

Subject Instructions for the Paper Titled
“Direct Tests of Individual Preferences for Efficiency and Equity”

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Instructions for Treatment 1

No Talking Allowed

Now that the experiment has begun, we ask that you do not talk. If you have a question after we finish reading the instructions, please raise your hand and the experimenter will approach you and answer your question in private.

A Monitor and Two Groups

A monitor has been selected randomly from among those of you who came here today. The rest of you have been divided randomly into two groups, called Group X and Group Y. Group X people are seated all around the room. Group Y people are standing at the back of the room.

Anonymity

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

Group Y Endowments

Each person in Group Y will be given a \$10 endowment to put in his/her pocket.

Group X Endowments

Each person in Group X will be given a \$10 endowment. As explained below, each Group X person will have a decision to make about what to do with her/his endowment.

Complete Privacy

This experiment is structured so that no one, including the experimenters, the monitor, and the other subjects will ever know the personal decision of anyone in the experiment. This is accomplished by a procedure in which you collect your money payoff, contained in a sealed envelope, from a lettered mailbox that only you have the key for. Your privacy is guaranteed because neither your name nor your student ID number will appear on any form that records your decisions in this experiment. The only identifying mark on the decision forms will be a letter known only to you. You will be able to collect your money payoffs with privacy by using a key, which opens a mailbox. The key and mailbox will be labeled with the same letter as your decision-reporting forms. But you will be the only person who knows your personal letter.

The Group X Decision Task

Before the Group X people make their decisions, the Group Y people will leave the room. Then each person in Group X will decide whether to keep all \$10 of his/her endowment or give some or all of it to his/her paired person in Group Y. Every dollar given by a person in Group X to a person in Group Y will be tripled by the experimenters. The following table shows how this works.

<u>If the Group X Person Gives</u>	<u>The Experimenters Triple the Amount</u>	<u>And the Group Y Person Receives</u>
0	$3 * 0$	0
1	$3 * 1$	3
2	$3 * 2$	6
3	$3 * 3$	9
4	$3 * 4$	12
5	$3 * 5$	15
6	$3 * 6$	18
7	$3 * 7$	21
8	$3 * 8$	24
9	$3 * 9$	27
10	$3 * 10$	30

Group Y Has No Decision to Make

The Group Y people do not have any decision to make. This means that they will keep all of the tripled number of certificates sent to them by individuals in Group X.

The Role of the Monitor

The monitor was randomly chosen from among the students who volunteered for today's experiment. The monitor will be in charge of distributing and collecting the little boxes that contain the envelopes containing mailbox keys and response forms. In addition, the monitor will be asked to watch and make sure that the experimenters actually follow the procedures that have been explained here.

Instructions for Treatment 2

No Talking Allowed

Now that the experiment has begun, we ask that you do not talk. If you have a question, please raise your hand and an experimenter will approach you and answer your question in private.

Four Groups

The students here today have been divided randomly into four groups, called Groups W, X, Y, and Z. If you are reading these instructions, you are a member of Group W and will be making a decision that will determine the money payoffs of three other people in this experiment, one from each of the other three groups.

The students in the three other groups have no decision to make in this experiment. They will be asked to fill out a questionnaire during the time you are will be recording your decisions in this experiment.

Anonymity

Each person in Group W will be randomly matched with three people, one each from Groups X, Y, and Z. You will not learn the identity of the other people you are matched with. Likewise, the three other people you are matched with will not learn your identity.

Complete Privacy

This experiment is structured so that no one, including the experimenters, the monitor, and the other subjects will ever know the personal decision of anyone in the experiment. Every person's privacy is guaranteed because neither his/her name nor student ID number will appear on any form that records decisions in this experiment.

Your Decision Task

You are asked to choose one **row** from the following table by circling the number of the row you choose in the Row Numbers column. Notice that your payoff is \$10 in every row; this means that your decision does not affect your own dollar payoff. Also notice that the Group X person's payoff is \$0 in every row; this means that your decision does not affect his/her dollar payoff. Your decision **does** determine the payoffs to the Group Y and Group Z people. Their payoffs are different in the three rows. Which row do you choose?

Please consider your decision carefully. Your recorded decision determines the money payoffs of two other people.

Please circle the number (1 or 2 or 3) of the row you decide to choose in the Row Numbers column.

Row Numbers	Your Payoff	Group X Person's Payoff	Group Y Person's Payoff	Group Z Person's Payoff
1	\$10	\$0	\$6	\$6
2	\$10	\$0	\$15	\$15
3	\$10	\$0	\$2	\$33

Instructions for Treatment 3

No Talking Allowed

Now that the experiment has begun, we ask that you do not talk. If you have a question, please raise your hand and an experimenter will approach you and answer your question in private.

Four Groups

The students here today have been divided randomly into four groups, called Groups W, X, Y, and Z. If you are reading these instructions, you are a member of Group W and will be making a decision that will determine the money payoffs of three other people in this experiment, one from each of the other three groups.

The students in the three other groups have no decision to make in this experiment. They will be asked to fill out a questionnaire during the time you are will be recording your decisions in this experiment.

Anonymity

Each person in Group W will be randomly matched with three people, one each from Groups X, Y, and Z. You will not learn the identity of the other people you are matched with. Likewise, the three other people you are matched with will not learn your identity.

Complete Privacy

This experiment is structured so that no one, including the experimenters, the monitor, and the other subjects will ever know the personal decision of anyone in the experiment. Every person's privacy is guaranteed because neither his/her name nor student ID number will appear on any form that records decisions in this experiment.

Your Decision Task

You are asked to choose one **row** from the following table by circling the number of the row you choose in the Row Numbers column. Notice that your payoff is \$10 in every row; this means that your decision does not affect your own dollar payoff. Your decision **does** determine the payoffs to the Group X, Group Y, and Group Z people. Their payoffs are different in the three rows. Which row do you choose?

Please consider your decision carefully. Your recorded decision determines the money payoffs of three other people.

Please circle the number (1 or 2 or 3) of the row you decide to choose in the Row Numbers column.

Row Numbers	Your Payoff	Group X Person's Payoff	Group Y Person's Payoff	Group Z Person's Payoff
1	\$10	\$0	\$15	\$15
2	\$10	\$3	\$12	\$15
3	\$10	\$4	\$5	\$21