

Appendix A: The labs

The experiment in Firm Y



The experiment in Firm X



The experiment in the GATE laboratory



Appendix B: Instructions

During this experiment, which is conducted by researchers from the National center for Scientific Research, you will make choices. These choices are always anonymous. You will receive compensation, the amount of which depends on your choices and the choices made by other participants to this session.

We will use tokens. The conversion rate is **40 tokens = 1 Euro**.

All the tokens earned during this session will be added up and converted into Euros at the end of the session. You will also receive a show-up fee of 5 (*10 in the other firm*) Euros. The total amount of your compensation will be confidential and you will be paid privately.

This session consists of several parts. You have been given the instructions of the 1st part. The whole session will last about 1 hour.

In the beginning, you will answer two questions about your age and the choice of a color. Your answers can be disseminated during the session, but they do not enable anybody in the room to identify you.

Part 1

We form groups of 3 participants who will interact during this whole part. You will not know anything about the other two members of your group.

This part consists of 8 periods.

Rules for each period

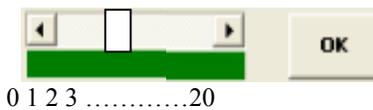
The 3 members of the group can participate in a project by making a contribution. This project consists in contributing an amount that will be equally shared among the three group members. This amount is the sum of the individual contributions of each of the 3 group members.

At the beginning of each period, everybody receives 20 tokens.

The 3 group members choose, simultaneously and without any possibility of communicating, the number of tokens they are willing to contribute to the project, i.e. any number between 0 and 20 tokens included.

Once the 3 members have made their choice, each member of this group is informed about the amount contributed to the project and his or her individual payoff for the current period.

To sum up: You decide on the number of tokens you contribute to the project. To make your choice, you move the cursor on your screen with your mouse and you click the OK button to validate your choice:



How is your payoff calculated in each period?

Your payoff in each period consists of the sum of two elements:

- the tokens you keep by yourself (i.e. the starting 20 tokens – the tokens you contribute to the project)
- and your revenue from the project: each member of the group receives half the amount of the project, whatever his contribution. Indeed, we increase the amount of the project by half and the total amount is equally shared among the group members.

The computer then calculates your payoff for the period, as follows:

$20 \text{ tokens} - \text{the tokens you contribute to the project}$ $+ \text{half the total amount of the contributions to the project}$
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Let's have an example.

The total group contribution is 10 tokens. Each group member receives the following revenue from the project: 5 tokens (= half of 10).

If a member has contributed 4 tokens, he or she earns: 20 tokens – 4 tokens + 5 tokens = 21 tokens

If a member has contributed 10 tokens, he or she earns: 20 tokens – 10 tokens + 5 tokens = 15 tokens

Let's have another example.

The total group contribution is 40 tokens. Each group member receives the following revenue from the project: 20 tokens (= half of 40).

If a member has contributed 12 tokens, he or she earns: 20 tokens – 12 tokens + 20 tokens = 28 tokens

If a member has contributed 5 tokens, he or she earns: 20 tokens – 5 tokens + 20 tokens = 35 tokens

What occurs in the 7 subsequent periods?

At the end of each period, a new period starts automatically. At each new period, you receive 20 tokens and you choose your contribution. Of course, you can change the amount of your contribution in each period.

During the experiment, talking or making noise is not allowed. If you have any question regarding these instructions, please raise your hand. We will answer your questions immediately.

Part 2 (Instructions distributed at the end of Part 1)

- This part also consists of 8 periods.
- New groups of 3 are formed for the whole duration of this part. It is almost certain that the 2 other members of your new group are not the same as in the 1st part.
- Each period works as in the 1st part: you receive 20 tokens, you choose your contribution and your payoff is calculated as before and is added to your previous payoffs.

There is only one difference:

At the beginning of this part, you receive information about the 2 other members of your group. This information only indicates the age category (“Junior” if less than 30 years old, and “Senior” if more than 50) and the color chosen by each of these members.

Part 3 (Instructions distributed at the end of Part 2)

- This part consists of one single period.
- You are still member of a group of 3 participants but in contrast with the previous parts, you can choose the 2 other members of your group among the following combinations:

- 2 Juniors
- 2 Seniors
- 1 Junior and 1 Senior
 - ❑ As before, you receive 20 tokens and you choose the amount of your contribution to the project.

To determine the amount of the project, we randomly draw the other 2 members of your group according to the preference you have mentioned. We add up their contributions to your own contribution to determine both the total amount of the project and your revenue from the project.

Your payoff is calculated as before and is added to your previous payoffs.

Part 4 (*Instructions distributed at the end of Part 3*)

We will now form pairs of participants. You will be informed about anonymous characteristics of your co-participant: the color he or she has chosen (green or orange) and his or her generation (junior or senior).

❑ **Content of the task**

The task consists of creating words using a series of 7 letters including 3 vowels and 4 current consonants (no X, Y, Z, W). You will respect the following rules:

- These words are French words (including nouns, conjugated verbs, excluding slang)
- They are at least 3 letters long
- They are not proper nouns (e.g. words cannot be names or places)
- They are made by using each of the 7 letters only once per word

Here is an example. Say there are 7 letters: GIEOPLS. Some examples of permissible words include: « pli », « sel », « épi ». However, the word « pipe » is not permissible because the letter « p » is used twice.

As soon as the 7 letters are written on the whiteboard, you will have 4 minutes to create words and to write them on the sheet of paper that you have received. After the time is over, you have to stop writing. We will come by to validate the words you will have created and to count them.

❑ **How is your payoff calculated?**

After being informed of your co-participant's attributes, but before knowing the series of letters, you choose between two options of payment, option A and option B.

You choose	and your co-participant chooses	You personally earn			
Option A	Option A or B	18 tokens for each accepted word you have created, whatever the number of words created by your co-participant			
Option B	Option A		30 tokens for each accepted word you have created, whatever the number of words created by your co-participant		
Option B	Option B	 	30 tokens for each accepted word you have created, if you created more words than your co-participant	6 tokens for each accepted word you have created, if you created less words than your co-participant	In case of a tie, a random draw determines who receives 30 tokens and who receives 6 tokens per accepted word.

After you have chosen your option, you will answer questions that will appear on your computer screen. You will earn 20 tokens for each answer confirmed by the actual outcomes at the end of this part. You will then be informed of your co-participant's chosen payment option before performing the task.

To sum up: You are informed about two attributes of your co-participant; you choose your payment option; you answer the questions, then you create words during 4 minutes; we validate your words and the computer finally informs you about your payoff. Your payoff is added to the payoffs earned in the previous parts.

Do you have any questions?

Part 5 (Instructions distributed at the end of Part 4)

Description of the task

You receive 100 tokens.

You decide the amount of tokens (between 0 and 100 tokens, included) that you are willing to invest on a risky asset. You keep the tokens that are not invested.

The investment

There is a 50% chance that the investment is a success.

If the investment is a success, you earn 2.5 times the amount that you have invested.

If the investment is not a success, you lose the amount that you have invested.

1st example: You invest 0 tokens. You earn: $(100 - 0) = 100$.

2nd example: You invest 50 tokens. If the investment is a success, you earn: $(100 - 50) + (2.5 * 50) = 175$. If the investment is not a success, you earn: $(100 - 50) + 0 = 50$.

3rd example: You invest 100 tokens. If the investment is a success, you earn: $(100 - 100) + (2.5 * 100) = 250$. If the investment is not a success, you earn: $(100 - 100) + 0 = 0$.

How is the success of the investment determined?

You are required to choose one color, either white or black. You then press the button « random draw » on your computer screen. The computer program selects randomly one of the two colors.

If the randomly drawn color is the color you have chosen, your investment is a success.

If the randomly drawn color is not the color you have chosen, your investment is not a success.

To sum up: You choose the amount you are willing to invest; then, you choose a color; you then press the random draw button. The computer program will inform you whether the investment is a success and the amount of your earnings for this part. This earning will be added to your earnings of the previous parts.

Do you have any questions?