Experimental Instructions of Part 2

Part 2 of the Experiment

Thank you for finishing Part 1 of the experiment. Now, we describe Part 2 in detail.

General Setup

Part 2 of the experiment consists of multiple periods of decision making. There will be 15 periods for sure. From period 15 on, the experiment continues to the next period with a probability of 80% and terminates with probability 20%.

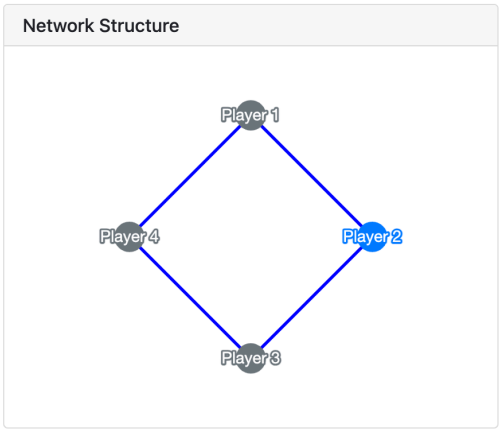
At the beginning of Part 2, groups of **four** participants will be formed. Each participant will interact exclusively within his/her group without knowing the identity of the other three group members. **Groups remain unchanged throughout all periods.**

All four participants belonging to a group are placed on a "network." The participants who are **directly connected to you in this network are your "network neighbors"**. Each of the four group members will be randomly assigned to one of the four different network positions labeled by ID numbers: *Player 1, Player 2, Player 3, Player 4.* Once a participant is assigned to a position, he/she will remain in this position till the end of the experiment, therefore, **an ID number will represent the same person during the whole experiment.**

At the beginning of the experiment, you will be informed of your position (an ID number) and the circle representing your position will be colored in blue.

For example, in the network in Figure 1 you are assigned to position *Player 2* colored in blue. In a network, a line segment between any two positions indicates that they are connected. The position *Player 2* has two network neighbors and is connected to positions *Player 1* and *Player 3*.

Figure 1: Your Position in the Network



Your Task in a Given Period.

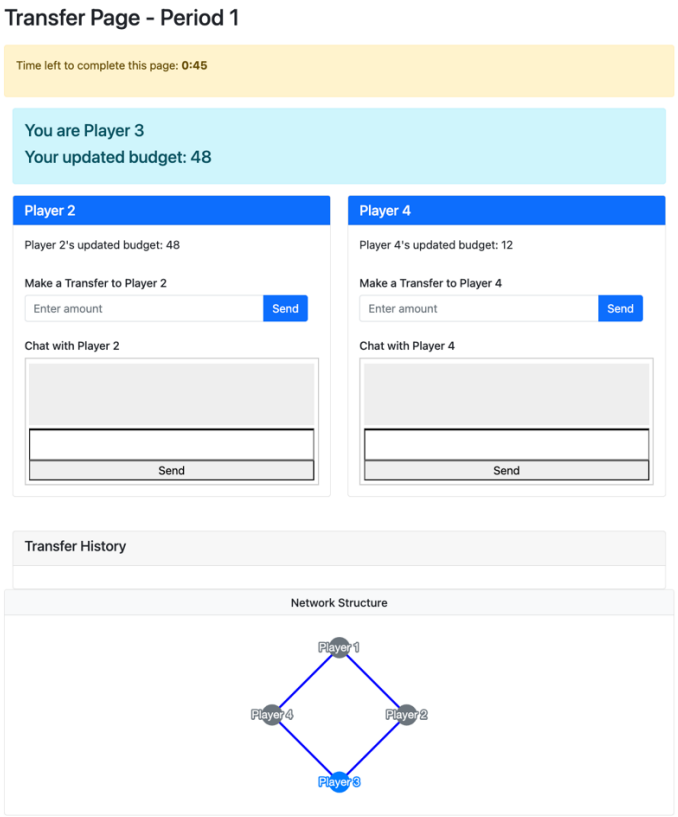
At the beginning of each period, each group member is going to receive a budget. **The budget of a group member is randomly drawn, it can be either 12 Points or 48 Points, with equal probability.** The budgets of different group members are independently drawn from each other. A new budget allocation is randomly drawn at the beginning of each period. **You will be informed about the budget allocated to you and the allocation of budget to your network neighbors**, by learning which of your neighbors (referred to by their ID numbers) received how much as budget in a given period.

After learning your and your neighbor's budget in the beginning of a period, you will enter a page where you **can make transfers to your network neighbors and chat with them**. More specifically, you can decide how much of your actual budget you would like to transfer to your network neighbors. You will make a separate transfer decision for each of your network neighbors if you have multiple ones. The amounts you transfer to your neighbors will be deducted from your budget and they will be added to the budget of your neighbors. Likewise, the transfers you receive based on the transfer decisions of your neighbors will be added to your budget and deducted from theirs.

You will spend 60 seconds on this page, during which you can send and receive multiple transfers with your network neighbors. Your budget will be updated in real-time according to those transfers and you will be informed about the updated budget of your network neighbors in real-time as well. At any moment, you cannot transfer a higher amount than your actual budget.

Figure 2 shows a screenshot of this transfer page. At the top of the page with yellow background, you can see the amount of time left of the 60 seconds that you spend on this page in a period. Below that, with blue background you can see your ID number and your updated budget. Below that, for each of your network neighbors, you can see their updated budget and you can transfer them an amount by inserting it in the box and pushing the button 'Send'. This transfer will update your and your neighbor's budget on the screen. At the bottom of the page, you can follow the history of transfers between you and your network neighbors in a given period, and you can see the structure of the network within the group.

Figure 2 – Screenshot of the Transfer Page



During making transfer decisions, **you can chat with each of your network neighbors using chat boxes.** The screen has a separate chat box for each of your network neighbors if you have multiple ones. You may type messages in the box and send them by clicking on the grey 'Send' button. Only the designated network neighbor will see the message you send. As an example, you can see the chat boxes in Figure 2 in the middle of the screenshot.

Except for the following restrictions, you can type whatever you want in the chat box.

Restrictions on messages:

- Please do not identify yourself or send any information that could be used to identify you (e.g. age, name, location, etc.).
- Please refrain from using obscene or offensive language.

At the End of a Period

When the 60 seconds allotted time expires, you reach the end of a period, and you will exit the transfer page automatically. **Your payoffs earned in a period will be equal to the value of your updated budget at the end of the period**.

You will see the **following information** on the screen for 30 seconds:

- Your payoff in the period.
- Your initial and period-end budgets and the difference between those.
- The initial and period-end budgets of your network neighbors and the difference between those.

Your Earnings in Part 2

Part 2 of the experiment consists of multiple periods as described above. There will be 15 periods for sure. From period 15 on, the experiment continues to the next period with a probability of 80% and terminates at the end of a period with a probability of 20%.

Your earnings from Part 2 of the experiment will be equal to the Points earned in a **randomly chosen period** such that each period has the same probability to be chosen.

After finishing the last period, you will be asked to fill out a short questionnaire. After that, Part 2 of the experiment ends.

End of the Experiment and Final Payoffs

At the end of the experiment, **Part 1 or Part 2 will be randomly chosen for payment**, with equal probability. The Points earned in that randomly chosen Part will be converted to USDs using the following exchange rate:

4 Points = 1 USD

This amount plus your **show-up fee of 4 USD** will be paid to you via Prolific. You will see your final earnings on the screen at the end of the experiment.

Start of Part 2 of the Experiment

After reading the instructions of Part 2 of the experiment, we will ask you several questions to test your understanding of the experimental setting. You need to answer all questions correctly to proceed with the experiment.

After you finished the questions, you will be waiting for the other participants of your group to finish the instructions and questions as well. Once your group is formed, the experiment will start. However, it may take for a while to form your group. **Please, be patient and pay attention to your screen as your group may be ready at any moment!**

If the waiting time exceeds 15 minutes, we consider that there are not sufficient group members available, and you will be asked to exit the study in order to save your time. In that case, you will receive the **show-up fee of 4 USD**.

This study will require your full attention in the next 35-45 minutes. During this time, please, make sure that you pay full attention to your screen. Every third period, there will be an attention check. Failing three or more attention checks will result in being excluded from the study without payment. So please, pay attention to the screen.