

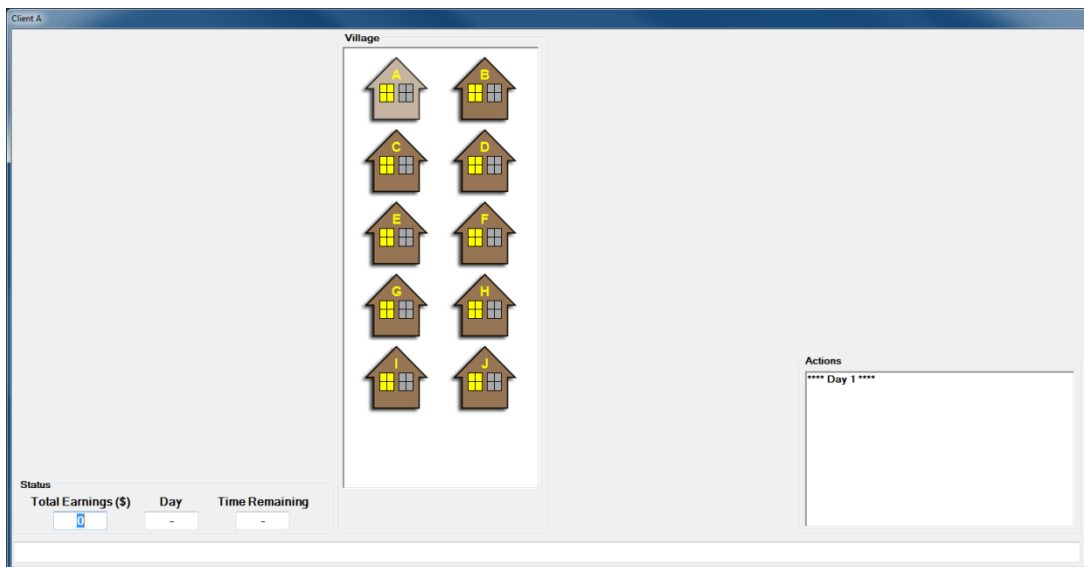
Appendix A. Experiment Instructions for Person A

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Welcome

This is an experiment in the economics of decision making. The instructions are simple, and if you follow them carefully and make good decisions you can earn a considerable amount of money which will be paid to you in CASH at the end of the experiment.

In this experiment, you are **Person A**. You can see your house in the *Village* portion of the screen. This experiment consists of many days during which you and the 9 other people in the experiment can each produce two types of goods: **gray** and **color**. You can earn money by consuming and selling these items.



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Gray Goods

One of the windows in your house is **yellow**. By clicking on that window, you can produce a dark gray good. You can practice this now. The number of gray goods you currently have is recorded in the top of the *Cart* portion of the screen. Half of the people in this experiment can make light gray goods and the other half dark gray goods.

A light or dark gray good is not valuable by itself. You must consume gray goods in light/dark pairs. For example, if you have 4 light grays and 2 dark gray items, then you have a total of two gray pairs and 2 extra light grays. Each pair of grays is worth **9 cents**. The **Potential Gray Revenue** field in the *Cart* side of the screen reports how much your gray pairs are currently worth.

The screenshot shows a game interface for 'Client A'. It is divided into three main sections: 'Cart', 'Village', and 'Actions'.

Cart Section:

- Cents Balance: 250
- Light Gray Goods: 0
- Dark Gray Goods: 0
- Buttons: 'Post Gray Offer' (with a blue arrow icon)
- Table with columns: #, Color, Value, Usage Fee, Creator, Accepts
- Summary fields:
 - Color Revenue: 0
 - Color Usage Fees: -0
 - Potential Gray Revenue: 0
 - Cents Balance: 250
 - Loan Payment: -250
 - Today's Potential Profit (€): 0
- Status section:

Total Earnings (\$)	Day	Time Remaining
0	-	-

Village Section:

- A grid of 10 house icons labeled A through J.
- House A has a yellow window.
- House B has a dark gray window.
- Houses C, D, E, F, G, H, I, and J have light gray windows.

Actions Section:

- Header: 'Actions'
- Content: '**** Day 1 ****'

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Bulletin Board

To exchange goods with other people you can post your items on the *Bulletin Board*. To post one of your gray goods, click on the **Post Gray Offer** button. Practice making a grey item and posting it to the bulletin board now.

If you want to list a price for your item, enter the number of cents you want to charge. Also choose whether you want your identification to be listed with your offer. When you click **Post Offer**, your item will appear on the public *Bulletin Board*. Your own posts on the bulletin board will have an **Edit** button so that you can change or delete it until someone accepts your offer.

During the experiment, you can accept an item on the bulletin board by clicking **Accept**. When a price is listed for an item on the bulletin board, the person who accepts the item will automatically receive the item and pay the price in cents to the person who listed the item.

The screenshot displays the 'Client A' interface, which is divided into several sections:

- Cart:** Shows 'Cents Balance' at 250, 'Light Gray Goods' at 0, and 'Dark Gray Goods' at 0. A 'Post Gray Offer' button is visible.
- Village:** A grid of ten houses labeled A through J, arranged in two columns of five.
- Bulletin Board:** Contains two tables:

Color Goods			
Color	Value	Price	Poster

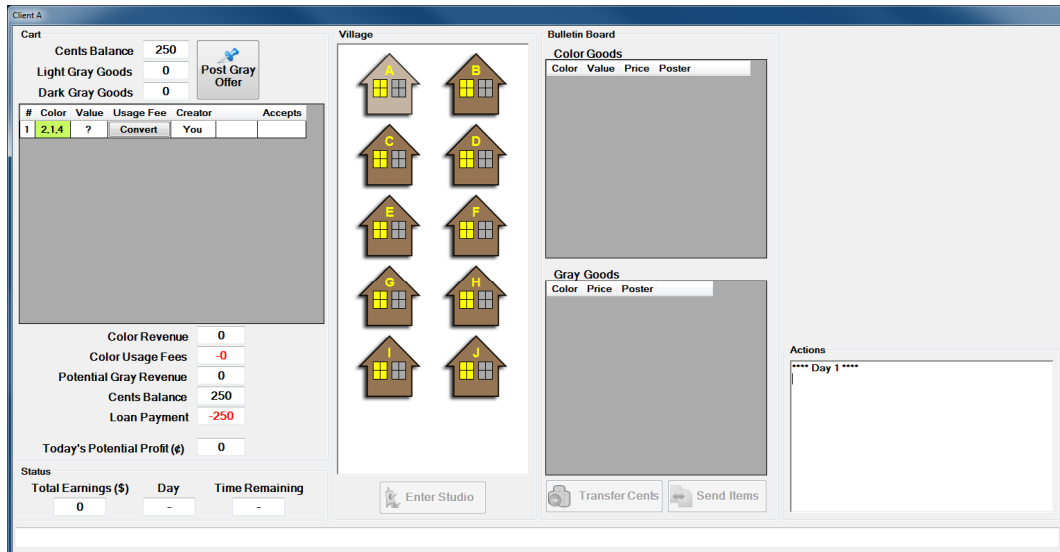
 and

Gray Goods		
Color	Price	Poster
- Summary:** A table showing 'Color Revenue' (0), 'Color Usage Fees' (-0), 'Potential Gray Revenue' (0), 'Cents Balance' (250), and 'Loan Payment' (-250). 'Today's Potential Profit (¢)' is 0.
- Status:** Shows 'Total Earnings (\$)', 'Day', and 'Time Remaining'.
- Actions:** Includes 'Transfer Cents' and 'Send Items' buttons, and a text area for 'Day 1'.

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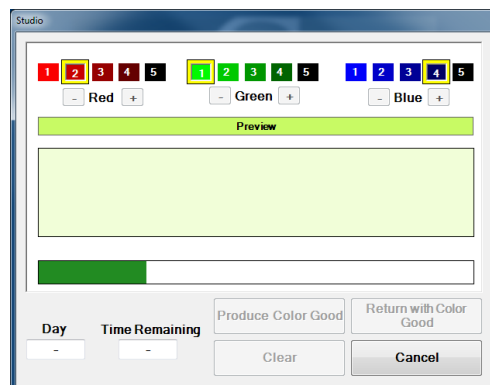
Color Goods

You can create color goods in the *Studio*. Click **Enter Studio** to see the Studio now. (The light in your house will turn off while you are in the studio.)



During the experiment you can construct a color by adding and subtracting Red, Green, and Blue components of a color. Your color will appear in the preview bar. To make a color item, click **Produce Color Good**. After you have produced a color item you can return to the *Village* with it by clicking **Return with Color Good**. You may also start a new color by clicking **Clear**.

Color goods can be much more valuable than a light/dark gray pair. There is a single “favorite color” of the day which is worth 40 cents, and colors that are close to the favorite color are worth less than this amount. Colors that are far away from the favorite are worth nothing. Practice making the color (2,1,4) now by setting Red to 2, Green to 1, and Blue to 4 using the + and - buttons. Click **Produce Color Good** and then **Return with Color Good**. When you return to the *Village* with a color item it will appear in your *Cart* frame.



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As you begin to consume color goods, you will be charged a small **usage fee**. The fee gradually increases with each color good you consume.

To learn the value and consume the color good yourself, click **Convert**.¹ After converting, you can post a color good on the bulletin board by clicking **Offer**. Practice this now.

As with gray goods, when a person accepts a color item that is listed with a price, that number of cents are immediately paid to the person who posted the color item.

- If you send a **gray** good to another person, you give up the item.
- Unlike **gray** goods, if you send a **color** item to other people it is not removed from your holdings.

The screenshot shows the Client A interface with the following sections:

- Cart:**
 - Cents Balance: 250
 - Light Gray Goods: 0
 - Dark Gray Goods: 0
 - Buttons: Post Gray, Offer
 - Table:

#	Color	Value	Usage Fee	Creator	Accepts
1	2,1,4	9	0	You	Offered
 - Summary:
 - Color Revenue: 9
 - Color Usage Fees: -0
 - Potential Gray Revenue: 0
 - Cents Balance: 250
 - Loan Payment: -250
 - Today's Potential Profit (€): 9
- Village:** A grid of 10 house icons labeled A through J.
- Bulletin Board:**
 - Color Goods:**

Color	Value	Price	Poster	
2,1,4	9	7	A	Edit
 - Gray Goods:**

Color	Price	Poster
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- Status:**
 - Total Earnings (\$): 0
 - Day: -
 - Time Remaining: -
 - Buttons: Enter Studio, Transfer Cents, Send Items
- Actions:** **** Day 1 ****

¹ After a color is acquired, the **Convert** button appears in the Usage Fee column and a question mark is displayed in the Value column (see left side of Figure 4). After **Convert** is clicked, the value of the color good appears in the Value column and the **Offer** button appears in the column between the Creator and Accepts columns (unless the person is not the creator in the IP treatment).

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Transfers

You may transfer items and cash directly to other people with these buttons. You will see a record of your own transfers in your Chat window, but you will not see information on the transfers of other people.



Cash

You begin each day with a loan of **250 cents**. You can use the loan to pay other people, but you will have to repay it in full at the end of each day. The cents that you spend will be deducted from your earnings for the day. The cents that you receive from others will be added to your total earnings.

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Chat

Every person in the experiment may chat on the right side of the screen. Type your messages in the top of the chat area, and then press ENTER or click the **Chat** button.

You are free to discuss any and all aspects of the experiment, with the following exceptions: you may not reveal your name, discuss side payments outside the laboratory, or engage in inappropriate language (including such shorthand as 'WTF'). If you do, you will be excused and you will not be paid.

The screenshot shows the 'Client A' interface for a village simulation. The interface is divided into several sections:

- Cart:** Displays financial information: Cents Balance (250), Light Gray Goods (0), Dark Gray Goods (0), and a 'Post Gray Offer' button. Below this is a table with columns: #, Color, Value, Usage Fee, Creator, and Accepts. The first row shows: 1, 2,1,4, 9, 0, You, Offered. At the bottom of the cart section are statistics: Color Revenue (9), Color Usage Fees (-0), Potential Gray Revenue (0), Cents Balance (250), Loan Payment (-250), and Today's Potential Profit (€) (9).
- Village:** A central area showing ten houses labeled A through J, arranged in two columns of five.
- Bulletin Board:** Contains two tables. The 'Color Goods' table has columns: Color, Value, Price, Poster, and Edit. It shows one entry: 2,1,4, 9, 7, A, Edit. The 'Gray Goods' table has columns: Color, Price, and Poster, and is currently empty.
- Chat:** Located on the right side, it features a 'Chat' button, a text input field labeled 'Type Chat Here', and an 'Actions' section with a 'Send Items' button.
- Status:** At the bottom left, it shows 'Total Earnings (\$)' (0), 'Day' (-), and 'Time Remaining' (-).

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Review

The *Status* frame in the bottom left corner displays your earnings for the entire experiment, the current day, and how much time is remaining. A day lasts **230** seconds. You can produce items during the first **155** seconds. You may trade and chat during the remainder of the day.

Important points:

1. You can produce a **gray** good by clicking on the **yellow** window of your house.
2. To earn money, you must consume **gray** goods in light/dark *pairs*.
3. If you send a **gray** good to another player, you give up the item.
4. **Color** goods are produced in the studio.
5. To earn money from consuming a **color** good in your cart, you must click the **Convert** button.
6. Unlike **gray** goods, if you send a **color** item to other people it is *not* removed from your holdings.

This is the end of the instructions. If you have any questions please raise your hand and a monitor will come by to answer them. If you are finished with the instructions please press **Start**. The instructions will remain on your screen until everyone is ready and the experiment starts.