

Experimental Instructions for treatment MUTUAL (*Original Instructions were in German.*)

Thank you for participating in the experiment. If you read these instructions carefully and follow all rules, you can earn money. The money will be paid out to you in cash immediately after the experiment. During the experiment we shall not speak of Euro but rather of points. Points are converted to Euro at the following exchange rate: 100 Points = 1.50 Euro. It is forbidden to speak to other participants during the experiment. If you have any question, please ask us. We will gladly answer your questions individually. It is very important that you follow this rule. Otherwise, we shall have to exclude you from the experiment and from all payments. Participants of this experiment are randomly assigned into groups of 4 members, i.e., there are three more persons forming a group together with you. The composition of groups will remain the same during the whole experiment, i.e. there will always be the same persons in your group. The identity of your group members will not be revealed to you at any time. At the start of each period, each participant gets 20 points. We will refer to these points as your endowment. Your task is to decide, how many of your 20 points you want to keep for yourself or contribute to a project. Your income consists of two parts: (1) Points that you keep (2) Your "income from the project". This income is calculated as follows: Your income from the project = $0.4 \times$ the *sum* of contributions of all group members to the project. The income of the other members of your group is determined in the same way, i.e. each group member receives the same income from the project. Suppose, for example, that the total contributions to the project by all members in your group sum up to 60. In this case you and every other member of your group receives $0.4 \times 60 = 24$ points as income from the project. Suppose that you and the other 3 members of your group contribute only 10 points in total to the project. In this case every group member receives $0.4 \times 10 = 4$ points as income from the project. For each point that you keep for yourself you earn an income of one point. If you contribute that point to the project, instead, the sum of contributions to the project would rise by one point, and your income from the project would rise by $0.4 \times 1 = 0.4$ points. However, the income of the other group members would also rise by 0.4 points, such that the total income of the group would rise by $4 \times 0.4 = 1.6$ points. Your contribution to the project, therefore, raises the income of the other members of your group. On the other hand, you earn from each point that other members of your group contribute to the project. For each point that another group member contributes, you earn $0.4 \times 1 = 0.4$ points. You take your choice via the computer. At the beginning of every period you see a decision screen.

Original instructions contained a decision screen here.

In the area at the bottom you enter how many of your 20 points you want to contribute to the project. The main area of the screen above consists of two parts: On the left you find the information concerning *your group*. First you see your contribution of the previous period. Below you find the sum of contributions to the project of all members in your group. The next line below shows your income of the previous period. Your income is determined as the sum of points that you have kept for yourself and the income from the project. A bit further down you see the "average group income of all previous periods". This number shows the average income of your group added over all previous periods together. Remark: In the first period (as shown

in the snapshot of the screen) there are no previous periods yet. For this reason all numbers in the figure are still showing zeros.

On the right side of the screen you find information regarding *another group*. Just as your group, this other group consists of four participants. The four participants forming the other group will be the same during the whole experiment. The income of these four participants is determined in the same way as yours, i.e. all members of the other group decide how many of their 20 points they want to contribute to a project. The project of the other group is completely independent of your project. The first line shows the sum of contributions to the project of all members in the other group. The second line a bit below shows the average income of the other group added over all previous periods. Please note: Members of your and the other group mutually observe each other. This means that the other group sees the same information about your group as you about the other group. After all participants have made their contributions a new period starts, in which you decide again how many of your 20 points you want to contribute to the project. In total there will be 20 periods.