**Instructions**

**Dictator game**

**Computer No\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_ Time\_\_\_\_\_\_\_\_**

**Introduction.**

At the beginning of the experiment all participants will be randomly divided into two groups: **Distributors** and **Receivers**. Each participant from the group of distributors will be paired with a participant from the group of distributors. You won’t know who you will be paired with; the other participant will not know it either. Partners will not change throughout the experiment and will remain anonymous even after the experiment.

**Part 1.**

a) This part of the experiment consists of 5 rounds. If you are the distributor, at the beginning of each round you will have the *budget* of **100 ECU**. You can decide, which part of your capital should be given to the receiver who is paired with you. If you are the receiver, you will not have the budget.

b) Your income from each round will be calculated in two ways. For all 5 rounds the calculation method will be the same and will not change.

*- If you are the distributor: Your income can be calculated in one of two methods. The method is randomly chosen. On the screen you will see which method is chosen. The receiver will know nothing about it.*

*First method: Income=100 – (sum given to the receiver)/2*

Example: you decided to give the receiver 40 ECU, your income is 100-40/2=80. The receiver got 40 ECU.

*Second method: Income=100 – sum given to the receiver*

Example: you decided to give the receiver 40 ECU, your income is 100-40=60. The receiver got 40 ECU.

- If you are the receiver: Income = sum given by the distributor. You will not know which method will be used to calculate distributor’s income.

c) At the end of this part of the experiment one round of 5 will be randomly chosen. Your income from this part of the experiment will be your income from this round. The exchange rate is 1 ECU=2.5 roubles.

**Test questions**

Now we want to test how you have understood the instructions for this part of the experiment. Please answer a few questions.

1. You are Distributor. Your income is calculated as 100 – (sum given to the receiver)/2. Imagine that you decided to allocate to the receiver 40 ECU. What is your payoff?

Your payoff\_\_\_\_\_\_\_\_\_\_

Receiver’s payoff\_\_\_\_\_\_\_\_\_

2. You are Distributor. Your income is calculated as 100 – sum given to the receiver. Imagine that you decided to allocate to the receiver 65 ECU. What is your payoff?

Your payoff\_\_\_\_\_\_\_\_\_\_

Receiver’s payoff\_\_\_\_\_\_\_\_\_

3. You are Distributor. Your income is calculated as 100 – sum given to the receiver. Imagine that you decided to allocate to the receiver 86 ECU. What is your payoff?

Your payoff\_\_\_\_\_\_\_\_\_\_

Receiver’s payoff\_\_\_\_\_\_\_\_\_

4. You are Distributor. Your income is calculated as 100 – (sum given to the receiver)/2. Imagine that you decided to allocate to the receiver 24 ECU. What is your payoff?

Your payoff\_\_\_\_\_\_\_\_\_\_

Receiver’s payoff\_\_\_\_\_\_\_\_\_

**Guessing numbers game**

**Computer No\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_ Time\_\_\_\_\_\_\_\_**

**Part 2**

1. This part of the experiment consists of 10 rounds. We remind you that the second player you will be paired with in all 10 rounds is the same as in the previous part of the experiment.
2. Your task is to guess the number X assigned by the computer. At the beginning of each round it is randomly chosen by the computer. It can take any value from -7, -6 and so on till 7 with the equal probability. The value of this number in each round does not depend on its value in the previous rounds.
3. Computer randomly selects numbers Y1 and Y2. They can take any values from -7, -6 and so on till 7 with the equal probability. These two variables are statistically independent, e.g. knowing X+Y1 does not give additional information on value of Y2 and vice versa. These numbers are also independent of X. You learn X+Y1 but you do not observe X, Y1 or Y2.

**Example**: Computer chose values X=2, Y1=4, Y2=3. You observe X+Y1=2. The second player observes X+Y2=5.

1. You’ve got the first attempt to guess X. At the same time, the second player is trying to guess X.
2. You observe the first attempt of the second player and you’ve got the second attempt to guess X.
3. You learn your income from each round at the end of the round. It is calculated as follows:

*Income=120 – penalty for mistake at first attempt - penalty for mistake at second attempt,*

Where the penalty for each attempt is calculated according to the following table:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Mistake** | 0 | 1 | 2 | 3 | 4 | 5 and more |
| **Penalty** | 0 | 10 | 20 | 30 | 40 | 50 |

The payoff of the second player is calculated the same way.

**Example**: The value of X is 1. At the first attempt you type 4, at the second attempt you type 0. Your income for the round will be

120-30-10=80 ECU.

At the end of this part of the experiment one round from ten will be randomly chosen. Your income from this part of the experiment will equal your income from this round. The exchange rate is **1 ECU=4 roubles**.

**Test questions**

Now we want to test how you have understood the instructions for this part of the experiment. Please answer a few questions.

1. Point out what you know of the following at the beginning of the stage.

1) Х

2) Y1

3) Х+Y1

4) Х+Y2

2. Computer chose Х, Y1 и Y2 as 5, -7 and 3.

Sum of numbers Х and Y1 is \_\_\_\_\_\_\_\_\_\_

3. Computer chose Х, Y1 и Y2 as -1, 1 and 4.

You should guess the number \_\_\_\_\_\_\_\_\_\_\_

4. Computer chose Х, Y1 and Y2 as 2, 4 и 6. The second player tried to guess X and suggested that it was 4.

Which number does the second player observe?\_\_\_\_\_\_\_\_

5. The value of X is -4. At the first attempt you insert 1, at the second attempt you insert 2.

Your payoff is \_\_\_\_\_\_\_\_\_

6. The value of X is 5. At the first attempt you insert 3, at the second attempt you insert 0.

Your payoff is \_\_\_\_\_\_\_\_

**Risk lottery game**

**Computer No\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_ Time\_\_\_\_\_\_\_\_**

**Part 3**

1. In this part of the experiment you will have to make 10 decisions, but only one decision will affect your income in this part of the experiment. Each decision is a choice between two options – “A” and “B”. After you have made all the decision, the computer will randomly select one of them. Then the computer will calculate your payoff according to the decision. Other decisions will not affect your income but you will not know which decision will be chosen by the computer.
2. Here is the example of the decision that you will have to make. Decision 1. Option A: get 50 roubles with a probability 10% and get 40 roubles with a probability 90%. Option B: Get 96,25 roubles with probability 10% and get 2,5 roubles with a probability 90%. Other decisions are similar, but probabilities of receiving higher sums will be higher. For decision 10 the second option will not be considered because it will be the choice between guaranteed income of 50 and 96,25 roubles.
3. Your income will be added to the income from other parts of the experiment. Total income from all parts will be paid at the end of the experiment.