WELCOME

Welcome to the experiment. This session will last about 45 minutes to an hour.

Before we begin, please verify that the number on the yellow Claim Check is the same as the number on the top of *Page 8* and *Page 9*. You will use this Claim Check to claim your earnings at the end of the experiment. Please put it in a safe place.

Thanks For Showing Up

Just for being willing to participate, you will all automatically earn $6. This $6 is guaranteed to you. Whatever you earn in the rest of the session will be <u>in addition to this $6</u>.

Anonymity

During the experiment your name <u>will not be revealed</u> to the supervisor or any other person. At no time, either during or after the experiment, can your name be matched to your decisions or your payment.

This Experiment

In this experiment you will be <u>randomly</u>—and <u>anonymously</u>--paired with another person in this room. <u>No one</u> will know the identity of the other person in his or her pair.

The task of each pair is to divide either $0 or $12 between the two of you. How much money you end up with at the end of the experiment depends on the decisions both people in the pair make.

In each pair, one person will be the **Divider** and the other will be the **Designator**. Your role will be determined <u>at the very end of the session</u>, hence, you must understand both roles to make good choices. Of each dollar to be divided, the **Divider** chooses a *Dividing Rule*. A Dividing Rule determines how much of each dollar will go to the **Divider** and how much will go to the **Designator**. Given the dividing rule that the Divider chose, the **Designator** decides how many dollars, either $0 or $12, will be divided.

Important: The Divider chooses the *Dividing Rule* **without knowing** how many dollars the Designator will choose to divide.

The possible divisions must be chosen from a table. The Divider will use a table like this:

A. Divider chooses a rule by circling one letter in this column	**B. Possible Dividing Rules** *Of each Dollar to divide, the rule is:*
a	Divider gets 99¢ and Designator gets 1¢
b	Divider gets 90¢ and Designator gets 10¢
c	Divider gets 80¢ and Designator gets 20¢
d	Divider gets 70¢ and Designator gets 30¢
e	Divider gets 60¢ and Designator gets 40¢
f	Divider gets 50¢ and Designator gets 50¢
g	Divider gets 40¢ and Designator gets 60¢
h	Divider gets 30¢ and Designator gets 70¢
i	Divider gets 20¢ and Designator gets 80¢
j	Divider gets 10¢ and Designator gets 90¢
k	Divider gets 1¢ and Designator gets 99¢

So, out of all the possible options for how to divide each dollar, the Divider *must choose only one* of them.

Given that the Divider has selected a division of each dollar, then the **Designator** must designate *how many dollars to divide* between the Divider and the Designator. *The **Designator** can designate either $0 or $12 to divide.*

However, the Designator must also select the number of dollars to divide <u>before</u> finding out the Dividing Rule chosen by the Divider. So, *for each possible Dividing Rule,* the **Designator** must decide how many dollars to divide. The **Designator** will make choices on a table like this:

	A. If the Divider chooses this Dividing Rule….	B. …then I choose to divide this many dollars (circle one for each Dividing Rule):
a	Divider gets 99¢ and Designator gets 1¢	0 or 12
b	Divider gets 90¢ and Designator gets 10¢	0 or 12
c	Divider gets 80¢ and Designator gets 20¢	0 or 12
d	Divider gets 70¢ and Designator gets 30¢	0 or 12
e	Divider gets 60¢ and Designator gets 40¢	0 or 12
f	Divider gets 50¢ and Designator gets 50¢	0 or 12
g	Divider gets 40¢ and Designator gets 60¢	0 or 12
h	Divider gets 30¢ and Designator gets 70¢	0 or 12
i	Divider gets 20¢ and Designator gets 80¢	0 or 12
j	Divider gets 10¢ and Designator gets 90¢	0 or 12
k	Divider gets 1¢ and Designator gets 99¢	0 or 12

On the following page are examples to illustrate how the payoffs are determined.

Examples

Example 1

Suppose the Divider chose Dividing Rule **h**: "Divider gets 30¢ and Designator gets 70¢." Suppose also that the Designator has circled $12 on line **h.**   We can then calculate the payoff of both people this way:

     Divider: The Dividing Rule chosen by the Divider says the <u>Divider</u> gets 30¢ of each dollar, while the Designator chose to designate $12 to divide, hence the <u>Divider</u> gets $.30x12=$3.60.

     Designator: The Dividing Rule chosen by the Divider says the <u>Designator</u> gets 70¢ of each dollar, while the Designator chose to designate $12 to divide, hence the <u>Designator</u> gets $.70x12=$8.40.

Example 2

Suppose the Divider chose Dividing Rule **c**: "Divider gets 80¢ and Designator gets 20¢." Suppose also that the Designator has circled $0 on line **c.**   We can then calculate the payoff of both people this way:

     Divider: The Dividing Rule chosen by the Divider says the <u>Divider</u> gets 80¢ of each dollar, while the Designator chose to designate $0 to divide, hence the <u>Divider</u> gets $.80x0=$0.00.

     Designator: The Dividing Rule chosen by the Divider says the <u>Designator</u> gets 20¢ of each dollar, while the Designator chose to designate $0 to divide, hence the <u>Designator</u> gets $.20x0=$0.00.

Exercises

While calculating payoffs seems easy, it is important that everyone understand how to calculate payoffs of both the Divider and the Designator. So, below we ask you to calculate the payoffs of both players for some specific examples. Feel free to use the calculator provided. After you finish, we will go over the correct answers together:

CASE 1: Suppose the Divider chooses:

a	Divider gets 99¢ and Designator gets 1¢

and for Dividing Rule **a** the Designator chooses:

a	Divider gets 99¢ and Designator gets 1¢	0 or (12)

   Payoff for Divider is $_____.   Payoff for Designator is $_____.

CASE 2: Suppose the Divider chooses:

f	Divider gets 50¢ and Designator gets 50¢

and for Dividing Rule **f** the Designator chooses:

f	Divider gets 50¢ and Designator gets 50¢	0 or (12)

   Payoff for Divider is $_____.   Payoff for Designator is $_____.

CASE 3: Suppose the Divider chooses:

j	Divider gets 10¢ and Designator gets 90¢

and for Dividing Rule **j** the Designator chooses:

j	Divider gets 10¢ and Designator gets 90¢	(0) or 12

   Payoff for Divider is $_____.   Payoff for Designator is $_____.

Your Role

You will be **randomly** assigned to be **either** the Divider **or** the Designator. After you are assigned a role, you will be randomly matched with another person in the room, and your decision for only the role assigned to you will be carried out.

Important: You must make all your decisions before you know which role you will be assigned.

Since you won't know which role you are selected for until the very end, you must make decisions for both roles. After all decisions are made, there is a 50% chance you will be assigned a Divider and a 50% chance you will be assigned a Designator.

How We Make The Pairings

Attached are two decision forms—one for Dividers and one for Designators. **Complete both forms, imagining yourself as being chosen for each role**. Place the completed forms and instructions back in the envelope.

When we collect the envelopes, we will shuffle them and separate them into two piles of equal size, Pile 1 and Pile 2.

If, by chance, your envelope is in Pile 1, you will be a Divider—we will use **only** your decision on the Divider form to determine your payoff, and ignore your decisions for the Designator.

If, by chance, your envelope is in Pile 2, you will be a Designator—we will use **only** your decisions on the Designator form to determine your payoff, and ignore your decision for the Divider.

After shuffling the envelopes in each pile again, each envelope in Pile 1, the Dividers, will be paired with one from Pile 2, the Designators.

Receiving your Payment

After all pairings are made, we will use the Division Rule chosen by the Divider along with the dollars allocated by the Designator to determine payoffs. These earnings, along with the $6 show-up payment discussed on page 1, will be placed in your earnings envelope. We will put your Claim Check number on the outside of the envelope. You will then present us with your Claim Check and we will hand you your earnings envelope. To further guard your anonymity, a supervisor who was not involved in the experiment until this time—and thus has no idea what is in each envelope—will hand you your earnings envelope

Finally, to verify that these procedures we describe are followed, the monitor, who was chosen at the beginning of the experiment will be present during the determination of payments.

Preparing your payments will take about 15 minutes.

Summary

Step 1: You will eventually assume the role of either Divider or Designator. However, before we assign you a role, you must make choices for both roles of Divider and Designator.

Step 2: After your choices are made, we will randomly assign you to the role of either Divider or Designator.

Step 3: You will be paired with another participant of the other role, and your choice for only the role selected in Step 2 will be carried out with another participant.

Step 4: Everyone will receive cash payments in private envelopes at the end of the experiment.

You can begin making your decision on the next two pages.
Good luck!

DIRECTIONS: **Complete the decision sheets for both the Divider and the Designator. In each case, imagine that you have been chosen to assume that role when payoffs are determined.**

Decision Sheet for Divider Role.

Suppose you are the Divider. Choose <u>one and only one</u> alternative from the following table.

Please circle the letter of your choice in column A.

A. Divider chooses a rule by circling one letter in this column	**B. Possible Dividing Rules** *Of each Dollar to divide, the rule is:*
a	Divider gets 99¢ and Designator gets 1¢
b	Divider gets 90¢ and Designator gets 10¢
c	Divider gets 80¢ and Designator gets 20¢
d	Divider gets 70¢ and Designator gets 30¢
e	Divider gets 60¢ and Designator gets 40¢
f	Divider gets 50¢ and Designator gets 50¢
g	Divider gets 40¢ and Designator gets 60¢
h	Divider gets 30¢ and Designator gets 70¢
i	Divider gets 20¢ and Designator gets 80¢
j	Divider gets 10¢ and Designator gets 90¢
k	Divider gets 1¢ and Designator gets 99¢

DIRECTIONS: **Complete the decision sheets for both the Divider and the Designator. In each case, imagine that you have been chosen to assume that role when payoffs are determined.**

Decision Sheet for Designator Role.

Suppose you are the Designator. Circle the number of dollars, in column B, to be divided for each possible alternative. Please complete the table for all divisions listed:

	A. If the Divider chose this Dividing Rule….	**B.** …then I would choose to divide this many dollars (circle one for each Dividing Rule):
a	Divider gets 99¢ and Designator gets 1¢	0 or 12
b	Divider gets 90¢ and Designator gets 10¢	0 or 12
c	Divider gets 80¢ and Designator gets 20¢	0 or 12
d	Divider gets 70¢ and Designator gets 30¢	0 or 12
e	Divider gets 60¢ and Designator gets 40¢	0 or 12
f	Divider gets 50¢ and Designator gets 50¢	0 or 12
g	Divider gets 40¢ and Designator gets 60¢	0 or 12
h	Divider gets 30¢ and Designator gets 70¢	0 or 12
i	Divider gets 20¢ and Designator gets 80¢	0 or 12
j	Divider gets 10¢ and Designator gets 90¢	0 or 12
k	Divider gets 1¢ and Designator gets 99¢	0 or 12

When you have completed your decisions, please place this decision form back in the envelope.

Please do not discuss your decisions with anyone.