

1- HIDDEN INFORMATION - Instructions for the Excess Agent treatment *(the instructions for the other treatments are available upon request)*

You are about to participate in an experiment on decision-making carried out by researchers from the Universitat Pompeu Fabra, the University of California at Santa Barbara and GATE. During this session, you can earn money. The amount of your earnings depends on your decisions and on the decisions of the other participants in this session. During the session, your earnings will be calculated in points,

with 100 points = 1 Euro

During the session, losses are possible. However, they can be avoided with certainty by your decisions.

The session consists of 40 independent periods. Only 4 periods will be chosen at random for actual payment, at the end of the session. The earnings you have made during these 4 periods will be added up and converted into Euros. In addition, you will receive € 4 for participating in the experiment. Your earnings will be paid to you in cash in private to preserve confidentiality. Your decisions are anonymous and confidential.

During this session, there are two categories of participants: 4 participants are proposers and 12 participants are responders. The responders can be of two types: A or B.

The category to which the participant is assigned (proposer or responder) and the type of participant in the case the participant is a responder are chosen randomly at the beginning of the session. Each responder has an equal initial probability to be of either type A or type B. Half of all responders will be of each type.

You will be informed of your category and of your type if you are a responder at the beginning of the session and you will keep the same category and the same type throughout the session. If you are a responder, no one knows your type.

Description of each period

At the beginning of each period, each proposer is randomly matched with 3 responders. The responders may be either type, but the proposer does not know their types when making a proposal. The identity of your co-participants is unknown to you. The composition of the group changes randomly every period.

Each period consists of four stages.

- ❑ In the first stage, the proposer makes a selection from one of 6 possible “offers” {1,2,3,4,5 or 6} by checking a box on his screen.
- ❑ In the second stage, the three responders are informed of this offer. Each can then choose one either option X or option Y or “rejection” by checking the corresponding box on his screen.
- ❑ In the third stage, the proposer is informed of the choices of the three responders. If more than one responder has accepted the proposer’s offer, the proposer will select one of the responders among those who accepted his offer. He can accept at most one responder. The responders are not informed about the choices made by the other responders. The responders who have not been selected receive a payoff of 125 points.
- ❑ In the fourth stage, each person is informed of his own payoff in that period.

How are payoffs calculated?

The payoffs depend on the offer made by the proposer, on the responders’ decisions and on the choice made by the proposer among the responders. When a proposer chooses a responder, his payoff depends only on his offer and on the option chosen by this responder; the responders who have not been selected do not provide him with any additional payoff.

Please refer to the Table provided. This Table displays the 6 possible offers and their associated payoffs.

Corresponding to each offer, you can see 3 rows:

- The first row, in blue, indicates the payoffs of the proposer.
- The second row, in yellow, indicates the responder's payoffs if his type is A.
- The third row, in pink, indicates the responder's payoffs if his type is B.

The 3 columns represent the decisions made by the responder:

- The column (1) corresponds to the choice of option X if the responder accepts the offer
- The column (2) corresponds to the choice of option Y if the responder accepts the offer
- The column (3) corresponds to the case of the responder rejects the offer.

At the intersection of a row and a column, you can read the payoffs associated with an offer and a choice as a function of the role of proposer or responder.

Here are some examples.

Example 1. The proposer has chosen the offer 1. One responder of type B has accepted this offer and chosen option Y. The two other responders have rejected this offer. In this case, the proposer will receive 355 points; the responder who has accepted the offer will receive 135 points; the responders who have rejected the offer will receive 125 points.

Example 2. The proposer has chosen the offer 3. One responder of type A and one responder of type B have accepted this offer and chosen option Y; the other responder of type A has also accepted the offer and chosen option X. The proposer chooses the responder who chose option X. The proposer will receive 550 points; the responder who has been chosen will receive 210 points; the responders who have not been chosen will receive 125 points.

Example 3. If the proposer has chosen the offer 6 and if no responder has accepted his offer, both the proposer and the responders receive 125 points.

To sum up, in each period, if you are a proposer, you choose an offer from among the six feasible options and you choose between the responders who have accepted your offer; you cannot accept more than one responder. If you are a responder, you choose either option X or option Y or you reject the offer. Your payoffs for the current period are then computed.

At the end of a period, a new period starts automatically. Each period is independent.

If you have any question regarding these instructions, please raise your hand. Your questions will be immediately answered in private. Throughout the entire session, direct communication between participants is strictly forbidden.