Welcome to the EconLab at UCSD

Please wait for instructions before continuing
Experiment Instructions

We're paying you $20 for participating in this experiment. During the experiment, you can either add to this amount, or lose some or all of it. Whether you win more money, or lose, will depend in part on your decisions and in part on chance. We will pay you your earnings in cash at the end. The experiment is set up so that you can't end up owing us money. The stakes for the gambles, and the chances of winning or losing, will vary.

During the experiment we will show you various gambles. The stakes for the gambles, and the chances of winning or losing, will vary.

A gamble might look like this:

```
Maximum gain is $10.00
Each 1 percent increase in the pie decreases the possible earnings by 10 cents
Each 1 percent decrease in the pie increases the possible earnings by 10 cents
```

The option I like most is: 45 out of 100 chance of gaining $5.50
If this decision page is chosen, this is the option we will carry out.

This would mean you have a 45 out of 100, or 45% chance of winning $5.50, and a 55% chance of winning nothing.

Some gambles involve losses, like this:

```
Maximum loss is $10.00
Each 1 percent decrease in the pie increases the possible losses by 10 cents
Each 1 percent increase in the pie decreases the possible losses by 10 cents
```

Continue
This would mean that you have a 20 in 100, or 20%, chance of losing $0.00, and a 80% chance of losing 0 dollars.

The gambles in a given Option will either all be gains, or all be losses, but never a mixture.

If the gambles in an Option are all gains, you'll need to tell us which gamble in the you like the most. If the gambles in an Option are all losses, you'll need to tell us which you like the least.

An Option of gambles over gains might look like this. Notice, you see all available gambles in the Option by moving the slider bar back and forth -- give it a try!

Notice that in this example, every time you try to increase the chance of gaining by 1 percentage point, you reduce the amount you can gain by $0.10. Likewise, each time you increase the amount you can gain by $1, you reduce the amount you gain by 1 percentage points (that is 1 dollar by 10%). As Option's gains vary, you will choose the gamble you like most. An Option of gambles over losses might look like this. Again, you see all available gambles in the Option by moving the slider bar back and forth -- give it a try!
Notice that in this example, every time you try to increase the chance of gaining by 1 percentage point, you reduce the amount you would gain by 0.10. Likewise, each time you reduce the amount you can gain by 1%, you reduce the amount you gain by 10 percentage points (that is 1 divided by 10). In Options over gains, you will choose the gamble you like most. An Option of gambles over Area might look like this: Again, you see all available gambles in the Options by moving the slider back and forth—give it a try.

Notice that in this example, every time you try to increase the chance of losing by 1 percentage point, you reduce the amount you would lose by 0.10. Likewise, each time you reduce the amount you can lose by 1%, you reduce the amount you gain by 10 percentage points (that is 1 divided by 10).

All the gambles that involve losses are undesirable. Some might seem worse than others. We will ask you to carefully examine the gambles, and then select the gamble that you like least.

During the experiment, we will show you a series of Options like those above, asking you to select your most or least preferred gamble for each Option.

After you’ve made all your choices, your earnings will be decided as follows: We will randomly pick one of the Options to be the “Option that counts,” by drawing a card from a deck with a card representing each Option. If this Option involves gains, you will play the gamble that you liked most on the Option.

If the Option involves losses, we’ll pick the gamble by taking a die of cards representing all the gambles in the list, removing the card for the gamble you like the least, plus the two gambles above and the two gambles below, and then drawing a card from the remaining deck to indicate the gamble that will be played. For instance, in the example above you selected 16 out of 100 chance of Losing $6.67, then we would remove all of these gambles from the deck.

20 out of 100 chance of Losing $6.67
20 out of 100 chance of Losing $6.59
20 out of 100 chance of Losing $6.39
31 out of 100 chance of Losing $6.17
32 out of 100 chance of Losing $6.09

Once we’ve picked a gamble, we will randomly pick an item 1 to 100, and that will determine the outcome of the gamble you are playing, as follows:

- If the gamble you picked is over gains, then if it is less than the chance of gaining for the gamble you picked, you win the gamble.
- If the gamble you picked is over losses, then if it is less than the chance of losing for the gamble that was picked, you lose the gamble.

Once you don’t know which Option of gambles we will pick, you should treat each Option as if it is the one that counts, and make your choice as if you are choosing only from that Option.

Continue
Suppose we have chosen this Option to be the one that counts, and that you have decided that the gamble you are about to take is a 29 out of 100 chance of gaining $0.00.

If it turned out to be 10, how much would you get paid? Include the initial $30.

Check Answer

If it turned out to be 95, how much would you get paid? Include the initial $30.

Check Answer

The option I like most is: 50 out of 100 chance of Gaining $0.00

If this decision page is chosen, this is the option we will carry out.
Suppose we have chosen this Option to be the one that counts, and that you have decided that the gamble you are most at a 55 out of 100 chance of gaining $4.50.

If it turned out to be 15, how much would you get paid? Include the initial $30.

If it turned out to be 95, how much would you get paid? Include the initial $30.

The option I like most is: [ ]

If this decision tag is chosen, this is the option we will carry out.
Maximum loss is $5.00
Each 1 percent decrease in the pie increases the possible losses by 5 cents
Each 1 percent increase in the pie decreases the possible losses by 5 cents

Suppose we have chosen this Option to be the one that counts, and that you have decided that the gamble you are faced with has a 49 out of 100 chance of losing $3.00

Which of the following gambles can NOT be randomly picked for you to play?

- 30% chance of losing $3.10
- 25% chance of losing $3.75
- 70% chance of losing $1.50
- 41% chance of losing $2.95
- 43% chance of losing $2.15

Check Answer

Suppose the gamble we have chosen is a 25% chance of losing $3.75

If it turned out to be 10, how much would you get paid? Include the initial $20.

Check Answer

If it turned out to be 90, how much would you get paid? Include the initial $20.

Check Answer
Maximum loss is $5.00
Each 1 percent decrease in the pie decreases the possible losses by 5 cents
Each 1 percent increase in the pie decreases the possible losses by 5 cents

Suppose we have chosen this Option to be the one that counts, and that you have decided that the gamble you are (not) a 75 out of 100 chance of losing $1.25

Which of the following gambles can NOT be randomly picked for you to play?
- 90% chance of losing $0.50
- 74% chance of losing $1.30
- 27% chance of losing $1.15
- 70% chance of losing $1.50
- 72% chance of losing $1.40

Correct!

Suppose that the gamble we have chosen is a 75% chance of losing $1.25
Because you chose to eliminate this gamble from consideration,
we instead chose 90% chance of losing $0.50

If it turned out to be 10, how much would you get paid? Include the initial $30.

19.50 Correct!

If it turned out to be 95, how much would you get paid? Include the initial $30.

19.50 Correct!