

## Instructions—first part of experiment [Escrow03 cell]

You are about to participate in an experiment in the economics of decision-making. If you follow these instructions carefully and make good decisions, you might earn a considerable amount of money that will be paid to you in cash at the end of the session. If you have a question at any time, please feel free to ask the experimenter. We ask that you not talk with the other participants during the experiment.

This experimental session is made up of 2 halves. The first half lasts for 5 rounds, and the second half lasts for 10 rounds. Each round of the first half consists of one play of a simple investment game, which is described below. Each round of the second half also consists of one play of an investment game, which may be the same as the game from the first half, or it may be different. That game will be described after the first half has ended.

The investment games are played between 2 players, called **Investor** and **Allocator**. Before the first round begins, each of the participants is randomly assigned one of these roles; half will be **Investors** and half will be **Allocators**. Participants will remain in the same role throughout the experimental session.

In each round, you will be randomly matched to a player of the opposite role. You will not be told the identity of the person you are matched with in any round, nor will they be told your identity—even after the end of the session. Your score in each round will depend on your choice, and in some cases, the choice of the person you are matched with.

**Sequence of Play:** The sequence of play in a round is as follows.

1. The **Investor** has 2 points and chooses whether to Invest or Not Invest them.
2. If the **Investor** chooses Not Invest, the round ends, and the **Allocator** has no decision to make. If the **Investor** chooses Invest, then the investment is successful, yielding 8 points. The **Allocator** chooses whether to Split these 8 points or Keep them; after this, the round ends.

**Scoring:**

- If the **Investor** chooses Not Invest, then the **Investor** earns 2 points and the **Allocator** earns 0 points.
- If the **Investor** chooses Invest, and the **Allocator** chooses Split, then the **Investor** earns 4 points and the **Allocator** earns 4 points.
- If the **Investor** chooses Invest, and the **Allocator** chooses Keep, then the **Investor** earns 0 points and the **Allocator** earns 8 points.

**Payments:** At the end of the experimental session, two rounds are chosen randomly—one from the first half and one from the second half. Each participant receives, in pounds, the total number of points he/she earned in those two rounds. Each participant additionally receives £5 for completing the session. Payments are made in cash at the end of the session.

## Instructions—second part of experiment [Escrow03 cell]

The procedure in this half of the experiment is very similar to that in the first half. Your role will be the same as in the first half. In each round, you will be randomly matched to a player of the other role. The only difference is that the investment game has an additional stage. Before the **Investor** makes a choice, the **Allocator** chooses whether or not to put 3 points into an escrow account.

### *Rules of the escrow account:*

- If the **Investor** chooses Not Invest, the escrow amount is returned to the **Allocator**.
- If the **Investor** chooses Invest, and the **Allocator** chooses Split, the escrow amount is returned to the **Allocator**.
- If the **Investor** chooses Invest, and the **Allocator** chooses Keep, the escrow amount is lost. (Neither player receives it.)
- Putting the 3 points into the escrow account is voluntary.

The sequence of play in a round is now as follows.

0. The **Allocator** chooses whether to Escrow or Not Escrow.
1. The **Investor** sees whether the **Allocator** has chosen Escrow or Not Escrow, then chooses whether to Invest or Not Invest the 2 points.
2. If the **Investor** chooses Not Invest, the round ends, and the **Allocator** has no further decision to make. If the **Investor** chooses Invest, then the investment is successful, yielding 8 points. The **Allocator** chooses whether to Split these 8 points or Keep them.
3. The escrow amount (if any) is lost if the **Allocator** chose Keep. Otherwise, the escrow amount (if any) is returned to the **Allocator**.

### *Scoring:*

- If the **Investor** chooses Not Invest, then the **Investor** earns 2 points and the **Allocator** earns 0 points (regardless of whether the Allocator chose Escrow or Not Escrow).
- If the **Investor** chooses Invest, and the **Allocator** chooses Split, then the **Investor** earns 4 points and the **Allocator** earns 4 points (regardless of whether the Allocator chose Escrow or Not Escrow).
- If the **Investor** chooses Invest, and the **Allocator** chooses Keep, then the **Investor** earns 0 points. The **Allocator** earns 8 points if he/she had chosen Not Escrow, or 5 points if he/she had chosen Escrow.