

Instructions for Sessions with Induced Preferences

Verbal Instruction Script
[] – **First price Auction**
{ } – **Second Price Auction**
< > - **BC and RRC treatments**
\\ - **SBS treatment**

Thank you for participating in today's experiment. I will read through a script to explain to you the nature of today's experiment as well as how to navigate the computer interface with which you will be working. I will be using this script to make sure that all sessions of this experiment receive the same information. Please feel free to ask questions as they arise. We ask that you please refrain from talking with other participants or looking at their monitors during the experiment. If you have a question or problem, please raise your hand and one of us will come and assist you.

In today's experiment, you will participate in a series of auctions. In each auction round, you and 3 other subjects will participate in an auction where a single hypothetical item is offered for sale. We will separately assign each participant a value for the item as described below and your regular profit in any round will be the difference between your value and the price you pay if you win the auction.

The value you will be assigned in each round will be randomly drawn from a uniform distribution over the numbers between 0 and 100. This means that your chances of drawing any number between 0 and 100 are equally likely. So it is exactly as likely that you draw a 4.00 as it is an 87.32 or other number. These value draws are independent and separate across bidders. This means the other bidders in the same auction will also have received values drawn from a uniform distribution over the numbers between 0 and 100. Since these draws are independent, the value you receive gives you no information on the values the other bidders received. **It is highly likely that their values are different from yours.**

In each round of the experiment, you will be informed of your new value for that round and asked to place a bid. After all bidders submit their bids, the highest bidder wins the object. **[The winning bidder will pay a price equal to their bid.]** *{The winning bidder will pay a price equal to the value of the highest non winning bid. Exactly how that works will be explained in more detail later.}* The difference between this bidder's value and the price paid will be their regular profit for that round. Any bidders who do not win the auction will receive a regular profit of 0.

In some rounds of the experiment, you will also earn money via bonuses. These bonuses will provide you additional earnings equal to a specified percentage of the object price in the auction that round. In some rounds, you may receive this bonus in the event that you win the auction while in other rounds you may receive a bonus in the event that you lose the auction. It is also possible that you may receive the bonus regardless of whether you win or lose the auction or that you receive no bonus in either event. You will be informed about your bonuses for any round prior to bidding. Your total earnings from a round will be your regular profit plus any earnings from bonuses.

All monetary amounts you will see in this experiment are denominated ECUs or Experimental Currency Units. Your earnings for this session will equal to the sum of your earnings for each round and at the end of the experiment you will be paid your earnings with a check. *<Your earnings in ECU's will translate into dollars at the rate of \$0.02 per ECU. So if you earn 500 ECU's, you earn \$10, 750 ECU's \$15, 1000 ECU's \$20 and so forth>*

**\ Your earnings in ECUs will translate into dollars at the rate of \$0.06 per ECU. So if you earn 100 ECU's you will earn \$6, 150 ECU's, \$9, 20 ECU's \$12 and so forth. **

This is in addition to the \$10 show-up fee you will receive regardless of what happens over the course of the experiment.

START SOFTWARE

Please turn to your computers now so that we can lead you through a demo of the experiment software. The screen may have gone dark and if so, just move the mouse and it will wake up. What you see in front of you is a sample of the bidding screen you will interact with in the real experiment rounds. During this practice round you will participate in the auction with 3 robot bidders. During the actual experiment you will participate with three other subjects. In the situation presented to you on this screen, neither you nor any of your hypothetical opponents are receiving bonuses in this round. In the section of your screen on the left, you see your value for this round. For this initial practice, everyone has a value of 60, but as I explained earlier, during the real experiment, values will be drawn randomly and typically everyone would have a different value. Directly below your value is a text box labeled "your bid" which allows you to enter your bid.

Below this is a grey button marked "Test." If you enter a bid in the "your bid" box and press this button, the middle section of the screen will update informing you of what might happen were you to submit that as your actual bid. Please type "30" in for your bid and press the "Test" button now.

[You will see that the upper middle section informs you that you will win if all other bids received are less than your bid, 30. If this occurs and you win, your regular profit would be $60 - 30 = 30$. The lower section informs you of what will happen if you do not obtain the object. You do not obtain the object if there is a bid greater than yours and in that event your profit is zero. In the event of a tie, i.e. if there are two or more identical highest bids, the winner will be randomly determined with each tie bid having equal chance of winning.

For this practice phase only, there is also a button available to you labeled "Practice". This allows you to see the results of a practice auction. If you enter a bid and press "Practice," the section of your screen on the right will update showing the results of an auction with you bidding against robot bidders programmed to bid randomly. This practice button is available simply so you can see more clearly how your bid can turn into earnings. Please enter 30 in as a bid now and press "Practice." For this first trial, we set it up so that everyone would win and see how auction profit is calculated. On the right you see the results telling you your value, your bid and your profit. Notice also that your value displayed in the far left section

has changed. This will allow you to try both the “test” and “practice” features several times with different values to familiarize yourself with the rules and the software. Please go through a few tests and practices now to see how the program works. If you have any questions about what you are seeing, please ask.]

{You will see that the upper middle section informs you that you will win if the three other bids received are less than your bid, 30. If this occurs and you win, the price you pay for the object is equal to the highest non-winning bid or the second highest bid. Your regular profit is your value minus the price. To give you an idea of how this works, you are shown a table with some possible values for what that price setting bid might be and your profit is calculated for each case. These possible prices presented are simply constructed by calculating them as 20%, 40%, 60% and 80% of your bid. They should not be interpreted as “likely” prices or bids. This table is there to make it clear that your price if you win is based on the bids of others and would be less than or equal to your bid. Keep in mind that the actual price you pay could be anything less than your bid, not just those 4 values. The lower section informs you of what will happen if you are not the highest bidder. You do not obtain the object if there is a bid greater than yours and in that event, your regular profit is zero. In the event of a tie, i.e. if there are two or more identical highest bids, the winner will be randomly determined with each tie bid having equal chance of winning.

For this practice phase only, there is also a button available to you labeled “Practice”. This allows you to see the results of a practice auction. If you enter a bid and press “Practice” the section of your screen on the right will update showing the results of an auction with you bidding against robot bidders programmed to bid randomly. Please enter 40 in as a bid now and press “Practice.” For this first trial, we set it up so that everyone would win and the second highest bid would be 26.67. On the right you see the results telling you your value, your bid and your profit. Notice also that your value displayed in the far left section has changed. This will allow you to try both the “test” and “practice” features several times with different values to familiarize yourself with the rules and the software. Please go through a few tests and practices now to see how the program works. If you have any questions about what you are seeing, please ask. }

After you have experimented a few times and think you understand how the program works, click on the “Continue” button in the bottom right of your screen and confirm your chosen bid when prompted. In the real auction rounds, there will be no “Practice” button and the “Results” section will not appear on the right side of your screen. You will have an “Accept” button which you will press to submit your bid in a round. After everyone has bid, you will see a screen detailing the results from the round. An example is shown on your screen now. Notice that this contains the same information shown in the “Results” section on the previous screen.

Please click on “Continue” now. You will see an example of a transition screen telling you that the bonus values have changed. In this example, each one of you is told that you will receive a 50% bonus of the final price if you obtain the object. Further, in your practice group of 4 bidders, you are told that one other bidder will also have this bonus while the other 2 will not. In this case, the information refers to robot bidders while in the real auction,

this information will refer to other human bidders in your group. Everyone in the group will be informed of the correct information.

Click on the continue button and you will be taken to another sample bidding screen similar to the one before. Now, though, you see additional information conveyed due to the bonus you receive in the event that you win. Again, you have all been given an initial value of 60. Please type in a bid of 30 and press test.

[In the middle section, you now see that if you are the highest bidder, you have a regular profit, which is value–bid and is the same as before, 30. But now you receive a bonus equal to 50% of the price which is equal to 15 giving you a total profit of 45. Since in this practice round you receive no bonus if you are not the highest bidder, your profit in the event of a loss is still 0. If you then press the Practice button you will see the results section fill in as if you had won the round. Otherwise this screen works as the one before did. Again, try some additional test and practices to make sure you see how things change when the bonus is in effect.]

{In the middle section, you now see that if you are the highest bidder, the price you pay will be equal to the second highest bid and we provide the same 4 examples that we did before. In each case, you see your regular auction profit, which is value–price and it is the same as before. But now you receive a bonus equal to 50% of the price and the sum of these is your total profit. Since you receive no bonus if you lose, your profit in the event of a loss is still 0. If you then press the Practice button you will see the results section fill in as if you had won the round. Otherwise this screen works as the one before did. Again, try some additional test and practices to make sure you see how things change when the bonus is in effect. }

When you have practiced enough to understand the impact of the bonus, please click on the continue button. You will see another transition screen alerting you to the fact that your bonuses have changed. Now you and one other bidder will receive 50% of the object price when you are not the highest bidder, while the other two receive no bonuses. Clicking on continue will take you to another screen allowing you to try some cases with this setup.

[The difference from the first example screen is that now when you lose, you receive a bonus equal to 50% of the price paid by the winner. If you try a test bid, you will see that we provide you with a table showing you what your bonus might be for different possible prices. If you did not obtain the object, the winning bid must have been greater than or equal to your bid. The program shows you what your bonus would be if the price setting bid were higher than yours by 20, 40, 60 and 80 ECUs. These should not be interpreted as likely prices or bids, in part because some may not even be possible. These examples are shown purely to make it clear how the bonus is calculated. The actual price could be at almost any point above your bid. It is not limited to those 4 values. Go ahead and try some tests and examples to see how this bonus works.]

{The difference from the first example screen is that now when you lose, you receive a bonus equal to 50% of the price paid by the winner. If you try a test bid, you will see that the program provides you with a table showing you what your bonus might be for different possible prices. If you did not obtain the object, your bid or another bid could be the second highest or price setting bid. In the table we show you what your bonus would be in that case

as well as what the bonus would be if the price setting bid were 20, 40 and 60 ECUs higher than your bid. These should not be interpreted as likely prices or bids, in part because some may not even be possible. These examples are shown purely to make it clear how the bonus is calculated. The actual price could be almost at almost any point above your bid. It is not limited to those 4 values. Go ahead and try some tests and examples to see how this bonus works. }

Once you are comfortable with this screen, press continue and you will see one final transition screen this time telling you that all bidders receive a 50% bonus if they win and a 50% bonus if they lose. Continuing past that transition screen will lead you to a final sample bidding screen that contains information regarding both types of bonuses. Again try a few tests and practices to make sure you understand how it all fits together. Please press “continue” when you are ready to move on. This will end the software demo.

These examples we have gone through are just examples of possible bonus configurations to give you an idea of how they might be set. The real bonus configurations may turn out different than these.

It is possible for you to lose money in an auction round. If you win an auction and the price you pay is higher than your value plus any additional profit from a bonus then your earnings will be negative. To account for this possibility, everyone will start with an initial balance of 100 ECUs. Each round this balance will rise as you make money and fall if you have rounds with negative earnings. If you lose so much money that your overall balance goes below 0, you will be declared bankrupt. The first time this happens to you, we will re-initialize you, starting you over with a new positive initial balance of 100 ECUs. If your earnings balance goes negative a second time, however, you will be asked to leave the experiment with only your \$10.00 show up fee.

Are there any questions about how these procedures will work?

The experiment will begin soon. It will consist of 30 auction rounds. Your values and the values of other bidders will change over the course of these rounds and the bonus configurations will also change several times. Each time a bonus configuration is changed, you will be alerted by a transition screen.

We again ask that you do not talk with other participants or look at their screens during the experiment. Anyone who violates the rules may be asked to leave the experiment with only the \$10.00 show-up fee.

Instructions for sessions with homegrown preferences, standard pool

Verbal Instruction Script

[] - **First price instructions**
{ } - **Second Price Instructions**

Thank you for participating in today's experiment. I will read through a script to explain to you the nature of today's experiment as well as how to navigate the computer interface with which you will be working. I will be using this script to make sure that all sessions of this experiment receive the same information. Please feel free to ask questions as they arise. We ask that you please refrain from talking with other participants or looking at their monitors during the experiment. If you have a question or problem, please raise your hand and one of us will come and assist you.

In today's experiment, you will participate in a series of auctions. In each auction round, you and 3 other subjects will participate in an auction where a single hypothetical item is offered for sale. We will separately assign each participant a value for the item as described below and your regular profit or earnings in any round will be the difference between your value and the price you pay if you win the auction.

The value you will be assigned in each round will be randomly drawn from a uniform distribution over the numbers between 0 and 100. This means that your chances of drawing any number between 0 and 100 are equally likely. So it is exactly as likely that you draw a 4.00 as it is an 87.32 or other number. These value draws are independent and separate across bidders. This means the other bidders in the same auction will also have received values drawn from a uniform distribution over the numbers between 0 and 100. Since these draws are independent, the value you receive gives you no information on the values the other bidders received. **It is highly likely that their values are different from yours.**

In each round of the experiment, you will be informed of your new value for that round and asked to place a bid. After all bidders submit their bids, the highest bidder wins the object. **[The winning bidder will pay a price equal to their bid.]** *{The winning bidder will pay a price equal to the value of the highest non winning bid. Exactly how that works will be explained in more detail later.}* The difference between this bidder's value and the price paid will be their regular profit or earnings for that round. Any bidders who do not win the auction will receive a regular profit of 0.

All monetary amounts you will see in this experiment are denominated ECUs or Experimental Currency Units. Your earnings for this session will equal to the sum of your earnings for each round and at the end of the experiment you will be paid your earnings with a check. Your earnings in ECU's will translate into dollars at the rate of \$0.05 per ECU. So if you earn 100 ECU's, you earn \$5, 250 ECU's \$12.50, 500 ECU's \$25 and so forth.

This is in addition to the \$10 show-up fee you will receive regardless of what happens over the course of the experiment.

In some rounds of the experiment the price you pay for the item, if you win the auction, will be paid to a charity. Your profits or earnings will remain exactly as described above, but the dollar value of the price you pay for winning the auction in that round will go to a charity of

your choice from a list we will provide. You will make your choice after the instructions have been given and before any actual auctions rounds. You can only make one choice and that choice will remain throughout the experiment. Note that you can also choose an option such that your auction payments will not go to a charity. To help you in deciding among the three options we will give you, you have handouts describing the three charities we will allow you to choose from which includes the Capital Area Red Cross, Big Bend Habitat for Humanity and the Jacksonville Humane Society. Please review the handouts while we read to you the mission statement of each charity as reported by an Independent Charity review organization Charity Navigator.Org. The wording of these descriptions is verbatim what is found on the webpage and unaltered by us.

The American Red Cross: The American Red Cross has helped people mobilize to help their neighbors for 125 years. Last year, victims of a record 72,883 disasters, most of them fires, turned to the Red Cross for help and hope. Through more than 800 locally supported chapters, more than 15 million people each year gain the skills they need to prepare for and respond to emergencies in their homes, communities and world. Almost four million people give blood - the gift of life - through the Red Cross, making it the largest supplier of blood and blood products in the U.S. As part of the International Red Cross and Red Crescent Movement, a global network of more than 180 national societies, the Red Cross helps restore hope and dignity to the world's most vulnerable people.

Humane Society: The Humane Society of the United States (HSUS) has worked since 1954 to promote the protection of all animals. With nearly ten million members and constituents, The HSUS is the nation's largest and most powerful animal protection organization, working in the United States and abroad to defend the interests of animals. We celebrate the human-animal bond, and we fight animal cruelty and abuse in all of its forms. We work to reduce suffering and to create meaningful social change for animals by advocating for public policies to protect animals, investigating cruelty and working to enforce existing laws, educating the public about the issues, and conducting hands-on programs, such as assisting animals when disasters strike.

Habitat for Humanity: Founded in 1976, Habitat for Humanity International (HFHI) is an ecumenical Christian housing ministry. HFHI seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. Habitat invites people of all backgrounds, races and religions to build houses together in partnership with families in need. Habitat has built more than 200,000 houses around the world, providing more than 1,000,000 people in more than 3,000 communities with safe, decent, affordable shelter. Habitat is founded on the conviction that every man, woman and child should have a simple, decent, affordable place to live in dignity and safety.

Are there any questions regarding what has been explained so far?

START SOFTWARE

Please turn to your computers now so that we can lead you through a demo of the experiment software. The screen may have gone dark and if so, just move the mouse and it will wake up.

What you see in front of you is a sample of the bidding screen you will interact with in the real experiment rounds. During this practice round you will participate in the auction with 3 robot bidders. During the actual experiment you will participate with three other subjects.

In the section of your screen on the right, you see your value for this round. For this initial practice, everyone has a value of 60, but as I explained earlier, during the real experiment, values will be drawn randomly and typically everyone would have a different value. Directly below your value is a text box labeled “your bid” which allows you to enter your bid.

Below this is a grey button marked “Calculate.” If you enter a bid in the “your bid” box and press this button, the middle section of the screen will update informing you of what might happen were you to submit that as your actual bid. Please type “30” in for your bid and press the “Calculate” button now.

[You will see that the bottom right section informs you that you will win if all other bids received are less than your bid, 30. If this occurs and you win, your regular profit or Period Earnings would be $60-30=30$. You are also reminded that you will not obtain the object if there is a bid greater than yours and in that event your earnings are zero. In the event of a tie, i.e. if there are two or more identical highest bids, the winner will be randomly determined with each tie bid having equal chance of winning.

There is also a red button labeled “Accept”. During the practice phase this allows you to see the results of practice auctions. If you enter a bid and press “Accept,” the section of your screen on the left will update showing the results of an auction with you bidding against robot bidders programmed to bid randomly. This practice phase is available simply so you can see more clearly how your bid can turn into earnings. Please enter 30 in as a bid now and press “Accept.” For this first trial, we set it up so that everyone would win and see how auction profit is calculated. In this case your earnings would be 30. At the bottom of the left side of your screen is a button marked “Reset.” If you press it, the results section will be cleared and you will receive a new value on the right side. Press the button now. We have now given you a value of 70. Enter a bid of 30 again and press “Accept.” This time we set it up so that everyone would lose the auction round so you can see what information is reported in that case. If you press the reset button now you will now be able to practice against robot bidders as many times as you need in order to feel comfortable with the software. Try several practice rounds now to familiarize yourself with the rules and the software. If you have any questions about what you are seeing, please ask. When you believe you understand the process and the software you can press the Proceed button at the top right of your screen to continue.

Now that everyone has completed the first sequence of practice auctions you should be taken to a screen that looks almost the same as the one before. Note that the difference is that at the top right of your screen it is noted that this is a “Charity Auction” round instead of a “Standard Auction” round. During rounds noted in this manner, the price paid by the winner will be paid to the charity they chose from the list. We have again started everyone with a value of 60. Please enter a bid of 30 and press “Calculate.” Notice that this presents the same information as in the Standard auction including your projected earnings for winning and losing. Now please press the Accept button. We have again set it up so that you would win.

Your earnings are still 30 just as in the standard auctions but now the price you paid would go to the charity which you will choose in a few minutes. If you press the reset button your value on the left will change to 70 again. If you enter a bid of 30 and press “Accept” we have set it up such that you lose that auction. Notice that again the results are the same as in the standard auction but you will be told to which charity the winning price would be paid. You can now practice more rounds against robots just as you did before to see how the software will work during the Charity Auction rounds. When you believe you understand the process and the software you can press the Proceed button at the top right of your screen to continue.

]

{You will see that the bottom right section informs you that you will win if all other bids received are less than your bid, 30. If this occurs and you win, the price you pay for the object is equal to the highest non-winning bid or the second highest bid. Your regular profit or earnings is your value minus the price. To give you an idea of how this works, you are shown a table with some possible values for what that price setting bid might be and your profit is calculated for each case. These possible prices presented are simply constructed by calculating them as 20%, 40%, 60% and 80% of your bid. They should not be interpreted as “likely” prices or bids. This table is there to make it clear that your price if you win is based on the bids of others and would be less than or equal to your bid. Keep in mind that the actual price you pay could be anything less than your bid, not just those 4 values. You are also reminded that you will not obtain the object if there is a bid greater than yours and in that event your earnings are zero. In the event of a tie, i.e. if there are two or more identical highest bids, the winner will be randomly determined with each tie bid having equal chance of winning.

There is also a red button labeled “Accept”. During the practice phase this allows you to see the results of practice auctions. If you enter a bid and press “Accept,” the section of your screen on the left will update showing the results of an auction with you bidding against robot bidders programmed to bid randomly. This practice phase is available simply so you can see more clearly how your bid can turn into earnings. Please enter 30 in as a bid now and press “Accept.” For this first trial, we set it up so that everyone would win and see how auction profit is calculated. In this case the second highest bid was 25 so your earnings would be 35. At the bottom of the left side of your screen is a button marked “Reset.” If you press it, the results section will be cleared and you will receive a new value on the right side. Press the button now. We have now given you a value of 70. Enter a bid of 30 again and press “Accept.” This time we set it up so that everyone would lose the auction round so you can see what information is reported in that case. If you press the reset button now you will now be able to practice against robot bidders as many times as you need in order to feel comfortable with the software. Try several practice rounds now to familiarize yourself with the rules and the software. If you have any questions about what you are seeing, please ask. When you believe you understand the process and the software you can press the Proceed button at the top right of your screen to continue.

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will be paid to the charity they chose from the list. We have again started everyone with a value of 60. Please enter a bid of 30 and press “Calculate.” Notice that this presents the same information as in the Standard auction including your projected earnings for winning and losing. Now please press the Accept button. We have again set it up so that you would win with the second highest bid being 25. Your earnings are still 35 just as in the standard auctions but now the price you paid would go to the charity which you will choose in a few minutes. If you press the reset button your value on the left will change to 70 again. If you enter a bid of 30 and press “Accept” we have set it up such that you lose that auction. Notice that again the results are the same as in the standard auction but you will be told to which charity the winning price would be paid. You can now practice more rounds against robots just as you did before to see how the software will work during the Charity Auction rounds. When you believe you understand the process and the software you can press the Proceed button at the top right of your screen to continue.
}

Note that it is possible for you to lose money in an auction round. If you win an auction and the price you pay is higher than your value then your earnings will be negative. To account for this possibility, everyone will start with an initial balance of 100 ECUs. Each round this balance will rise as you make money and fall if you have rounds with negative earnings. If you lose so much money that your overall balance goes below 0, you will be declared bankrupt. The first time this happens to you, we will re-initialize you, starting you over with a new positive initial balance of 100 ECUs. If your earnings balance goes negative a second time, however, you will be asked to leave the experiment with only your \$10.00 show up fee.

Are there any questions about how these procedures will work?

The experiment will begin soon. It will begin with you making the choice of the charity you wish to contribute to which will be followed with 30 auction rounds. You will be able to choose from among the three previously described and you can choose “no charity” meaning that if you win during the charity auction rounds the price you pay will not go to a charity. If you do choose a charity then at the end of the experiment you will see us write the check to be sent to the charity you chose and you will fill out a form that will be sent with the check indicating to the charity that the contribution is on your behalf.

Please remember during the experiment that your values and the values of other bidders will change over the course of these rounds and there will be multiple phases of both standard and charity auctions with each round clearly identified as to which it is.

We again ask that you do not talk with other participants or look at their screens during the experiment. Anyone who violates the rules may be asked to leave the experiment with only the \$10.00 show-up fee.

Instructions for sessions
with special subject pool

Verbal Instruction Script

Thank you for participating in today's experiment. I will read through a script to explain to you the nature of today's experiment as well as how to navigate the computer interface with which you will be working. I will be using this script to make sure that all sessions of this experiment receive the same information. Please feel free to ask questions as they arise. We ask that you please refrain from talking with other participants or looking at their monitors during the experiment. If you have a question or problem, please raise your hand and one of us will come and assist you.

In today's experiment, you will participate in a series of auctions. In each auction round, you and 3 other subjects will participate in an auction where a single hypothetical item is offered for sale. We will separately assign each participant a value for the item as described below and your regular profit or earnings in any round will be the difference between your value and the price you pay if you win the auction.

The value you will be assigned in each round will be randomly drawn from a uniform distribution over the numbers between 0 and 100. This means that your chances of drawing any number between 0 and 100 are equally likely. So it is exactly as likely that you draw a 4.00 as it is an 87.32 or other number. These value draws are independent and separate across bidders. This means the other bidders in the same auction will also have received values drawn from a uniform distribution over the numbers between 0 and 100. Since these draws are independent, the value you receive gives you no information on the values the other bidders received. **It is highly likely that their values are different from yours.**

In each round of the experiment, you will be informed of your new value for that round and asked to place a bid. After all bidders submit their bids, the highest bidder wins the object. **[The winning bidder will pay a price equal to their bid.]** The difference between this bidder's value and the price paid will be their regular profit or earnings for that round. Any bidders who do not win the auction will receive a regular profit of 0.

All monetary amounts you will see in this experiment are denominated ECUs or Experimental Currency Units. Your earnings for this session will equal to the sum of your earnings for each round and at the end of the experiment you will be paid your earnings with a check. Your earnings in ECU's will translate into dollars at the rate of \$0.05 per ECU. So if you earn 100 ECU's, you earn \$5, 250 ECU's \$12.50, 500 ECU's \$25 and so forth.

This is in addition to the \$10 show-up fee you will receive regardless of what happens over the course of the experiment.

In some rounds of the experiment the price you pay for the item, if you win the auction, will be paid *as a charitable donation on your behalf to New Life Children's Home*. Your profits or earnings will remain exactly as described above, but the dollar value of the price you pay for winning the auction in that round will go to *New Life Children's Home*.

Although many of you may be familiar with the New Life Children's Home, we will read to you a description of the organization taken verbatim from their website.

New Life Children's Home (NLCH) is located in Villa Nueva, Guatemala. It serves children rescued from abuse, abandonment or abject poverty from some of Guatemala's worst slums. At NLCH each child receives 24-hour-a-day loving care, a Christian education and Christian discipleship. NLCH was established in 1976 by [New Life Advance International](#), an international mission agency based in Houston, Texas.

The dedicated staff of NLCH provide both Christian discipleship and training in a Christian school, until they are prepared to leave and begin their lives as adults, raising a new generation to serve God in whatever he's called them to do. The current illiteracy rate in Guatemala hovers around 50%. The school serves not only children in the home but also those in surrounding areas. Over 400 children are enrolled in the Pre-K – 9th grade.

The NLCH is one of two orphanages in Guatemala supported by the FSU Wesley Foundation, which recently undertook a mission trip to Guatemala.

Are there any questions regarding what has been explained so far?

START SOFTWARE

Please turn to your computers now so that we can lead you through a demo of the experiment software. The screen may have gone dark and if so, just move the mouse and it will wake up. What you see in front of you is a sample of the bidding screen you will interact with in the real experiment rounds. During this practice round you will participate in the auction with 3 robot bidders. During the actual experiment you will participate with three other subjects.

In the section of your screen on the right, you see your value for this round. For this initial practice, everyone has a value of 60, but as I explained earlier, during the real experiment, values will be drawn randomly and typically everyone would have a different value. Directly below your value is a text box labeled "your bid" which allows you to enter your bid.

Below this is a grey button marked "Calculate." If you enter a bid in the "your bid" box and press this button, the middle section of the screen will update informing you of what might happen were you to submit that as your actual bid. Please type "30" in for your bid and press the "Calculate" button now.

[You will see that the bottom right section informs you that you will win if all other bids received are less than your bid, 30. If this occurs and you win, your regular profit or Period Earnings would be $60-30=30$. You are also reminded that you will not obtain the object if there is a bid greater than yours and in that event your earnings are zero. In the event of a tie, i.e. if there are two or more identical highest bids, the winner will be randomly determined with each tie bid having equal chance of winning.

There is also a red button labeled "Accept". During the practice phase this allows you to see the results of practice auctions. If you enter a bid and press "Accept," the section of your

screen on the left will update showing the results of an auction with you bidding against robot bidders programmed to bid randomly. This practice phase is available simply so you can see more clearly how your bid can turn into earnings. Please enter 30 in as a bid now and press “Accept.” For this first trial, we set it up so that everyone would win and see how auction profit is calculated. In this case your earnings would be 30. At the bottom of the left side of your screen is a button marked “Reset.” If you press it, the results section will be cleared and you will receive a new value on the right side. Press the button now. We have now given you a value of 70. Enter a bid of 30 again and press “Accept.” This time we set it up so that everyone would lose the auction round so you can see what information is reported in that case. If you press the reset button now you will now be able to practice against robot bidders as many times as you need in order to feel comfortable with the software. Try several practice rounds now to familiarize yourself with the rules and the software. If you have any questions about what you are seeing, please ask. When you believe you understand the process and the software you can press the Proceed button at the top right of your screen to continue.

Now that everyone has completed the first sequence of practice auctions you should be taken to a screen that looks almost the same as the one before. Note that the difference is that at the top right of your screen it is noted that this is a “Charity Auction” round instead of a “Standard Auction” round. During rounds noted in this manner, the price paid by the winner will be paid to the *New Life Children’s Home*. We have again started everyone with a value of 60. Please enter a bid of 30 and press “Calculate.” Notice that this presents the same information as in the Standard auction including your projected earnings for winning and losing. Now please press the Accept button. We have again set it up so that you would win. Your earnings are still 30 just as in the standard auctions but now the price you paid would go to the charity. If you press the reset button your value on the left will change to 70 again. If you enter a bid of 30 and press “Accept” we have set it up such that you lose that auction. Notice that again the results are the same as in the standard auction. You can now practice more rounds against robots just as you did before to see how the software will work during the Charity Auction rounds. When you believe you understand the process and the software you can press the Proceed button at the top right of your screen to continue.

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Note that it is possible for you to lose money in an auction round. If you win an auction and the price you pay is higher than your value then your earnings will be negative. To account for this possibility, everyone will start with an initial balance of 100 ECUs. Each round this balance will rise as you make money and fall if you have rounds with negative earnings. If you lose so much money that your overall balance goes below 0, you will be declared bankrupt. The first time this happens to you, we will re-initialize you, starting you over with a new positive initial balance of 100 ECUs. If your earnings balance goes negative a second time, however, you will be asked to leave the experiment with only your \$10.00 show up fee.

Are there any questions about how these procedures will work?

The experiment will begin soon. At the end of the experiment you will see us write the check to be sent to the *New Life Children’s Home* and you will fill out a form that will be sent with the check indicating to the charity that the contribution is on your behalf.

Please remember during the experiment that your values and the values of other bidders will change over the course of these rounds and there will be multiple phases of both standard and charity auctions with each round clearly identified as to which it is.

We again ask that you do not talk with other participants or look at their screens during the experiment. Anyone who violates the rules may be asked to leave the experiment with only the \$10.00 show-up fee.