

## Instructions for the experiment (Base)

Welcome to this experiment on decision-making. You have earned \$5 for showing up on time. Please read the following instructions carefully. During the experiment, you will be asked to make a number of decisions. Your decisions and the decisions of other participants will determine your cash earnings. Your anonymity is ensured for the decisions you make. The experiment will consist of **12 rounds**. No communication during the experiment is allowed. Final payment will be rounded to the nearest 10 cents. If you have a question, please raise your hand.

### **Matching:**

In each of the 12 rounds all participants will be matched in pairs. The pairs will be the same for all rounds. So you will be matched with another person and you will stay matched to this person throughout the whole experiment. You will **NOT** be rematched.

### **Lotteries:**

In each round, you can earn money by choosing between lotteries: you will see on your screen two lotteries displayed, lottery A and lottery B. You can choose either lottery A or B. After you made the choice, you can spin the wheel and the chosen lottery will be played out. You will see on your screen the lottery outcome and the amount earned will be added to your total earnings. You have a start fund of \$5.

### **Tokens:**

Apart from the lottery decisions you have to make in each round, both you and the person you are matched with will have the option to invest \$1 to buy a token *in each round*. That is, in each round, you will decide whether or not to buy a \$1 token. *The money spend in tokens is non-refundable and tokens are accumulated from round to round.* **Note that the token you have bought in one round will only be effective for the next round.** For example, if you already have 2 tokens at the beginning of a round and decide to buy one more token in this round, it means you only have 2 tokens for this round, and you will have 3 tokens for the next round.

### **Deactivation:**

In each round, you will see your own and the other person's token balance, that is, the numbers of tokens bought up till this round. Both of you can decide whether to press the "deactivate" or "not deactivate" button. **Pressing the "deactivate" button costs \$1.5.** You only have one chance to press the "deactivate" button.

Depending on the current token balance, pressing the "deactivate" button has different consequences for the other person and yourself.

*If you have MORE tokens than the other person* and you press "deactivate", the OTHER PERSON will be deactivated, meaning:

1. All earnings so far (including the start fund) of the OTHER PERSON will be set to \$0.
2. All payoffs in the future lotteries for the OTHER PERSON will be divided by 10.
3. The other person will not be able to deactivate you in future rounds.

*If you and the other person have EQUAL number of tokens* and you press "deactivate", both the OTHER PERSON and YOU will be deactivated, meaning:

1. All earnings so far (including the start fund) for the OTHER PERSON and YOU will be set to \$0.
2. All payoffs in the future lotteries for the OTHER PERSON and YOU will be divided by 10.

*If you have FEWER tokens than the other person* and you press "deactivate", only YOU will be deactivated, meaning:

1. All earnings so far (including the start fund) for YOU will be set to \$0.
2. All payoffs in the future lotteries for YOU will be divided by 10.
3. You will not be able to deactivate the other person in future rounds.

***In summary, once a person is deactivated either directly by the other person or indirectly by his/her own action, it will wipe out his/her total earnings from all previous rounds and decrease the potential earnings from future rounds by 90%. Furthermore, a deactivated person will not be able to deactivate the other person.***

There are two further rules:

- a) If you and the other person press the “deactivate” button in the same round, the rules described above apply to both you and the other person. But no one can be deactivated twice.
- b) If no one has been deactivated after the last (12<sup>th</sup>) round, you will have the option to press the “deactivate” button one last time though there will be no lottery decision to make any more.

### The 12 lottery choices

Choice if you have not been deactivated			Choice if you have been deactivated		
No.	Lottery A	Lottery B	No.	Lottery A	Lottery B
1	15% of \$2.70, 85% of \$2.30	15% of \$3.40, 85% of \$1.70	1	15% of \$0.27, 85% of \$0.23	15% of \$0.34, 85% of \$0.17
2	30% of \$2.70, 70% of \$2.30	30% of \$3.40, 70% of \$1.70	2	30% of \$0.27, 70% of \$0.23	30% of \$0.34, 70% of \$0.17
3	45% of \$2.70, 55% of \$2.30	45% of \$3.40, 55% of \$1.70	3	45% of \$0.27, 55% of \$0.23	45% of \$0.34, 55% of \$0.17
4	60% of \$2.70, 40% of \$2.30	60% of \$3.40, 40% of \$1.70	4	60% of \$0.27, 40% of \$0.23	60% of \$0.34, 40% of \$0.17
5	75% of \$2.70, 25% of \$2.30	75% of \$3.40, 25% of \$1.70	5	75% of \$0.27, 25% of \$0.23	75% of \$0.34, 25% of \$0.17
6	90% of \$2.70, 10% of \$2.30	90% of \$3.40, 10% of \$1.70	6	90% of \$0.27, 10% of \$0.23	90% of \$0.34, 10% of \$0.17
7	15% of \$2.60, 85% of \$2.40	15% of \$3.30, 85% of \$1.80	7	15% of \$0.26, 85% of \$0.24	15% of \$0.33, 85% of \$0.18
8	30% of \$2.60, 70% of \$2.40	30% of \$3.30, 70% of \$1.80	8	30% of \$0.26, 70% of \$0.24	30% of \$0.33, 70% of \$0.18
9	45% of \$2.60, 55% of \$2.40	45% of \$3.30, 55% of \$1.80	9	45% of \$0.26, 55% of \$0.24	45% of \$0.33, 55% of \$0.18
10	60% of \$2.60, 40% of \$2.40	60% of \$3.30, 40% of \$1.80	10	60% of \$0.26, 40% of \$0.24	60% of \$0.33, 40% of \$0.18
11	75% of \$2.60, 25% of \$2.40	75% of \$3.30, 25% of \$1.80	11	75% of \$0.26, 25% of \$0.24	75% of \$0.33, 25% of \$0.18
12	90% of \$2.60, 10% of \$2.40	90% of \$3.30, 10% of \$1.80	12	90% of \$0.26, 10% of \$0.24	90% of \$0.33, 10% of \$0.18

You make these 12 lottery choices in random order and you will not know the other person’s earnings. If you have not been deactivated, then you choose lotteries from the left-hand side of the table. If you have been deactivated, then you choose the corresponding lotteries from the right-hand side of the table, where all payoffs are divided by 10.

Likewise, if you deactivate the other person, then the other person from then on chooses lotteries from the right-hand side of the table, where all payoffs are divided by 10.

This completes the instruction. Before we begin the experiment, to make sure that every participant understands the instructions, please answer several review questions on your screen.

(Sample Screenshot of the Experiment)

The screenshot shows the experiment interface. At the top, it indicates 'Round 3' and 'Remaining Time [sec]: 82'. The main area is divided into several sections:

- Lottery Selection:** Two boxes show 'Lottery A' (45% \$2.70, 55% \$2.30) and 'Lottery B' (45% \$3.40, 55% \$1.70). A 'CONFIRM' button is below them.
- Scoreboard:** Located on the right, it shows: Start Fund: 5.00, Total Lottery Earnings So Far: 5.10, Total Investment So Far: 2.00, Deactivation Expense So Far: 0.00, Total Earnings So Far: 8.10, Show-up fee: 5.00.
- Token Management:** Two vertical bars represent 'Your Tokens' (red) and 'Other's Tokens' (black). The 'Your Tokens' bar has 2 tokens, and the 'Other's Tokens' bar has 1 token. Buttons for 'BUY A TOKEN', 'DO NOT BUY', 'DEACTIVATE', and 'NOT DEACTIVATE' are present.
- Brief Instruction:** A list of four instructions: 1) Choose a lottery between A and B by clicking on the lottery itself. Then spin a wheel to determine the outcome of the lottery. 2) Choose whether to buy a \$1 token. The token you buy this round will be effective for the next round. 3) You can choose to deactivate the other person. However, how the deactivation will affect the other person and yourself depends on the numbers of tokens you and the other person have so far bought respectively (see rules and consequences of deactivation in the instructions). Pressing the "deactivate" button costs \$1.5 no matter what. 4) There will be 12 rounds. After the last round, each player may have to make the deactivation decision one last time.

A 'Submit' button is located at the bottom right of the instruction box.

## Instructions for the experiment (Hidden)

Welcome to this experiment on decision-making. You have earned \$5 for showing up on time. Please read the following instructions carefully. During the experiment, you will be asked to make a number of decisions. Your decisions and the decisions of other participants will determine your cash earnings. Your anonymity is ensured for the decisions you make. The experiment will consist of **12 rounds**. No communication during the experiment is allowed. Final payment will be rounded to the nearest 10 cents. If you have a question, please raise your hand.

### **Matching:**

In each of the 12 rounds all participants will be matched in pairs. The pairs will be the same for all rounds. So you will be matched with another person and you will stay matched to this person throughout the whole experiment. You will **NOT** be rematched.

### **Lotteries:**

In each round, you can earn money by choosing between lotteries: you will see on your screen two lotteries displayed, lottery A and lottery B. You can choose either lottery A or B. After you made the choice, you can spin the wheel and the chosen lottery will be played out. You will see on your screen the lottery outcome and the amount earned will be added to your total earnings. You have a start fund of \$5.

### **Tokens:**

Apart from the lottery decisions you have to make in each round, both you and the person you are matched with will have the option to invest \$1 to buy a token *in each round*. That is, in each round, you will decide whether or not to buy a \$1 token. *The money spend in tokens is non-refundable and tokens are accumulated from round to round.* **Note that the token you have bought in one round will only be effective for the next round.** For example, if you already have 2 tokens at the beginning of a round and decide to buy one more token in this round, it means you only have 2 tokens for this round, and you will have 3 tokens for the next round.

### **Deactivation:**

In each round, you will only see the numbers of tokens you bought up till this round, and **YOU WILL NOT KNOW OTHER PERSON'S TOKEN**. Both of you can decide whether to press the “deactivate” or “not deactivate” button. **Pressing the “deactivate” button costs \$1.5.** You only have one chance to press the “deactivate” button.

Depending on the current token balance, pressing the “deactivate” button has different consequences for the other person and yourself.

*If you have MORE tokens than the other person* and you press “deactivate”, the OTHER PERSON will be deactivated, meaning:

4. All earnings so far (including the start fund) of the OTHER PERSON will be set to \$0.
5. All payoffs in the future lotteries for the OTHER PERSON will be divided by 10.
6. The other person will not be able to deactivate you in future rounds.

*If you and the other person have EQUAL number of tokens* and you press “deactivate”, both the OTHER PERSON and YOU will be deactivated, meaning:

3. All earnings so far (including the start fund) for the OTHER PERSON and YOU will be set to \$0.
4. All payoffs in the future lotteries for the OTHER PERSON and YOU will be divided by 10.

*If you have FEWER tokens than the other person* and you press “deactivate”, only YOU will be deactivated, meaning:

4. All earnings so far (including the start fund) for YOU will be set to \$0.
5. All payoffs in the future lotteries for YOU will be divided by 10.
6. You will not be able to deactivate the other person in future rounds.

***In summary, once a person is deactivated either directly by the other person or indirectly by his/her own action, it will wipe out his/her total earnings from all previous rounds and decrease the potential earnings from future rounds by 90%. Furthermore, a deactivated person will not be able to deactivate the other person.***

There are two further rules:

- c) If you and the other person press the “deactivate” button in the same round, the rules described above apply to both you and the other person. But no one can be deactivated twice.
- d) If no one has been deactivated after the last (12<sup>th</sup>) round, you will have the option to press the “deactivate” button one last time though there will be no lottery decision to make any more.

### The 12 lottery choices

Choice if you have not been deactivated			Choice if you have been deactivated		
No.	Lottery A	Lottery B	No.	Lottery A	Lottery B
1	15% of \$2.70, 85% of \$2.30	15% of \$3.40, 85% of \$1.70	1	15% of \$0.27, 85% of \$0.23	15% of \$0.34, 85% of \$0.17
2	30% of \$2.70, 70% of \$2.30	30% of \$3.40, 70% of \$1.70	2	30% of \$0.27, 70% of \$0.23	30% of \$0.34, 70% of \$0.17
3	45% of \$2.70, 55% of \$2.30	45% of \$3.40, 55% of \$1.70	3	45% of \$0.27, 55% of \$0.23	45% of \$0.34, 55% of \$0.17
4	60% of \$2.70, 40% of \$2.30	60% of \$3.40, 40% of \$1.70	4	60% of \$0.27, 40% of \$0.23	60% of \$0.34, 40% of \$0.17
5	75% of \$2.70, 25% of \$2.30	75% of \$3.40, 25% of \$1.70	5	75% of \$0.27, 25% of \$0.23	75% of \$0.34, 25% of \$0.17
6	90% of \$2.70, 10% of \$2.30	90% of \$3.40, 10% of \$1.70	6	90% of \$0.27, 10% of \$0.23	90% of \$0.34, 10% of \$0.17
7	15% of \$2.60, 85% of \$2.40	15% of \$3.30, 85% of \$1.80	7	15% of \$0.26, 85% of \$0.24	15% of \$0.33, 85% of \$0.18
8	30% of \$2.60, 70% of \$2.40	30% of \$3.30, 70% of \$1.80	8	30% of \$0.26, 70% of \$0.24	30% of \$0.33, 70% of \$0.18
9	45% of \$2.60, 55% of \$2.40	45% of \$3.30, 55% of \$1.80	9	45% of \$0.26, 55% of \$0.24	45% of \$0.33, 55% of \$0.18
10	60% of \$2.60, 40% of \$2.40	60% of \$3.30, 40% of \$1.80	10	60% of \$0.26, 40% of \$0.24	60% of \$0.33, 40% of \$0.18
11	75% of \$2.60, 25% of \$2.40	75% of \$3.30, 25% of \$1.80	11	75% of \$0.26, 25% of \$0.24	75% of \$0.33, 25% of \$0.18
12	90% of \$2.60, 10% of \$2.40	90% of \$3.30, 10% of \$1.80	12	90% of \$0.26, 10% of \$0.24	90% of \$0.33, 10% of \$0.18

You make these 12 lottery choices in random order and you will not know the other person’s earnings. If you have not been deactivated, then you choose lotteries from the left-hand side of the table. If you have been deactivated, then you choose the corresponding lotteries from the right-hand side of the table, where all payoffs are divided by 10.

Likewise, if you deactivate the other person, then the other person from then on chooses lotteries from the right-hand side of the table, where all payoffs are divided by 10.

This completes the instruction. Before we begin the experiment, to make sure that every participant understands the instructions, please answer several review questions on your screen.

(Sample Screenshot of the Experiment)

The screenshot shows the experiment interface. At the top, it indicates 'Round 3' and 'Remaining Time [sec] 78'. The main area is divided into several sections:

- Lottery A:** 45% \$2.70, 55% \$2.30
- Lottery B:** 45% \$3.40, 55% \$1.70
- CONFIRM** button
- SCOREBOARD:**
  - Start Fund: 5.00
  - Total Lottery Earnings So Far: 5.10
  - Total Investment So Far: 2.00
  - Deactivation Expense So Far: 0.00
  - Total Earnings So Far: 8.10
  - Show-up fee: 5.00
- Your Tokens:** A vertical bar with a scale from 1 to 12. The bar is currently at level 2, with a red segment at the bottom.
- BUY A TOKEN** and **DO NOT BUY** buttons
- DEACTIVATE** and **NOT DEACTIVATE** buttons
- Brief Instruction:**
  - Choose a lottery between A and B by clicking on the lottery itself. Then spin a wheel to determine the outcome of the lottery.
  - Choose whether to buy a \$1 token. The token you buy this round will be effective for the next round.
  - You can choose to deactivate the other person. However, how the deactivation will affect the other person and yourself depends on the numbers of tokens you and the other person have so far bought respectively (see rules and consequences of deactivation in the instructions). Pressing the "deactivate" button costs \$1.5 no matter what.
  - There will be 12 rounds. After the last round, each player may have to make the deactivation decision one last time.
- Submit** button

## Instructions for the experiment (Asymmetry)

Welcome to this experiment on decision-making. You have earned \$5 for showing up on time. Please read the following instructions carefully. During the experiment, you will be asked to make a number of decisions. Your decisions and the decisions of other participants will determine your cash earnings. Your anonymity is ensured for the decisions you make. The experiment will consist of **12 rounds**. No communication during the experiment is allowed. Final payment will be rounded to the nearest 10 cents. If you have a question, please raise your hand.

### **Matching:**

In each of the 12 rounds all participants will be matched in pairs. The pairs will be the same for all rounds. So you will be matched with another person and you will stay matched to this person throughout the whole experiment. You will **NOT** be rematched. In each pair, the computer will randomly select one person to be Person X and the other Person Y.

### **Lotteries:**

In each round, you can earn money by choosing between lotteries: you will see on your screen two lotteries displayed, lottery A and lottery B. You can choose either lottery A or B. After you made the choice, you can spin the wheel and the chosen lottery will be played out. You will see on your screen the lottery outcome and the amount earned will be added to your total earnings. You have a start fund of \$5.

### **Tokens:**

Apart from the lottery decisions you have to make in each round, both you and the person you are matched with will have the option to invest \$1 to buy a token *in each round*. That is, in each round, you will decide whether or not to buy a \$1 token. **Person X starts with 0.5 token and Person Y starts with 0 token in round 1.** *The money spend in tokens is non-refundable and tokens are accumulated from round to round.* **Note that the token you have bought in one round will only be effective for the next round.** For example, if you already have 2 tokens at the beginning of a round and decide to buy one more token in this round, it means you only have 2 tokens for this round, and you will have 3 tokens for the next round.

### **Deactivation:**

In each round, you will see your own and the other person's token balance, that is, the numbers of tokens bought up till this round. Both of you can decide whether to press the "deactivate" or "not deactivate" button. **Pressing the "deactivate" button costs \$1.5.** You only have one chance to press the "deactivate" button.

Depending on the current token balance, pressing the "deactivate" button has different consequences for the other person and yourself.

*If you have MORE tokens than the other person and you press "deactivate", the OTHER PERSON will be deactivated, meaning:*

7. All earnings so far (including the start fund) of the OTHER PERSON will be set to \$0.
8. All payoffs in the future lotteries for the OTHER PERSON will be divided by 10.
9. The other person will not be able to deactivate you in future rounds.

*If you have FEWER tokens than the other person and you press "deactivate", only YOU will be deactivated, meaning:*

7. All earnings so far (including the start fund) for YOU will be set to \$0.
8. All payoffs in the future lotteries for YOU will be divided by 10.
9. You will not be able to deactivate the other person in future rounds.

***In summary, once a person is deactivated either directly by the other person or indirectly by his/her own action, it will wipe out his/her total earnings from all previous rounds and decrease the potential earnings from future rounds by 90%. Furthermore, a deactivated person will not be able to deactivate the other person.***

There are two further rules:

- e) If you and the other person press the "deactivate" button in the same round, the rules described above apply to both you and the other person. But no one can be deactivated twice.
- f) If no one has been deactivated after the last (12<sup>th</sup>) round, you will have the option to press the "deactivate" button one last time though there will be no lottery decision to make any more.

## The 12 lottery choices

Choice if you have not been deactivated			Choice if you have been deactivated		
No.	Lottery A	Lottery B	No.	Lottery A	Lottery B
1	15% of \$2.70, 85% of \$2.30	15% of \$3.40, 85% of \$1.70	1	15% of \$0.27, 85% of \$0.23	15% of \$0.34, 85% of \$0.17
2	30% of \$2.70, 70% of \$2.30	30% of \$3.40, 70% of \$1.70	2	30% of \$0.27, 70% of \$0.23	30% of \$0.34, 70% of \$0.17
3	45% of \$2.70, 55% of \$2.30	45% of \$3.40, 55% of \$1.70	3	45% of \$0.27, 55% of \$0.23	45% of \$0.34, 55% of \$0.17
4	60% of \$2.70, 40% of \$2.30	60% of \$3.40, 40% of \$1.70	4	60% of \$0.27, 40% of \$0.23	60% of \$0.34, 40% of \$0.17
5	75% of \$2.70, 25% of \$2.30	75% of \$3.40, 25% of \$1.70	5	75% of \$0.27, 25% of \$0.23	75% of \$0.34, 25% of \$0.17
6	90% of \$2.70, 10% of \$2.30	90% of \$3.40, 10% of \$1.70	6	90% of \$0.27, 10% of \$0.23	90% of \$0.34, 10% of \$0.17
7	15% of \$2.60, 85% of \$2.40	15% of \$3.30, 85% of \$1.80	7	15% of \$0.26, 85% of \$0.24	15% of \$0.33, 85% of \$0.18
8	30% of \$2.60, 70% of \$2.40	30% of \$3.30, 70% of \$1.80	8	30% of \$0.26, 70% of \$0.24	30% of \$0.33, 70% of \$0.18
9	45% of \$2.60, 55% of \$2.40	45% of \$3.30, 55% of \$1.80	9	45% of \$0.26, 55% of \$0.24	45% of \$0.33, 55% of \$0.18
10	60% of \$2.60, 40% of \$2.40	60% of \$3.30, 40% of \$1.80	10	60% of \$0.26, 40% of \$0.24	60% of \$0.33, 40% of \$0.18
11	75% of \$2.60, 25% of \$2.40	75% of \$3.30, 25% of \$1.80	11	75% of \$0.26, 25% of \$0.24	75% of \$0.33, 25% of \$0.18
12	90% of \$2.60, 10% of \$2.40	90% of \$3.30, 10% of \$1.80	12	90% of \$0.26, 10% of \$0.24	90% of \$0.33, 10% of \$0.18

You make these 12 lottery choices in random order and you will not know the other person's earnings. If you have not been deactivated, then you choose lotteries from the left-hand side of the table. If you have been deactivated, then you choose the corresponding lotteries from the right-hand side of the table, where all payoffs are divided by 10.

Likewise, if you deactivate the other person, then the other person from then on chooses lotteries from the right-hand side of the table, where all payoffs are divided by 10.

This completes the instruction. Before we begin the experiment, to make sure that every participant understands the instructions, please answer several review questions on your screen.

(Sample Screenshot of the Experiment)

The screenshot displays the experiment interface for Round 2. At the top, it shows the round number and remaining time. The main area is divided into several sections:

- Lottery A:** 90% \$2.70, 10% \$2.30
- Lottery B:** 90% \$3.40, 10% \$1.70
- SCOREBOARD:**
  - Start Fund: 5.00
  - Total Lottery Earnings So Far: 1.70
  - Total Investment So Far: 1.00
  - Deactivation Expense So Far: 0.00
  - Total Earnings So Far: 5.70
  - Show-up fee: 5.00
- Token Counts:** Two vertical bars represent 'Your Tokens' (red) and 'Other's Tokens' (black). The 'Your Tokens' bar shows 2 tokens, and the 'Other's Tokens' bar shows 1 token.
- Buttons:** 'BUY A TOKEN', 'DO NOT BUY', 'DEACTIVATE', and 'NOT DEACTIVATE' are visible.
- Brief Instruction:**
  - Choose a lottery between A and B by clicking on the lottery itself. Then spin a wheel to determine the outcome of the lottery.
  - Choose whether to buy a \$1 token. The token you buy this round will be effective for the next round.
  - You can choose to deactivate the other person. However, how the deactivation will affect the other person and yourself depends on the numbers of tokens you and the other person have so far bought respectively (see rules and consequences of deactivation in the instructions). Pressing the "deactivate" button costs \$1.5 no matter what.
  - There will be 12 rounds. After the last round, each player may have to make the deactivation decision one last time.

## Instructions for the experiment (Trade)

Welcome to this experiment on decision-making. You have earned \$5 for showing up on time. Please read the following instructions carefully. During the experiment, you will be asked to make a number of decisions. Your decisions and the decisions of other participants will determine your cash earnings. Your anonymity is ensured for the decisions you make. The experiment will consist of **12 rounds**. No communication during the experiment is allowed. Final payment will be rounded to the nearest 10 cents. If you have a question, please raise your hand.

### Matching:

In each of the 12 rounds all participants will be matched in pairs. The pairs will be the same for all rounds. So you will be matched with another person and you will stay matched to this person throughout the whole experiment. You will **NOT** be rematched. In each pair, the computer will randomly select one person to be Person X and the other Person Y.

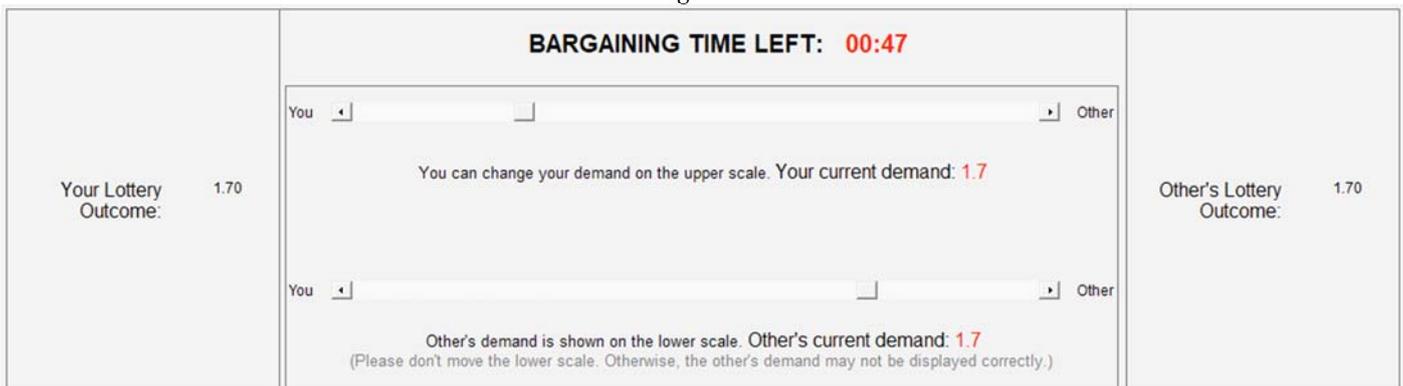
### Lotteries:

In each round, you can earn money by choosing between lotteries: you will see on your screen two lotteries displayed, lottery A and lottery B. You can choose either lottery A or B. After you made the choice, you can spin the wheel and the chosen lottery will be played out.

### Bargaining:

After both you and your pair have made the lottery decisions, you will be told both your and your pair's lottery earnings. Then, the pair will bargain over a fixed amount of money of \$7 by clicking on a scale from \$0 to \$7 (see figure 1). In 60 seconds, you can choose your demand on the upper scale and you can see your pair's demand *in real time* on the lower scale. On both scales, the amounts from the cursor to the left end represents your payoff and the amounts from the cursor to the right end represents your pair's payoff. (Please don't move the lower scale, which displays the other's current demand. It is not possible for you to change the other's demand by moving this scale.)

Figure 1



After the 60 seconds, if the sum of your and your pair's demands is no greater than \$7 (i.e. a deal is made, see, e.g., figure 2), then each person's payoff equals to the amounts he/she demands in the bargaining. For example, in figure 2, in this round, you receive \$3.4 and your pair receives \$3.6. If the sum is greater than \$7 (i.e. no deal is made, see, e.g., figure 3), then each person's payoff *equals to his/her own lottery earnings*. The payoff earned will be added to each person's total earnings.

Figure 2

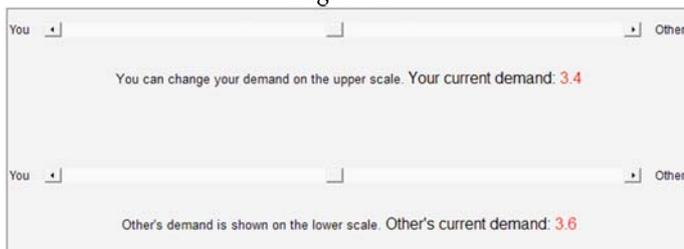
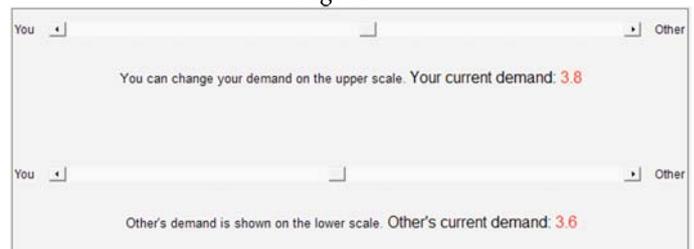


Figure 3



### **Tokens:**

You have a start fund of \$5 (in addition to the \$5 show-up fee). Apart from the lottery and bargaining decisions, both you and the person you are matched with will have the option to invest \$1 to buy a token *in each round*. That is, in each round, you will decide whether or not to buy a \$1 token. **Person X starts with 0.5 token and Person Y starts with 0 token in round 1.** *The money spend in tokens is non-refundable and tokens are accumulated from round to round.* **Note that the token you have bought in one round will only be effective for the next round.** For example, if you already have 2 tokens at the beginning of a round and decide to buy one more token in this round, it means you only have 2 tokens for this round, and you will have 3 tokens for the next round.

### **Deactivation:**

In each round, you will see your own and the other person's token balance, that is, the numbers of tokens bought up till this round. Both of you can decide whether to press the "deactivate" or "not deactivate" button. **Pressing the "deactivate" button costs \$1.5.** You only have one chance to press the "deactivate" button.

Depending on the current token balance, pressing the "deactivate" button has different consequences for the other person and yourself.

*If you have MORE tokens than the other person* and you press "deactivate", the OTHER PERSON will be deactivated, meaning:

10. All earnings so far (including the start fund) of the OTHER PERSON will be set to \$0.
11. There will be no bargaining opportunity in future rounds.
12. You will keep your lottery earnings in future rounds, but the OTHER PERSON's future lottery earnings will be divided by 10.
13. The other person will not be able to deactivate you in future rounds.

*If you have FEWER tokens than the other person* and you press "deactivate", only YOU will be deactivated, meaning:

10. All earnings so far (including the start fund) for YOU will be set to \$0.
11. There will be no bargaining opportunity in future rounds
12. YOUR future lottery earnings will be divided by 10, and the other person will keep their lottery earnings in future rounds.
13. You will not be able to deactivate the other person in future rounds.

***In summary, once a person is deactivated either directly by the other person or indirectly by his/her own action, it will wipe out his/her total earnings from all previous rounds and decrease the potential earnings from future rounds by 90%. Furthermore, a deactivated person will not be able to deactivate the other person. Also, there will be no bargaining opportunity in future rounds and both pair members will only receive their own lottery earnings.***

There are two further rules:

- g) If you and the other person press the "deactivate" button in the same round, the rules described above apply to both you and the other person. But no one can be deactivated twice.
- h) If no one has been deactivated after the last (12<sup>th</sup>) round, you will have the option to press the "deactivate" button one last time though there will be no lottery or bargaining decision to make any more.

## The 12 lottery choices

Choice if you have not been deactivated			Choice if you have been deactivated		
No.	Lottery A	Lottery B	No.	Lottery A	Lottery B
1	15% of \$2.70, 85% of \$2.30	15% of \$3.40, 85% of \$1.70	1	15% of \$0.27, 85% of \$0.23	15% of \$0.34, 85% of \$0.17
2	30% of \$2.70, 70% of \$2.30	30% of \$3.40, 70% of \$1.70	2	30% of \$0.27, 70% of \$0.23	30% of \$0.34, 70% of \$0.17
3	45% of \$2.70, 55% of \$2.30	45% of \$3.40, 55% of \$1.70	3	45% of \$0.27, 55% of \$0.23	45% of \$0.34, 55% of \$0.17
4	60% of \$2.70, 40% of \$2.30	60% of \$3.40, 40% of \$1.70	4	60% of \$0.27, 40% of \$0.23	60% of \$0.34, 40% of \$0.17
5	75% of \$2.70, 25% of \$2.30	75% of \$3.40, 25% of \$1.70	5	75% of \$0.27, 25% of \$0.23	75% of \$0.34, 25% of \$0.17
6	90% of \$2.70, 10% of \$2.30	90% of \$3.40, 10% of \$1.70	6	90% of \$0.27, 10% of \$0.23	90% of \$0.34, 10% of \$0.17
7	15% of \$2.60, 85% of \$2.40	15% of \$3.30, 85% of \$1.80	7	15% of \$0.26, 85% of \$0.24	15% of \$0.33, 85% of \$0.18
8	30% of \$2.60, 70% of \$2.40	30% of \$3.30, 70% of \$1.80	8	30% of \$0.26, 70% of \$0.24	30% of \$0.33, 70% of \$0.18
9	45% of \$2.60, 55% of \$2.40	45% of \$3.30, 55% of \$1.80	9	45% of \$0.26, 55% of \$0.24	45% of \$0.33, 55% of \$0.18
10	60% of \$2.60, 40% of \$2.40	60% of \$3.30, 40% of \$1.80	10	60% of \$0.26, 40% of \$0.24	60% of \$0.33, 40% of \$0.18
11	75% of \$2.60, 25% of \$2.40	75% of \$3.30, 25% of \$1.80	11	75% of \$0.26, 25% of \$0.24	75% of \$0.33, 25% of \$0.18
12	90% of \$2.60, 10% of \$2.40	90% of \$3.30, 10% of \$1.80	12	90% of \$0.26, 10% of \$0.24	90% of \$0.33, 10% of \$0.18

You make these 12 lottery choices in random order. If you have not been deactivated, then you choose lotteries from the left-hand side of the table. If you have been deactivated, then you choose the corresponding lotteries from the right-hand side of the table, where all payoffs are divided by 10.

Likewise, if you deactivate the other person, then the other person from then on chooses lotteries from the right-hand side of the table, where all payoffs are divided by 10.

This completes the instruction. Before we begin the experiment, to make sure that every participant understands the instructions, please answer several review questions on your screen.

(Sample Screenshot of the Experiment)

The screenshot displays the experiment interface. At the top, it shows 'Round 2' and 'Remaining Time [sec]: 113'. The main area is divided into several sections:

- Lottery A:** 90% \$2.70, 10% \$2.30
- Lottery B:** 90% \$3.40, 10% \$1.70
- SCOREBOARD:**
  - Start Fund: 5.00
  - Total Bargaining Earnings So Far: 1.70
  - Total Investment So Far: 1.00
  - Deactivation Expense So Far: 0.00
  - Total Earnings So Far: 5.70
  - Show-up fee: 5.00
- Token Counts:** Two vertical bars represent 'Your Tokens' (red) and 'Other's Tokens' (black). The 'Your Tokens' bar shows 2 tokens, and the 'Other's Tokens' bar shows 1 token.
- Buttons:** 'BUY A TOKEN', 'DO NOT BUY', 'DEACTIVATE', and 'NOT DEACTIVATE'.
- Brief Instruction:**
  - Choose a lottery between A and B by clicking on the lottery itself. Then spin a wheel to determine the outcome of the lottery.
  - Bargain over \$7. If a deal is made, each player earns the amount he/she demands. If no deal, each player earns respective lottery payoff.
  - Choose whether to buy a \$1 token. The token you buy this round will be effective for the next round.
  - You can choose to deactivate the other person. However, how the deactivation will affect the other person and yourself depends on the numbers of tokens you and the other person have so far bought respectively (see rules and consequences of deactivation in the instructions). Pressing the "deactivate" button costs \$1.5 no matter what.
  - There will be 12 rounds. After the last round, each player may have to make the deactivation decision one last time.