

Vendettas by Friedel Bolle, Jonathan H.W. Tan and Daniel John Zizzo

Instructions

You are participating in an experiment on decision making. Please raise your hand if you have any questions at any point in the experiment. The experiment is divided into 4 stages. At the end of the experiment you will be paid the sum of the earnings obtained in each stage, plus a participation fee of 5 pounds.

There are eight participants in the experiment, all of which have received the same set of instructions as you have. In each stage, you will be randomly matched with another participant (the **coparticipant**). Your coparticipant most likely changes from stage to stage.

Task: At the start of each stage you and your coparticipant are assigned an initial probability of winning a prize of 10 pounds. The probability of winning the prize is known as **winning probability**. You are assigned the same initial winning probability throughout the experiment, and your coparticipant is also assigned the same initial winning probability throughout the experiment. The computer display shows both your and your coparticipant's winning probabilities.

You and your coparticipant take turns in making choices. The computer determines which of you is first to choose. You are asked to choose how much winning probability to take away from your coparticipant. Amounts taken have to be multiples of 10% (so they can be 0%, 10%, 20%, 30%, 40%, etc.), and up to as much as your coparticipant has at present.

A **conversion rate** is specified on the computer display. For every 10% winning probability that you take away from the coparticipant, your winning probability increases by the winning probability taken away multiplied by the conversion rate (and rounded to the nearest percentage point), up to a maximum of 100%. For example, if the conversion rate were 0.5 and you took away 40% from the coparticipant, then your winning probability would go up by 20%. The conversion rate may change from stage to stage.

On the computer display you will find two bars; one shows your winning probability and the other shows your coparticipant's winning probability. After your coparticipant has chosen, and it is your turn, the bars will be updated to show you the winning probabilities as a result of your coparticipant's choice. During your round, the bars will show you winning probabilities for any given amount you take away from your coparticipant.

If neither you nor the coparticipant takes away (or can take away) winning probabilities for two consecutive turns, then the stage is over and the resulting winning probabilities are used to determine who wins the prize. A random draw takes place to determine if you or your coparticipant is the winner, or if neither of you is the winner (i.e. there is no winner).

Please fill in the questionnaire and call for the experimenter before you begin. Feel free to raise your hand for assistance at any point of the experiment.