Instructions [SP]

Using your initial wealth of 100, you will need to decide how to invest in a number of alternatives, called lotteries. Specifically, you will decide how many units of each lottery you would like to purchase. Each lottery has a price: the higher the price of a lottery, the more you need to spend to purchase a given amount. During the experiment all the relevant information about your wealth and the lotteries will be presented in a table similar to Figure 2.1.

Lottery	Price	Quantity	Expenditure
1	11.11	200	22.2
2	22.22	150	33.3
3	22.22	150	33.3
4	44.44	70	31.1
Total available wealth:			120

FIGURE 2.1

This figure illustrates an example with 4 lotteries. You will play two versions of this task, (i) one with 8 lotteries and (ii) one with 16 lotteries. The rules are exactly the same in each version. For simplicity, we will use a 4-lottery task in our example.

In Figure 2.1, there are four lotteries, numbered 1 to 4. For each lottery, the “Price” column shows its price. Prices are quoted per 100 units. For example, to purchase 100 units of lottery 1 you need to spend an amount of wealth equal to 11.11. If you only want to purchase 1 unit of lottery 1, then you only need to spend an amount of wealth equal to 0.1111. Note that the prices of the lotteries add up to one hundred (this will always be the case in all versions of this task).

For each of the first three lotteries, you need to enter the number of units you wish to purchase in the “Quantity” column. The fourth column will update automatically based on what you already spent on the first three. The “Expenditure” column will show you the amount of wealth you are spending on each lottery.

You are free to change the amount you wish to purchase for the first three lotteries at any time before submitting your final decision. As you make changes,

the computer will automatically update the amount of the last lottery to ensure that the total expenditure equals your available wealth.

You are free to allocate your wealth in any way you like, as long as the amount you purchase is at least zero for each lottery. If you enter a negative amount for the first three lotteries, the computer will not allow you to submit such choice and an error message will pop up on your screen. Similarly, if your choices result in a negative amount of the last lottery, the computer will not allow you to submit such choices and an error message will pop up on your screen. If you do not wish to purchase a lottery, you need to enter a zero for quantity. If you do not wish to purchase the last lottery, then you must allocate all your wealth across the first three lotteries. Once you have entered an amount for each lottery, you can submit your decision by clicking on the "Next" button on your screen.

After you have submitted your choices, the computer will select <u>one</u> random lottery. Each lottery has equal probability of being chosen.

For example, if there are 4 lotteries, then each is chosen with the probability of $1/4$. Your earnings in this task will be given by the <u>quantity of units</u> you purchased for the chosen lottery. That is if you purchased 7 units of the winning lottery, then your realized earnings are equal to 7. If you use your initial wealth to purchase 100 units of each lottery, then your realized earnings will be 100 regardless of which lottery is selected.