **SIX** participants will be formed. Each participant will interact exclusively within his/her group without knowing the identity of the other five group members. Group members will be associated with ID numbers: ID1, ID2, ID3, ID4, ID5, ID6. You will learn your own ID number at the beginning of the experiment. Groups remain unchanged and a given ID number will refer to the same person throughout the whole experiment.

Everyone in your group received the exact same instructions.

### *Your Task in a Given Round.*

In each round, you will make **two types of decisions**, which will influence the number of Points you earn in that round.

For the first type of decision, you need to choose an **activity level**. The minimum activity level is 0, and the maximum activity level is 40. You may choose any level in between, not only integer numbers. A higher activity level brings more benefits in terms of Points earned, but it is also more costly, as it will be explained in more detail below.

For the second type of decision, you can **propose to establish links** to the other members of your group. You may do this by choosing the ID numbers of the group members to whom you wish to establish a link. A link proposal of yours will lead to a link being indeed established *only if the other group member involved in the link also proposes to establish a link with you*. Links thus need **the consent of both parties** involved. The group members, to whom you establish a link will be your “network neighbors”. You can benefit from the activity levels of your network neighbors in terms of Points earned, but each *established link* will cost 10 Points.

The following formula explains the **number of Points** that you can earn **based on your two types of decision**:

*Your Points =*

$$\begin{aligned} &11*(Your\ activity)+0.6*Your\ activity*(The\ sum\ of\ the\ activity\ levels\ chosen\ by\ your\ network\ neighbors) \\ &-2*(Your\ activity)*(Your\ activity) \\ &-10*(The\ number\ of\ your\ neighbors) \end{aligned}$$

In this formula, the **first row** represents the benefits of your activity level which also depend on the sum of activity levels of your network neighbors.

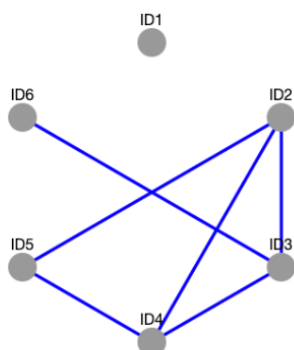
The **second row** represents the costs of your activity level.

The **third row** stands for the costs of establishing links where each link costs 10 Points.

The following examples illustrate the formula. The numbers used in these examples have been chosen randomly and serve only illustration purposes.

**Example 1.** The graph on the left-hand side depicts the established links among your group members, where any two nodes are connected by a line if they are network neighbors. The table on the right-hand side shows the activity levels and the list of network neighbors of the other group members. Suppose your ID number is ID2. Your activity level is 6 and your network neighbors are ID3, ID4, ID5 (as shown on the graph). Hence, you have 3 network neighbors, the sum of their activity levels is  $5.5+4.2+8.6=18.3$  (which can be computed using the information in the table).

The network formed in your group in this Round.



ID	Activity level	Link to
ID1	4	None
ID3	5.5	ID2, ID4, ID6
ID4	4.2	ID2, ID3, ID5
ID5	8.6	ID2, ID4
ID6	3	ID3

Based on this, we use mentioned formula to obtain:

Your Points=

$$11*(6)+0.6*6*(18.3) \quad (\text{benefits of activity})$$

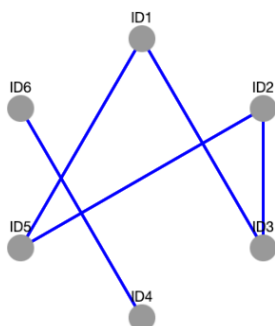
$$-2*(6)*(6) \quad (\text{costs of activity})$$

$$-10*(3) \quad (\text{costs of linking})$$

$$=29.88$$

**Example 2.** The graph on the left-hand side illustrates the established links among your group members, where any two nodes are connected by a line if they are network neighbors. The table on the right-hand side shows the activity levels and the list of network neighbors of the other group members. Suppose your ID number is ID4. Your activity level is 5.0 and your network neighbors are ID6 (as shown on the graph). Hence, you have 1 network neighbor, the sum of their activity levels is 10.2 (which can be computed using the information in the table).

The network formed in your group in this Round.



ID	Activity level	Link to
ID1	6.8	ID3, ID5
ID2	3.5	ID3, ID5
ID4	5	ID6
ID5	7.8	ID1, ID2
ID6	10.2	ID4

Based on this, we use mentioned formula to obtain:

Your Points=

$$\begin{aligned} &11*(5.0)+0.6*5.0*(10.2) && \text{(benefits of activity)} \\ &-2*(5.0)*(5.0) && \text{(costs of activity)} \\ &-10*(1) && \text{(costs of linking)} \\ &=25.6 \end{aligned}$$

*Note1: Your points earned can be negative in a given round.*

*Note2: In your group, all group members make the activity and linking decisions at the same time and independently from each other, that is, making an individual decision without knowing other group members' decisions. The points earned by other group members are calculated with a similar formula as yours (see 'Your Points' formula).*

Figure 1 shows the decision screen on which you can choose your activity level and your link proposals. You can propose a link to a given group member by ticking the box next to their ID number. You may set your activity level by entering a number in the box at the bottom of the page. Once you made these decisions, please, click on the 'Next' button.

**IMPORTANT:** You will have **45 seconds** to submit your decisions, a timer on the top of the screen shows the number of seconds left. *If you do not submit a decision within this time limit, you will be considered as an inactive participant and you will drop out of the study. This implies that you will not receive any payment from this study.*

If one or more of the other group members drop out of the study, you will continue the experiment with the remaining group members. You will be notified on the screen about which of the other group members dropped out by listing their ID number(s).

**Figure 1: Screenshot of the decision screen**

### Decision in Round 1

Time left to complete this page: 0:27

Your ID number is ID6.

Please, choose whom you would like to link to:

- ☐ Id1
- ☐ Id2
- ☐ Id3
- ☐ Id4
- ☐ Id5

Please, choose an activity level:

Next

### *At the End of a Round*

After all group members submitted their decisions, you will see the **following information** on the screen:

- The graph of established links among your group members (on the left side of the screen), where any two nodes are connected by a line if they are network neighbors;
- Your activity level;
- The list of your network neighbors;
- The number of your network neighbors;
- Your Points from the Round;
- The benefits of your activity level;
- The costs of your activity level;
- The costs of your links established;
- The activity levels and network neighbors of the other group members in table format.

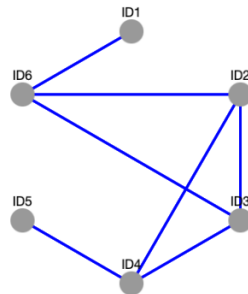
An example of the information screen is shown in Figure 2. The numbers used on the figure have been chosen randomly and serve only illustration purposes. This screen will be shown to you for 45 seconds.

**Figure 2: Information screen at the end of a Round**

#### Results in Round 1

Time left to complete this page: 0:37

#### The network formed in your group in this Round.



#### Your outcomes in this Round

Your ID number ID2.

#### Your decisions

Your activity level: 9.8.

You have established links to the following group members: ID3, ID4, ID6

The number of your neighbors: 3

#### Your payoff: 26.84.

The benefits of your activity: 248.92

The costs of your activity level: 192.08

The costs of your links established: 30

#### The choices of the other group members

ID	Activity level	Link to
ID1	5.9	ID6
ID3	4.3	ID2, ID4, ID6
ID4	8.7	ID2, ID3, ID5
ID5	7.8	ID4
ID6	11.0	ID1, ID2, ID3

Next

### *Your Earnings from Part 1*

Part 1 of the experiment consists of 30 Rounds as described above. Your earnings from Part 1 will be the **sum of Points earned in the 30 Rounds** converted to GBPs using the following exchange rate:

$$200 \text{ Points} = 1 \text{ GBP}$$

*If the sum of your Points earned over all 30 Rounds is negative, you will receive 0 points from Part 1 of the Experiment.*

You will see your earnings from Part 1 on the screen at the very end of the experiment.

### **Part 2**

Part 2 of the experiment consists of a questionnaire. Please, answer all the questions. Some of the questions will allow you to earn additional Points as it will be explained on the screen. These Points will be converted to GBP at the rate

$$200 \text{ Points} = 1 \text{ GBP}$$

### *Your Final Earnings in the Experiment*

Your final earnings from the experiment is **the sum of payoffs earned in Part 1 and 2 of the experiment**. This amount plus your **show-up fee of 2.5 GBP** will be paid to you via Prolific.

Before we start Part 1 of the experiment, you will be asked to answer a set of questions to make sure that you understood the instructions. You will be allowed to proceed to the experiment once you answered all questions correctly.