Experimental Instructions

Part 1

Welcome and thank you for participating in this study.

Please, provide your Prolific ID:

For participating in this experiment you will earn a **fixed show-up fee of 2.5 GBP.** You will earn **additional money** depending on your decisions.

Please, read these instructions carefully so that you fully understand the decisions you need to make.

The experiment consists of **three** parts. Firstly, we describe the setting of Part 1. You will receive the instructions of the other two parts later on.

Part 1 of the experiment consists of **10 Rounds**. In each Round you can earn Points. At the end of the experiment, **one Round will be randomly selected** and the Points earned in that Round will determine your payment from Part 1. At the end of the experiment, **the Points you earned will be converted to GBP** using the exchange rate:

300 Points = 1 GBP

Description of a Round

Each of the 10 Rounds of the experiment has the same structure. A Round consists of multiple Periods. You will not know in advance the number of Periods in a Round. It is not a fixed number, but it is **randomly determined** by the computer using the following rule: after each Period, there is a 95% chance that the Round continues to the next Period and a 5% chance that the Round ends with the current Period. **Your total payoff from a Round will be the sum of Points you earned over all Periods in the Round.**

You start each Round by searching for offers. This means that in each Period while searching you receive an offer and you need to decide whether you accept or reject the offer. An offer represents a number of Points, once you accept an offer, you earn the value of the offer for the remaining Periods of the Round. Offers are randomly drawn from the set of integer numbers between 1 and 100 Points (1,2,3,…100 Points), with every offer being **equally likely**.

In each Period while searching for an offer, you will receive an endowment of 30 Points, and you will make **the following decision:**

You choose your **minimum acceptable offer,** that is, the lowest offer that you are willing to accept. For example, if your minimum acceptable offer is 59 Points, you will *accept any offer above or equal to 59*, and you will *reject any offer below* 59 Points. Similarly, if your minimum acceptable offer is 79 Points, you will accept any offer above or equal to 79, and you will reject any offer below 79 Points.

You will set your minimum acceptable offer **before** receiving an offer in the given Period and your minimum acceptable offer cannot be changed after you see the offer of the given Period.

Figure 1 shows a screenshot of the decision screen. You will have 50 seconds to submit your decision. If you finish earlier, you can click ‘Next’. If you do not submit your decision within 50 seconds, you will not accept an offer in this Period.

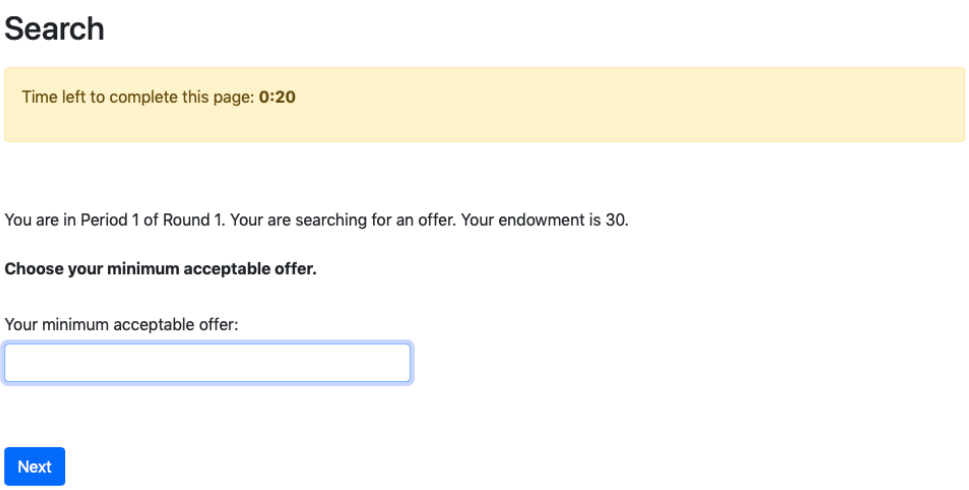

FIGURE 1: SCREENSHOT OF THE DECISION SCREEN

After you submit your minimum acceptable offer, you will need to **complete a coding task to obtain your offer**. The task consists of converting three letters into numbers. Your screen will display a table with two rows. The first row indicates letters and the second row indicates their correspondence in numbers. You are given three letters and you must enter the corresponding number in each box on your screen. Once you finished, please, click 'Next'. You may proceed further only if all numbers you entered are correct. If any of the three numbers is incorrect, you will receive an error message indicating which number is incorrect. Figure 2 shows a screenshot of the screen that will be displayed.

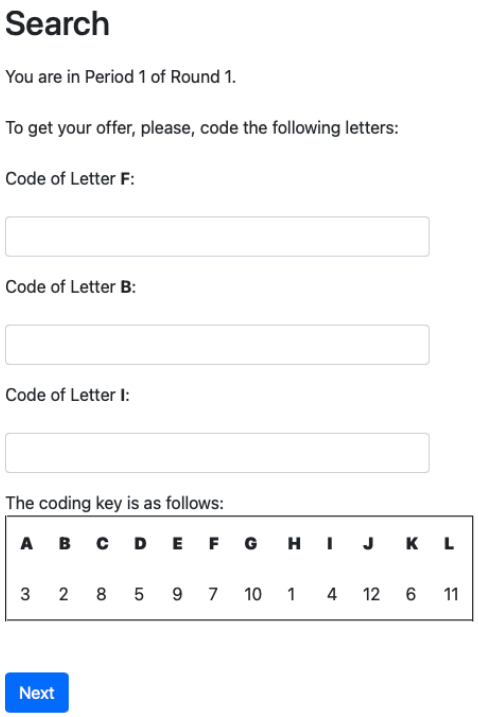

FIGURE 2: SCREENSHOT OF THE CODING SCREEN

After you finished the coding task, the computer randomly determines the offer you receive. Your offer is randomly drawn from the interval between 1 and 100 Points, with every integer value having the same chance to be selected. Note that you will always receive an offer from the computer. as long as you submit a minimum acceptable offer.

Then, there are **two** possible outcomes:

1. **You receive an unacceptable offer:** the offer is below your minimum acceptable offer. Then, with 95% chance the Round continues to the next Period and **you will search again**. You will be asked to submit a new minimum acceptable offer and you receive a new offer in the next Period. With 5% chance the Round ends here.

2. **You receive an acceptable offer:** it is above or equal to your minimum acceptable offer. Then, you accept this offer and your search is over. There are no other decisions to be made in this Round. Your payoff will be equal to the value of the offer for each remaining Period of this Round. The number of remaining Periods is randomly

determined based on the following rule: after each Period, there is a 95% chance that the Round continues to the next Period and a 5% chance that the Round ends.

You will be informed which of these two outcomes is realized. You will see on the screen for 40 seconds:

- the value of the offer received, and whether or not the value was at least as large as your minimum acceptable offer,
- your chosen minimum acceptable offer,
- your Points earned from the Period.

This process is repeated until the Round comes to an end. Your total payoff from this Round will be computed as the **sum of your Points from all Periods** in this Round. The following examples illustrate how your total payoff from a Round is calculated. The numbers in these examples have been chosen for illustration only.

Example 1:

Period	1	2	3	4	5	6	7	8	9
Minimum acceptable offer	50	43	56	84	65				
Offer received	45	23	51	65	73				
Payoff	30	30	30	30	30	73	73	73	73

In this example, the Round lasted for 9 Periods. The participant searched in the first 5 Periods: in each of these Periods, his/her minimum acceptable offer was larger than the offer received. His/her income was equal to 30. He/she accepted an offer in Period 5, in which the value of the offer received was 73, a number larger than his/her minimum acceptable offer. His/her search stopped there and he/she received this amount from Period 6 on until the end of the Round in Period 9. The total payoffs from this Round are 5x30 + 4x73 = **442**.

Example 2:

Period	1	2	3	4	5	6	7	8	9	…	23
Minimum acceptable offer	73	53	62	65	73	62	72				
Offer received	65	13	35	53	62	45	88				
Payoff	30	30	30	30	30	30	30	88	88	88	88

In this example, the Round lasted for 23 Periods. The participant searched in the first 7 Periods: in each of these Periods, his/her minimum acceptable offer was larger than the offer received. His/her income was equal to 30. He/she accepted an offer in Period 7, in which the value of the offer received was 88, a number larger than his/her minimum acceptable offer. His/her search stopped there and he/she received this amount from Period 8 on until the end of the Round in Period 23. The total payoffs from this Round are 7x30 + 16x88 = **1618**.

When the Round ends, you will see on the screen for 25 seconds:
- whether you have accepted an offer in this Round,
- if yes, the value of the offer, and the Period in which you accepted it,
- your total payoff from this Round,
- the number of Periods in this Round.

Part 1 of the Experiment consists of **10 Rounds** that has the same structure as described above. At the beginning of each Round, you start searching for an offer again. After the last Round ends, you will see on your screen which of the 10 Rounds has been randomly selected for payment. The total number of Points you earned in that Round will be your payoff from Part 1 of the experiment. The Points you earned from Part 1 will be converted to GBP at the rate:

300 Points = 1 GBP

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.