

# Experimental Instructions

The instructions were in English and are reproduced below. The instructions used neutral player labels, A=Proposer and B=Responder.

**Benchmark Treatment** Welcome to this experiment! The purpose of the experiment is to analyze decision making. Please read these instructions carefully. From now on please do not communicate with the other participants. If you have any questions, give notice by raising your hand. We will then answer your questions privately.

All participants in this experiment have been recruited in the same way as you, and you all have the same instructions.

In the experiment you can earn money. How much money you earn depends on your decisions and on the decisions made by the other participants you will interact with. During the experiment all money amounts are given in ‘points’. At the end of the experiment, the total amount of points you have earned is converted into Danish Kroner, by using the following exchange rate:

5 points is equal to 1 Danish Kroner

All decisions remain anonymous. You will not be informed about the identity of other participants, and no other participant will be informed about your identity. You receive your final payment in Danish Kroner in cash and this is done in private.

The experiment consists of 15 periods. At the start of the experiment, you will be randomly given one of two different roles, A and B. Half of the participants are given the A role and the other half are given the B role. Those participants given the A role are called ‘A participants’, or just ‘A’. Those given the B role are called ‘B participants’, or just ‘B’. Your role is the same in all 15 periods.

In each period one A participant will interact with one B participant. It will be randomly decided at the beginning of each period which A participant will interact with which B participant. You interact with the other participant through the computer terminal you are placed in front of.

Calculation of earnings:

In each period, there is a sum of 100 points available. The A and the B participant each have to demand a number of points from this sum. This demand must be a whole number between 0 and 100 (both included). If the sum of the demanded points made by A and B does not exceed 100 points, each earns the number of points that he/she demanded. If the sum of the two demands exceeds 100 points, each of you earns zero points. This is repeated here: Suppose A demands  $a$  points and suppose B demands  $b$  points. Then earnings for this period are calculated as follows:

- If  $a + b \leq 100$ , A gets  $a$  points and B gets  $b$  points.
- If  $a + b > 100$ , A gets zero points and B gets zero points.

Timing of decisions:

In each period, A makes his/her demand first. Then B sees what A has demanded, and B next makes his/her own demand. Finally both participants are informed about the two demands, the total demand, and their own earnings. This is repeated here:

1. A makes his/her demand
2. B sees what A has demanded
3. B makes his/her demand
4. The two participants are informed about both participant's choices and their own earnings

After this a new period begins, and you will be randomly matched with one of the participants in the other role. After the last period, the points you have earned in each of the 15 periods will be added and converted into Danish Kroner, using the exchange rate from above. This number of Danish Kroner is then paid to you in cash, together with the show-up fee of 50 Danish Kroner.

The computer screens:

The computer screens used in this experiment are quite simple to navigate in. However, if you during the experiment have any questions regarding how to use the screens, please raise your hand and one of the experimenters will come to you. On the computer screen, in the upper right corner, you will see how much time (in seconds) remains to make your decision. Please note that even if you run out of time, you can still make a decision, but please try to respect the time limit. Demands are made by activating the 'My demand' box using the mouse and then typing in your demand using the keyboard. When you have made your decision, please press the 'OK' button in the lower right corner. Similarly, when you have read the summary of the decisions, press the 'Continue' button to proceed.

If you at any time need to make some calculations, you are welcome to use the pen and the blank sheets of paper that have been provided.

In a moment we will ask you to answer some questions in a short test to make sure you have understood the rules.

**No Commitment Treatment** The instructions for this treatment differs from the other treatment instructions only in the paragraph 'Timing of Decisions'. It is reproduced here:

Timing of decisions:

In each period, A makes his/her demand first. After this B decides whether or not he/she would like to see what A has demanded. Then B makes his/her own demand. Finally both are informed about whether B observed A's demand, the two demands, the total demand, and their own earnings. This is repeated here:

1. A makes his/her demand
2. B decides if he/she wants to see what A has demanded
3. One of the following happens:
  - a. If B in 2 decided to see A's demand, then B sees what A has demanded and B makes his/her own demand
  - b. If B in 2 decided not to see A's demand, then B makes his/her demand without knowing what A has demanded
4. The two participants are informed about both participant's choices and their own earnings

**Commitment Treatment** The instructions for this treatment differs from the other treatment instructions only in the paragraph 'Timing of Decisions'. It is reproduced here:

Timing of decisions:

In each period, A makes his/her demand before B. But before this B decides whether or not he/she would like to observe A's demand, and A is informed about B's decision. Then A makes his/her demand. Depending on B's decision, B either sees A's demand or not. B then makes his/her own demand. Finally both are informed about whether B decided to observe A's demand, the two demands, the total demand, and their own earnings. This is repeated here:

1. B decides whether or not he/she wants to see A's demand before B makes his/her own demand
2. A is informed about B's decision in 1
3. A makes his/her demand
4. One of the following happens:
  - a. If B in 1 decided to see A's demand, then B sees what A has demanded and B makes his/her own demand
  - b. If B in 1 decided not to see A's demand, then B makes his/her demand without knowing what demand A made
5. The two participants are informed about both participant's choices and their own earnings

**Unobserved Commitment Treatment** The instructions for this treatment differs from the other treatment instructions only in the paragraph 'Timing of Decisions', reproduced here:

Timing of decisions:

In each period, B first decides whether he/she wants to see A's demand or not before B makes his/her own demand. B's decision to see A's demand or not is not

seen by A. Then A makes his/her demand. Depending on B's decision, B either sees A's demand or not. B then makes his/her own demand. At the end of the period, both are informed about whether B decided to see A's demand or not, the two demands, the total demand, and their own earnings.

All this is described in detail here:

1. B decides whether or not he/she wants to see A's demand before B makes his/her own demand. B's decision to see A's demand or not is not seen by A

2. A makes his/her demand

3. One of the following happens:

- a. If B in 1 decided to see A's demand, then B sees what A has demanded and B makes his/her own demand

- b. If B in 1 decided not to see A's demand, then B makes his/her demand without knowing what demand A made

4. The two participants are informed about their choices and their own earnings