

## Appendix: Experiment Instructions

*These instructions were read aloud on the second day to the subjects as they followed along with a written version on their screens. This example is for producer1 in the red-blue village.*

### Page 1:

This is an experiment in the economics of decision making. The instructions are simple, and if you follow them carefully and make good decisions you may earn a considerable amount of money which will be paid to you in CASH at the end of the experiment.

In this experiment you are **Person 1**. You and the other **11** people in this experiment each have the ability to produce two of three fictitious items: red, pink, and blue. For the first **10** seconds of each period, you will produce items in the upper portion of your screen in a box labeled **Token Selector**. Using the scroll bar at the top right, you can change the proportion of each second allocated to producing each of your two colors red, pink, or blue. Each person's production is displayed in the domino-shapes (which we will call "fields") on the left and right sides of your screen.

### Page 2:

After the production phase ends, the period continues for another **120** seconds. When the clock expires, you earn cash based upon the number of red, pink, and blue items that have been moved to your house. To select items to be moved, *left* click on an item or click on the **Select all Goods** button at the top of the screen. This will highlight the goods in yellow. The yellow highlighted items can then be moved by dragging with the *right* mouse button. (You cannot move items until the experiment has started.)

Notice that the number of each item in your house and your field will change as you move the

items about. To view these items in the **Token Selector** box at the top of the screen, simply click on your house or your field. You can move items to other people, and they can move items to you.

### **Page 3:**

The specific information on how the red and blue items in your house generate earnings is given under the heading **Potential Earnings** in the center of your screen, just above a chat room.

You personally earn (in cents) by consuming in the proportion of 3 red to 1 blue items. For every 1 unit of blue you need 3 red units to earn 3 cents. Your potential profit updates as items, unit by unit, are moved into your house. You are also given information regarding how many of each item you are wasting.

The third available good, pink, which you cannot personally produce, acts as a multiplier of your earnings from the other two goods. You can view a table of the multipliers from consuming this third good by clicking on the tab labeled “Multiplier Table”.

### **Page 4:**

In addition to your field and your house, some of you have a bucket on the right side of your screen. Using the same method described for your house, you may also move items into this icon. Again, if you wish to see these items in the **Token Selector** screen simply click on the bucket.

Notice also that there is a **Travel >>** button on the right side of the screen. Clicking on this button will take you and your bucket to another screen with two chat rooms in the center and a token selector at the top.

Your bucket will be highlighted in yellow. You will be unable to access your house and field while on this screen. To return to the previous screen, simply click on the <<Home button.

**Page 5:**

Everyone in this experiment can send text messages. Everyone can read all posted messages. In the center of the screen, you can type a message in the line beneath the chat room and click on the Send button.

Under your house you can also post a one-line message that will be visible at all times to the other people.

You are free to discuss any and all aspects of the experiment, with the following exceptions: you may not reveal your name, discuss side payments, make threats, or engage in inappropriate language (including such shorthand as ‘WTF’). If you do, you will be excused, and you will forfeit your earnings.

**Page 6:**

During the experiment, every 7 periods will be a break period in which nobody produces anything though the chat rooms are still open.

You can open a table of your production possibilities by clicking on the Production Table tab near the chat room.

This is the end of the instructions. If you wish to explore how you produce red, pink, and blue items, click the Practice button. You may change the proportion of time allocated to producing

each item using the scroll bar, and you may **Practice** as many times as you wish. (You will not be able to move items until the experiment has begun.)

If you wish to review the instructions, you may go back at this time. If you feel you are prepared to proceed with the actual experiment, click on the **Start** button. The experiment will begin once everyone has clicked on the **Start** button. If you have a question that you feel was not adequately answered by the instructions, please raise your hand and ask the monitor before proceeding.

*These are the instructions for the history-inducing sessions.*

**Page 1:**

This is an experiment in the economics of decision making. The instructions are simple, and if you follow them carefully and make good decisions you may earn a considerable amount of money which will be paid to you in CASH at the end of the experiment.

In this experiment you are **Person 1**. You and the other **8** people in this experiment each have the ability to produce two fictitious items: **red** and **blue**. For the first **10** seconds of each period, you will produce items in the upper left portion of your screen. Using the scroll bar, you can change the proportion of each second allocated to producing **red** and **blue**. Each person's production is displayed in the domino-shapes at the bottom of your screen.

**Page 2:**

After the production phase ends, the period continues for another **90** seconds. When the clock expires, you earn cash based upon the number of **red** and **blue** items that have been moved to your house. To select items to be moved, *left* click on an item or click on the red or blue buttons at the top of the screen. The yellow highlighted items can be moved by dragging with the *right* mouse button. (You cannot move items until the experiment has started.)

The specific information on how the red and blue items in your house generate earnings is given in the upper right corner of your screen. You personally earn (in cents) the minimum of the following two numbers:

number of red items,  
3 times the number of blue items.

Or, think of it this way. You earn by consuming what's in your house in the proportion of 3 red to 1 blue items. For every 1 unit of red you need 3 units of blue to earn 3 cents. Your potential profit updates as items, unit by unit, are moved into your house.

### **Page 3:**

Everyone in this experiment can send text messages. Everyone can read all posted messages. In the center of the screen, you can type a message in the line in either of two chatrooms and click on the **Send** button.

You are free to discuss all aspects of the experiment, with the following exceptions: you may not reveal your name, discuss side payments, make threats, or engage in inappropriate language (including such shorthand as 'WTF'). If you do, you will be excused and you will forfeit your earnings.

### **Page 4:**

During the experiment, every 7 periods will be a "break period" in which nobody produces anything but that the chatrooms are still open.

This is the end of the instructions. If you wish to explore how you produce red and blue items, click the Practice button. You may change the proportion of time allocated to producing red and blue items using the scroll bar, and you may Practice as many times as you wish. (You will not be able to move items until the experiment has begun.)

If you wish to review the instructions, you may go back at this time. If you feel you are prepared to proceed with the actual experiment, click on the Start button. The experiment will begin once everyone has clicked on the Start button. If you have a question that you feel was not adequately answered by the instructions, please raise your hand and ask the monitor before proceeding.