

Subject instructions for the experiment reported in the paper titled

**“Implications of Trust, Fear, and Reciprocity
for Modeling Economic Behavior”**

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INSTRUCTIONS

(Treatment A)

No Talking Allowed

Now that the experiment has begun, we ask that you do not talk or communicate any longer with each other. Because we will not be available to assist you, it will not be possible for you to ask questions. In case there is still something that you do not understand, you are kindly requested to read the instructions (the hard copy) again. After reading the instructions, you will be asked to answer a multiple-choice test in order to check your understanding. The multiple-choice test will be displayed on the computer screen. Furthermore, at each step of the experiment, it will be shown on the screen of your computer what you have to do. Please, read very carefully what is written on the screen during all the experiment.

Two Groups

The individuals participating in today's experiment are randomly divided into two groups, called Group X and Group Y.

Anonymity

Each person in Group X will be randomly matched with a person in Group Y. No one will learn the identity of the person she/he is matched with.

Participation Fees

Each person in each group will be credited with 10 euros at the beginning of the experiment. The 10 euros credit will be in your euros-account. Your account balance will appear on your computer monitor.

Money Payoffs

At the end of the experiment, the remaining balance in your euros account will be paid to you in cash at the rate of 2.20 guilders per euro.

Complete Privacy

This experiment is structured so that no one, neither the experimenters nor the other subjects nor anyone else will ever know the personal decision of anyone in the experiment. This is accomplished by the following procedure. You will collect your money payoff contained in a sealed envelope, from a mailbox that only you can open (with your key). Your privacy is guaranteed because neither your name nor your student ID number will be entered in your computer or appear on any form that records your decisions in this experiment. The only identifying mark in all records will be the number engraved on your key which is known only by you and which you entered yourself in the computer. At the end of the experiment, you will walk one by one to the waiting room where the mailboxes are to collect your money payoff envelope. The key and mailbox are labeled with the same number. But you will be the only person having that key and the only one who knows your key number. While collecting the envelope from your mailbox, you are kindly requested not to open it immediately. You should wait until you leave the building. After collecting the envelope, you must return your key by throwing it in a key-return box next to the waiting room door.

Sequential Decisions

Each Group X person and each Group Y person has **a single decision** to make. The Group X person decides first. A Group X person's decision appears on the matched Group Y person's computer monitor. The Group Y person makes his/her decision after learning the decision made by the Group X person. After the Group Y person makes his decision, **the experiment ends.**

Decision Task

A Group X person can decide to change or not the euros account balances of both people. After learning the Group X person's decision, the Group Y person can make his/her decision by changing or not the euro account balances of both people.

What Happens if a Group X Person Decides to Decrease the Other's Account Balance?

If Person X decides to *decrease* the Y Person's account balance by **1** euro then the X person's account balance *increases* by **1** euro. The Group X person cannot decrease the Y person's account balance by more than **5** euros.

What Happens if a Group X Person Decides to Increase the Other's Account Balance?

If Person X decides to *increase* the Y Person's account balance by **3** euros then the X person's account balance *decreases* by **1** euro. The Group X person cannot increase the other person's account balance by more than **30** euros.

What Happens if a Group Y Person Decides to Decrease the Other's Account Balance?

If Person Y decides to *decrease* the X Person's account balance by **3** euros then the Y person's account balance *decreases* by **1** euro. The Group Y person cannot decrease either the X person's or his/her own account balance below 0.

What Happens if a Group Y Person Decides to Increase the Other's Account Balance?

If Person Y decides to *increase* the X Person's account balance by **1** euro then the Y person's account balance *decreases* by **1** euro. The Group Y person cannot decrease his/her own account balance below 0.

Review of the Decision Task of a Person from Group X

First, each person in **Group X** will choose a column from the TABLE X. Each column summarizes how much both matched X and Y persons get or lose, and their resulting account balances.

TABLE X

	<u>You can <i>decrease</i> the Other Person's Account as follows</u>					<u>You can <i>increase</i> the Other Person's Account as follows</u>										
If you change your Account by	+5	+4	+3	+2	+1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Then the Y person's Account changes by	-5	-4	-3	-2	-1	0	+3	+6	+9	+12	+15	+18	+21	+24	+27	+30
Y person's Account Balance becomes	5	6	7	8	9	10	13	16	19	22	25	28	31	34	37	40
Your Account Balance becomes	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0

Review of the Decision Task of a Person from Group Y

A person in Group Y receives a computer message containing the following information. The Group X person changed his/her account balance by the amount A and changed your account balance by the amount B. Then, each person in Group Y will choose a column from among the admissible columns of the TABLE Y.

TABLE Y

	<u>You can <i>decrease</i> the Other Person's Account as follows</u>							<u>You can <i>increase</i> the Other Person's Account as follows</u>										
If you change your Account by	-10-B	-9-B	...	-4	-3	-2	-1	0	-1	-2	-3	-4	-5	-6	...	-9-B	-10-B	
Then the X Person's Account changes by	-30-3B	-27-3B	...	-12	-9	-6	-3	0	1	2	3	4	5	6	...	9+B	10+B	
X Person's Account Balance becomes	10+A -30-3B	10+A -27-3B	...	10+A -12	10+A -9	10+A -6	10+A -3	10+A	10+A +1	10+A +2	10+A +3	10+A +4	10+A +5	10+A +6	...	10+A +9+B	10+A +10+B	
Your Account Balance becomes	0	1	...	10+B -4	10+B -3	10+B -2	10+B -1	10+B	10+B -1	10+B -2	10+B -3	10+B -4	10+B -5	10+B -6	...	1	0	

Note that the Group Y person is permitted to choose only from among those columns from the above table that do not decrease either the other person's account or his/her own account below 0.

Entering Your Private Number

After reading the instructions, you can open your envelope. Inside the envelope you will find a key. That key can open a mailbox from which you can collect a sealed envelope with your earnings inside. There is a 5-digit number engraved on your key. You are **asked to enter that number in your computer. Then you should click on the “send-number”** box. The entered number will be used to select the box that your key can open, which will contain the envelope with your earnings. So, check carefully whether you have entered the right number.

INSTRUCTIONS

(Treatment B)

No Talking Allowed

Now that the experiment has begun, we ask that you do not talk or communicate any longer with each other. Because we will not be available to assist you, it will not be possible for you to ask questions. In case there is still something that you do not understand, you are kindly requested to read the instructions (the hard copy) again. After reading the instructions, you will be asked to answer a multiple-choice test in order to check your understanding. The multiple-choice test will be displayed on the computer screen. Furthermore, at each step of the experiment, it will be shown on the screen of your computer what you have to do. Please, read very carefully what is written on the screen during all the experiment.

Two Groups

The individuals participating in today's experiment are randomly divided into two groups, called Group X and Group Y.

Anonymity

Each person in Group X will be randomly matched with a person in Group Y. No one will learn the identity of the person she/he is matched with.

Participation Fees

Each person in each group will be credited with 10 euros at the beginning of the experiment. The 10 euro credit will be in your euro account. Your account balance will appear on your computer monitor.

Money Payoffs

At the end of the experiment, the remaining balance in your euro account will be paid to you in cash at the rate of 2.20 guilders per euro.

Complete Privacy

This experiment is structured so that no one, neither the experimenters nor the other subjects nor anyone else will ever know the personal decision of anyone in the experiment. This is accomplished by the following procedure. You will collect your money payoff contained in a sealed envelope, from a mailbox that only you can open (with your key). Your privacy is guaranteed because neither your name nor your student ID number will be entered in your computer or appear on any form that records your decisions in this experiment. The only identifying mark in all records will be the number engraved on your key which is known only by you and which you entered yourself in the computer. At the end of the experiment, you will walk one by one to the waiting room where the mailboxes are to collect your money payoff envelope. The key and mailbox are labeled with the same number. But you will be the only person having that key and the only one who knows your key number. While collecting the envelope from your mailbox, you are kindly requested not to open it immediately. You should wait until you leave the building. After collecting the envelope, you must return your key by throwing it in a key-return box next to the waiting room door.

Sequential Decisions

Each Group X person has **a single decision** to make. He/she can decide to change or not the euro account balances of both people. The Group Y person has **no decision** to make. Hence, after the Group X person makes his/her decision, **the experiment ends** and the account balances of both persons cannot be changed any more.

What Happens if a Group X Person Decides to Decrease the Other's Account Balance?

If Person X decides to *decrease* the Y Person's account balance by **1** euro then the X person's account balance *increases* by **1** Euro. The Group X person cannot decrease the Y person's account balance by more than **5** euros.

What Happens if a Group X Person Decides to Increase the Other's Account Balance?

If Person X decides to *increase* the Y Person's account balance by **3** euros then the X person's account balance *decreases* by **1** euro. The Group X person cannot increase the other person's account balance by more than **30** euros.

Review of the Decision Task of a Person from Group X

Each person in **Group X** will choose a column from the TABLE X. Each column summarizes how much both matched X and Y persons get or lose, and their resulting account balances.

TABLE X

	<u>You can <i>decrease</i> the Other Person's Account as follows</u>					<u>You can <i>increase</i> the Other Person's Account as follows</u>										
If you change your Account by	+5	+4	+3	+2	+1	0	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
Then the Y person's Account changes by	-5	-4	-3	-2	-1	0	+3	+6	+9	+12	+15	+18	+21	+24	+27	+30
Y person's Account Balance becomes	5	6	7	8	9	10	13	16	19	22	25	28	31	34	37	40
Your Account Balance becomes	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0

Review of the Decision Task of a Person from Group Y

Group Y Persons have no decision to make. This means that their final account balances are determined by the Group X Persons.

Entering Your Private Number

After reading the instructions, you can open your envelope. Inside the envelope you will find a key. That key can open a mailbox from which you can collect a sealed envelope with your earnings inside. There is a 5-digit number engraved on your key. You are **asked to enter that number in your computer. Then you must click on the “send-number”** box. The entered number will be used to select the box that your key can open, which will contain the envelope with your earnings. So, check carefully whether you have entered the right number.

INSTRUCTIONS

(Treatment C)

No Talking Allowed

Now that the experiment has begun, we ask that you do not talk or communicate any longer with each other. Because we will not be available to assist you, it will not be possible for you to ask questions. In case there is still something that you do not understand, you are kindly requested to read the instructions (the hard copy) again. After reading the instructions, you will be asked to answer a multiple-choice test in order to check your understanding. The multiple-choice test will be displayed on the computer screen. Furthermore, at each step of the experiment, it will be shown on the screen of your computer what you have to do. Please, read very carefully what is written on the screen during all the experiment.

Two Groups

The individuals participating in today's experiment are randomly divided into two groups, called Group X and Group Y.

Anonymity

Each person in Group X will be randomly matched with a person in Group Y. No one will learn the identity of the person she/he is matched with.

Participation Fees

At the beginning of the experiment each person in each group will be credited with a certain amount of euros for participating in this experiment. Your euros credit will be in your euros-account. Your account balance will appear on your computer monitor.

Money Payoffs

At the end of the experiment, the remaining balance in your euros-account will be paid to you in cash at the rate of 2.20 guilders per euro.

Complete Privacy

This experiment is structured so that no one, neither the experimenters nor the other subjects nor anyone else will ever know the personal decision of anyone in the experiment. This is accomplished by the following procedure. You will collect your money payoff contained in a sealed envelope, from a mailbox that only you can open (with your key). Your privacy is guaranteed because neither your name nor your student ID number will be entered in your computer or appear on any form that records your decisions in this experiment. The only identifying mark in all records will be the number engraved on your key which is known only by you and which you entered yourself in the computer. At the end of the experiment, you will walk one by one to the waiting room where the mailboxes are to collect your money payoff envelope. The key and mailbox are labeled with the same number. But you will be the only person having that key and the only one who knows your key number. While collecting the envelope from your mailbox, you are kindly requested not to open it immediately. You should wait until you leave the building. After collecting the envelope, you must return your key by throwing it in a key-return box next to the waiting room door.

Sequential Decisions

Each Group X person has **no decision** to make. Each Group Y person has **a single decision** to make. He/she can decide to change or not the euro account balances of both people. After the Group Y person makes his decision, **the experiment ends** and the account balances of both persons cannot be changed any more.

What Happens if a Group Y Person Decides to Decrease the Other's Account Balance?

If Person Y decides to *decrease* the X Person's account balance by **3** euros then the Y person's account balance *decreases* by **1** euro. The Group Y person cannot decrease either the X person's or his/her own account balance below 0.

What Happens if a Group Y Person Decides to Increase the Other's Account Balance?

If Person Y decides to *increase* the X Person's account balance by **1** euro then the Y person's account balance *decreases* by **1** euro. The Group Y person cannot increase the other person's account balance by more than her/his own initial credit.

Review of the Decision Task of a Person from Group X

Group X Persons have no decision to make. This means that their final account balances are determined by the Group Y Persons.

Review of the Decision Task of a Person from Group Y

A person in Group Y receives a computer message containing the following information: Your beginning account balance for this experiment is $10+B$. The beginning account balance for X person is $10+A$. Then, each person in Group Y will choose a column from among the admissible columns of TABLE Y.

TABLE Y

	<u>You can decrease the Other Person's Account as follows</u>							<u>You can increase the Other Person's Account as follows</u>									
If you change your Account by	-10-B	-9-B	...	-4	-3	-2	-1	0	-1	-2	-3	-4	-5	-6	...	-9-B	-10-B
Then the X Person's Account changes by	-30-3B	-27-3B	...	-12	-9	-6	-3	0	1	2	3	4	5	6	...	9+B	10+B
X Person's Account Balance becomes	$10+A$ $-30-3B$	$10+A$ $-27-3B$	...	$10+A$ -12	$10+A$ -9	$10+A$ -6	$10+A$ -3	$10+A$	$10+A$ $+1$	$10+A$ $+2$	$10+A$ $+3$	$10+A$ $+4$	$10+A$ $+5$	$10+A$ $+6$	...	$10+A$ $+9+B$	$10+A$ $+10+B$
Your Account Balance becomes	0	1	...	$10+B$ -4	$10+B$ -3	$10+B$ -2	$10+B$ -1	$10+B$	$10+B$ -1	$10+B$ -2	$10+B$ -3	$10+B$ -4	$10+B$ -5	$10+B$ -6	...	1	0

Note that the Group Y person is permitted to choose only from among those columns from the above table that do not decrease the other person's account below 0 and that do not decrease his/her own account by more than $10+B$.

Entering Your Private Number

After reading the instructions, you can open your envelope. Inside the envelope you will find a key. That key can open a mailbox from which you can collect a sealed envelope with your earnings inside. There is a 5-digit number engraved on your key. You are **asked to enter that number in your computer. Then you should click on the “send-number”** box. The entered number will be used to select the box that your key can open, which will contain the envelope with your earnings. So, check carefully whether you have entered the right number.