



Welcome to this experiment. Thank you for coming. These Instructions are to help you to understand what you are being asked to do during the experiment, and how you can earn money from it. This will be paid to you in cash after you have completed the experiment.

In this experiment there is a participation fee of £2.50, which will be added to whatever you earn in the experiment.

Please turn off your mobile phone and please do not talk with others for the duration of the experiment. If you have a question please raise your hand and one of the experimenters will answer your question in private.

The structure of the experiment

You will be presented with 80 independent problems. All have the same structure. In each problem you will earn *points*. At the end of the experiment one problem will be randomly selected for payment: the points earned in the selected problem will be converted into pounds as follows:

$$\mathbf{1 \text{ point} = \pounds 0.65}$$

To this will be added the participation fee of £2.50. You will be paid in cash and be able to leave immediately.

The nature of each problem

You should imagine that there are five boxes in front of you, each containing an *offer*. These offers consist of a number of *points*; **all offers will be between and including 8 and 22 points**, rounded to the second decimal place. All values between and including 8 and 22 are equally likely. Note that the offers are randomly generated: the number of points in a box is independent from the number of points in any other box. One of the boxes will initially be open and you will be able to see the offer inside it. We call this the *initial offer*. The other boxes will be initially closed, but you will be able to open any box and see the offer inside it.

Opening other boxes

In case you decide that you want to open other boxes and see the offers inside them, you will be able to do so. You can open as many as you like. Opening any box will cost you c *points*. Notice that you do not have to pay to see the initial offer: its box will be already open.

Acceptance of an offer

When you have opened as many boxes as you want, you can stop opening boxes, and can accept any offer

that you have obtained. When you stop, the number of points that you will earn for that problem will depend upon the number of boxes that you have opened – which we will denote by n – and the offer that you accept. It will be determined as follows:

If you accept the initial offer, $\text{points earned} = \text{initial offer} - cn$.

(Note that if you accept the initial offer without opening any other boxes then the number of boxes that you have opened, n , will be zero.)

If you accept any other offer, $\text{points earned} = \text{non-initial offer} - cn - s$.

Here s is the cost of accepting any non-initial offer.

The cost for opening any box, c , and the cost of accepting a non-initial offer, s , vary across problems. The value of these parameters in each problem will be shown on the screen in each problem.

Please note that once you finish a problem the new one will not start until every participant has finished that problem.

Final Payment

After all of you have completed all 80 problems, the experiment itself will be over. One of the 80 problems will be selected at random. Your earned points in that problem will be recalled, and shown to you on the screen: you will be paid the amount of pounds corresponding to the number of points earned:

$$\text{pounds earned} = \text{point earned} * 0.65 \text{ plus a participation fee of } \pounds 2.50$$

Before proceeding to the payment you will be asked to answer to a short questionnaire on the screen where you have to give some information about yourself, but not your name. Indeed, the data analysis of the experiment will be absolutely anonymous: the experimenter will not be able to connect your choices to you.

Here is an example

This is an example to familiarise yourself with the structure of the problems. Suppose c , the cost of opening any box and seeing the offer inside, is 1.00 points, and s , the cost of accepting any non-initial offer, is 0.50 points. Suppose the five offers, in points, are [9.15, 8.70, 21.35, 17.90, 11.30]. The initial offer is 9.15 points. Initially you will be able to see only the initial offer; you will see a screen such as the one in **Figure 1**: the values of c and s are stated on the screen and you have the possibility to accept the initial offer, 9.15, by clicking on the red button “Accept Initial Offer” or to open other boxes by clicking on the red button “Open Another Box”. If you decide to open other boxes, they will be opened sequentially. The points you earn will depend on what you do:

If you decide not to open any boxes and hence accept the initial offer, your points earned = 9.15

If you decide to open just one box, the offer in that box is 8.70. You can accept either the initial offer or the second offer, as shown in **Figure 2**.

If you accept the initial offer, your *points earned* = $9.15 - 1.00 = 8.15$

If you accept the second offer, your *points earned* = $8.70 - 1.00 - 0.50 = 7.20$

If you decide to open just two boxes, the offers in those boxes are 8.70 and 21.35. You can accept either the initial offer, the second offer or the third offer

If you accept the initial offer, your *points earned* = $9.15 - 2*1.00 = 7.15$

If you accept the second offer, your *points earned* = $8.70 - 2*1.00 - 0.50 = 6.20$

If you accept the third offer, your *points earned* = $21.35 - 2*1.00 - 0.50 = 18.85$

If you decide to open just three boxes, the offers in those boxes are 8.70, 21.35 and 17.90. You can accept either the initial offer, the second offer, the third offer or the fourth offer.

If you accept the initial offer, your *points earned* = $9.15 - 3*1.00 = 6.15$

If you accept the second offer, your *points earned* = $8.70 - 3*1.00 - 0.50 = 5.20$

If you accept the third offer, your *points earned* = $21.35 - 3*1.00 - 0.50 = 17.85$

If you accept the fourth offer, your *points earned* = $17.90 - 3*1.00 - 0.50 = 14.40$

If you decide to open all four boxes, the offers in those boxes are 8.70, 21.35, 17.90 and 11.30. You can accept either the initial offer, the second offer, the third offer, the fourth offer or the fifth offer.

If you accept the initial offer, your *points earned* = $9.15 - 4*1.00 = 5.15$

If you accept the second offer, your *points earned* = $8.70 - 4*1.00 - 0.50 = 4.20$

If you accept the third offer, your *points earned* = $21.35 - 4*1.00 - 0.50 = 16.85$

If you accept the fourth offer, your *points earned* = $17.90 - 4*1.00 - 0.50 = 13.40$

If you accept the fifth offer, your *points earned* = $11.30 - 4*1.00 - 0.50 = 6.80$

After you make your choice, your payment, if that problem would be randomly drawn at the end of the experiment, will be shown on the screen. **Figure 3** gives you an example of what you would see on the screen at the end of the problem if you accepted the third offer after opening 2 boxes.

Before starting the experiment you will be asked to answer some questions on the screen to check that you understood the instructions. Then, before starting the 80 problems, you will play a practice problem. The practice problem will not be considered for the final payment.

If you have any questions, please raise your hand and one of us will come and answer your question.

Thank you for participating in this experiment.

Irene Maria Buso John Hey

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Figure 1

[This is problem number 1](#)

In this problem the cost of opening any box is $c=1.00$, and the cost of accepting any non-initial offer is $s=0.50$

Your initial offer is 9.15

Open Another Box

Accept Initial Offer

Figure 2

[This is problem number 1](#)

In this problem the cost of opening any box is $c=1.00$, and the cost of accepting any non-initial offer is $s=0.50$

Your initial offer is 9.15

Your second offer is 8.70

Open Another Box

Accept Initial Offer

Accept Offer 2

Figure 3

In this problem you accepted the third offer. This gives you 21.35 points.

The cost of opening any box, c , was 1.00 and the cost of accepting any non-initial offer, s , was 0.50.

You opened 2 boxes, so 2.00 points will be subtracted from the offer you chose.

Since you did not accept the initial offer, you have to pay the cost s .

Hence, if this problem is chosen for payment at the end of the experiment, you will get 18.85 points.

This amount of points correspond to £12.20. Further, the show-up fee of £2.50 will be added.

Click "OK" to continue with the experiment.

OK