

PART 2

In this task you will be asked to make a series of choices. You will see 15 tables, each consisting of 11 rows. An example is shown below.

| Option A | | Option B |
|----------|---|---|
| 100 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 90 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 80 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 70 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 60 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 50 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 40 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 30 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 20 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 10 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |
| 0 | <input type="radio"/> <input type="radio"/> | 100 with probability 33% or 50 with probability 67% |

Each row has two options, of which you must choose one: 'Option A' or 'Option B'. Option A gives you a sure payoff. Option B gives you one of two possible payoffs, each with some probability. In the example above, option B gives a payoff of 100 with a 33% chance and a payoff of 50 with a 67% chance. Option B is the same for all 11 rows in a given table, but option B changes from table to table.

In each line, you will be asked to indicate whether you prefer option A or option B. The computer will help you make your choices by avoiding mistakes. For example, if you select 'Option A' for a given line, the computer will mark 'Option A' for all previous lines (up to the first). Similarly, if you select 'Option B' for a line, the computer will mark 'Option B' for all subsequent lines (up to the last one).

When the experiment is over, only one row from all the rows in all the tables will be randomly selected for payment. Thus, each line has the same probability of being chosen for the payouts, so you should pay equal attention to all your choices.

Commented [1]: cents ?

Commented [2]: Are we interested in some specific probabilities? 0.05 (skewed asset), 0.5 (non-skewed), and 0.95 (skewed asset)?

Let's assume that the following line has been chosen for the payment calculation:

70 ☐ ☐ 100 with probability 33% or 50 with probability 67%

If you selected 'Option A' for this line, you will win 70 cents. If you selected 'Option B' for this line, the computer will randomly choose a number between 1 and 3 to determine your winnings. If the randomly selected number is 1 (33% chance), you will win 100 cents. If the randomly selected number is 2 or 3 (67% chance), you will win 50 cents.

Commented [3]: Why not use a number between 1 and 100 if we are using probabilities of 5% and 95%?