

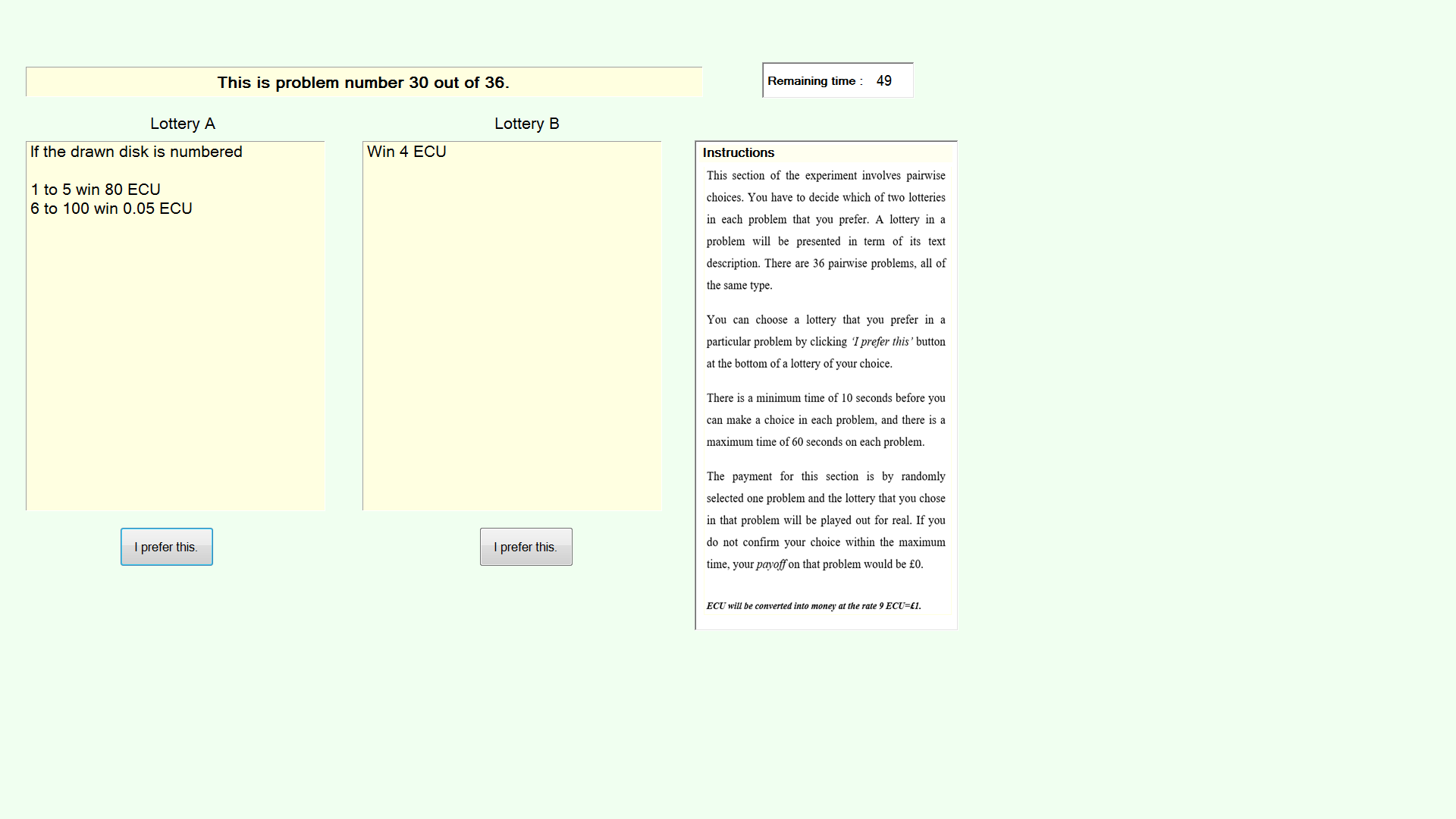
**Instructions**

The second section

This section of the experiment involves pairwise choices. A pairwise choice is a choice between two lotteries. There are 36 pairwise problems, all of the same type. In each problem, you have to decide which of two lotteries you prefer. A lottery in a problem will be presented in terms of a written description. Each lottery involves either one or two possible outcomes. All outcomes are either zero or positive amounts. The payment for this section will be implemented by you randomly selecting one problem. Then the lottery that you chose in that problem will be played out for real.

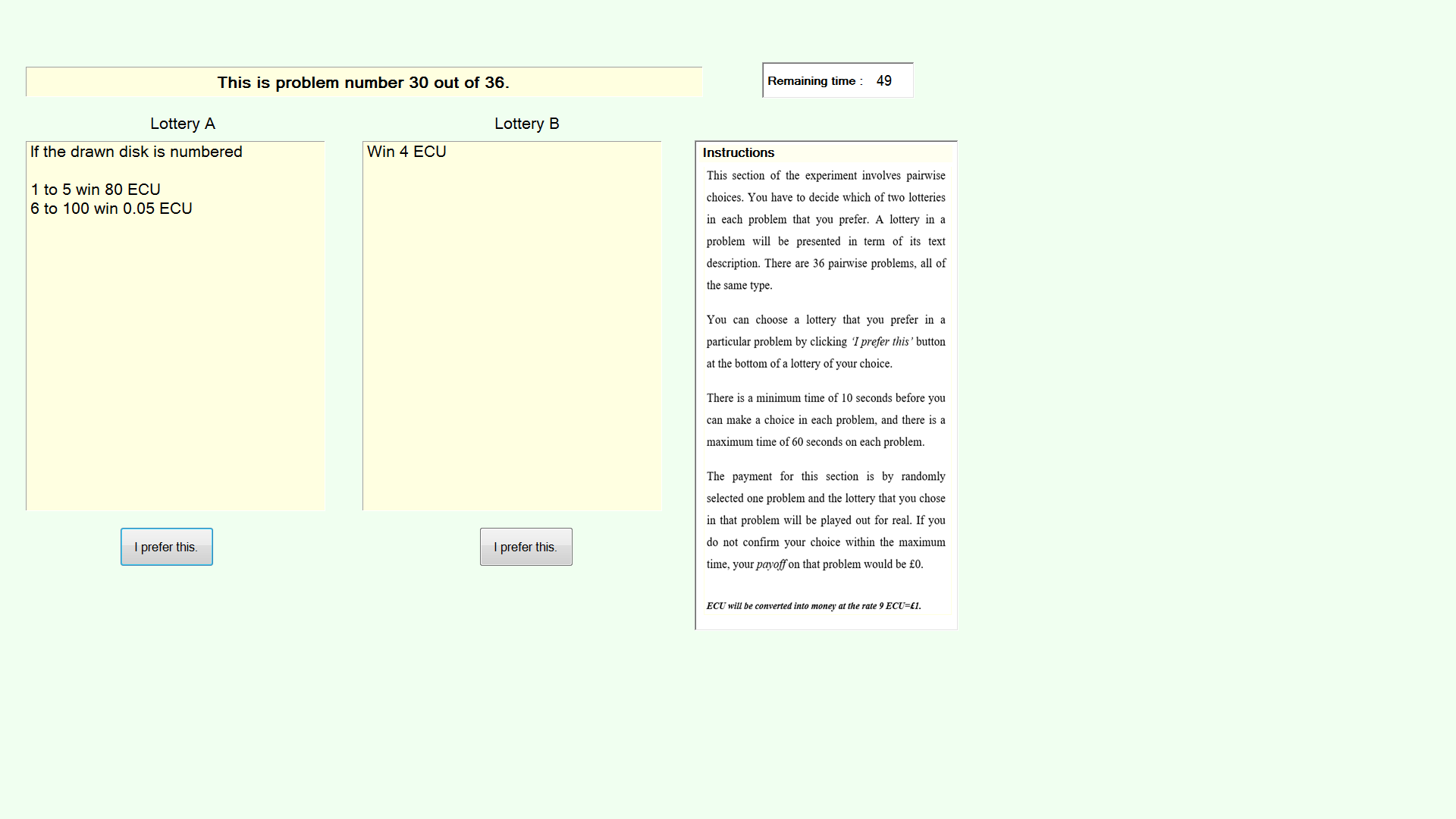
Example

The visual representation of a pairwise choice will be like an example below.



There will be two boxes. Outcomes are presented in Experimental Currency Units (ECU); we will tell you the exchange rate between ECU and real money at the end of these Instructions. Each box represents a lottery. In this example, the left lottery gives you a 5 per cent chance of a payoff of 80 ECU and a 95 per cent chance of a payoff of 0.05 ECU; it means that your payoff would be either 80 ECU or 0.05 ECU. For the right ‘lottery’, it leads to a payoff of 4 ECU with certainty. You can choose a lottery that you prefer in a particular problem by clicking *‘I prefer this’* button at the bottom of a lottery of your choice.

A screenshot of a problem of this type is shown below.



Payment

When you complete the 36 problems in this section, please raise your hand and an experimenter will come to you. You will be led to a separate room where the payment will take place.

Your choice in a *randomly selected* problem will determine your payment for this section. You will be presented with a closed bag containing the numbered disks from 1 to 36. You will draw a disk to determine a randomly selected problem. We will recall your choice on that problem. If your choice was a lottery you will play out the lottery for real; if your choice was a certainty, you will be paid that certainty.

How Is a Lottery Played Out?

A lottery has two outcomes *X* ECU and *Y* ECU with respective probabilities *p* and *1-p.* You will play it out by drawing one disk at random out of a bag containing disks numbered from 1 to 100.

Let us give an example. Suppose the lottery gives you a 50 percent chance of a payoff of 20 ECU and a 50 percent chance of a payoff of 10 ECU. If the disk you draw from the bag is numbered from 1 to 50 then your payoff would be 20 ECU; if the disk you draw from the bag is numbered from 51 to 100 then your payoff would be 10 ECU.

**ECU will be converted into money at the rate 9 ECU=£1.**

As we have already noted, your payment for the experiment as a whole will be the sum of the payments from each section plus a £2.50 show-up fee.

What you should do next

When you finish reading these Instructions, you should click on the ‘*start*’ button at the bottom of the screen (you will not be able to click this button until at least 5 minutes have passed). This will lead you to the experimental problems; you will then be starting the second section of the experiment. Each problem screen has a countdown timer at the top right corner of the screen. You cannot confirm your choice any until 10 seconds have passed from the start of that problem. There is a time limit of 60 seconds to make a decision on any problem in this section. You can change your decision as many times as you want during this time period before clicking the ‘*Confirm*’ button. You can click the *‘Confirm*’ button before the time limit is reached. Once you click *‘Confirm*’ button, that problem is over and you will be immediately lead to the next problem. If you do not click the *‘Confirm*’ button before the time limit is over, your payoff on that problem will be 0 ECU.

*If you have any questions at any stage of the experiment, please raise your hand and an experimenter will come to you.*

*Thank you for your participation.*

John Hey

Nuttaporn Rochanahastin

November 2017