

Berg, Joyce, J. Dickhaut, K. McCabe (1995), “Trust, Reciprocity, and Social History”, Games and Economic Behavior

Instructions for Room A

You have been asked to participate in an economic experiment. The instructions you are about to read are self-explanatory. We will not answer any questions during this experiment. If you have any questions, you should read back through these instructions. Now that the experiment has begun, we ask that you do not talk, at all, during this experiment.

In this experiment each of you will be paired with a different person who is in another room. You will not be told who these people are either during or after the experiment. This is room A, other participants are in room B. You will notice that there are other people in the same room with you who are also participating in this experiment. You will not be paired with any of these people. A person in room A, called monitor A, and a person in room B, called monitor B, will be chosen for today's experiment. The monitors will be in charge of the envelopes as explained below. In addition, the monitors will verify that the instructions have been followed as they appear here.

Each person in room A and each person in room B has been given \$10 as a show up fee for this experiment. Persons in room A will have the opportunity to send in an envelope, some, all, or none of their show up fee to a person in room B. Each dollar sent to room B will be tripled. For example, if you send an envelope which contains \$2, the envelope will contain \$6 when it reaches room B. If you send an envelope which contains \$9, the envelope will contain \$27 when it reaches room B. The person in room B will decide how much money to send back to the person in room A and how much money to keep.

(For the social history treatment we added the following paragraph)

Each of you has received a report summarizing the decisions of the previous 32 pairs of subjects who have participated in this experiment during July. Please check the last page of the instructions to be sure you have this sheet.

The remainder of these instructions will explain exactly how this experiment is run. This experiment is structured so that no one, including the experimenters and monitors, will know the personal decision in either room A or room B. Since your decision is private we ask that you do not tell anyone your decision either during or after, the experiment.

The experiment is conducted as follows: Twelve large unmarked envelopes have been placed in a box in room A. Each of these envelopes contains 10 one dollar bills (the show up fee for a person in room A), a smaller inner envelope, and a key in a sealed envelope marked KEY. The inner envelope and key are marked with the same letter of the alphabet. The monitor, in room A, will point to one person at a time, and hand that person an unmarked envelope from the box. The person who was pointed to will then go to one of the seats, with a large box on top and privately open the unmarked envelope inside the box. Only the person who opened the envelope will know which letter of the alphabet was in the envelope. Do not open the envelope marked KEY until you are told to do so. The monitor will then point to the next person, and continue in this fashion until everyone has made their decisions.

Each person in room A must decide how many dollar bills to put in the inner envelope.

The person then pockets the remaining dollar bills and the envelope marked KEY. Examples: (1) Put \$2 in the inner envelope, and pocket \$8 as well as the envelope marked KEY. (2) Put \$9 in the inner envelope, and pocket \$1 as well as the envelope marked KEY. These are examples only, the actual decision is up to each person.

Once a person in room A has made a decision they should put the inner envelope back inside the large unmarked envelope, and return the unmarked envelope to the box marked return envelopes. Persons in room A should make sure that they kept the envelope marked KEY as they will use this later in the experiment. Notice that each envelope returned will look exactly the same.

After all the envelopes have been put in the return box monitor A will transport the box to a recorder who is in the hallway. With monitor A observing, the recorder will then, one at a time, take the inner envelope out of the unmarked envelope and record on a blank sheet of paper, the letter on the envelope, and the amount of money in the envelope. While monitor A is observing, the recorder will then triple

the amount of money in the inner envelope, and place the inner envelope back into the unmarked outer envelope. At this point, the recorder will signal the monitor from room B to come to the recorder desk. One monitor B arrived monitor A will be asked to return to room A.

Monitor B will then carry the box of envelopes to room B. Monitor B will then point to one person at a time, and hand that person an unmarked envelope from the box. The person who was called will then go to a seat with a large box on top and then privately open the outer envelope inside the box. The monitor will then point to the next person. Each person in room B must decide how many dollar bills to leave in the inner envelope. The person then pockets the remaining dollar bills. The inner envelope should then be placed in the box marked return envelopes. The person in room B will then be asked to leave since the experiment is over for that person. When you leave we ask that you leave the building. After all the envelopes in room B are returned, monitor B will transport the box to the recorder in the hallway. The recorder will then, one at a time, open the inner envelope and record on a blank sheet of paper, the letter on the envelope, and the amount of money in the inner envelope. The recorder will then signal monitor A to come to the record desk. Once monitor A has arrived monitor B will return to room B.

When monitor A arrives the monitor and recorder will carry the box envelopes to room C directly opposite room A. Room C contains mailboxes with identifying letters. The letters correspond to the letters on the inner envelopes. While the recorder observes, monitor A will place each inner envelope in the box with the corresponding letter. All the mailboxes will then be locked. The recorder will then go back to room B and monitor A will go to room A.

Monitor A will then point to one person at a time from room A. That person will then enter room C alone and open the envelope marked KEY. Inside this envelope is a lettered key which will open the mailbox with the corresponding letter. The inner envelope in the mailbox is the same one the person in room A started with. We have underlined the letters H and I on the key tags to make it clear which letter you have. The person from room A will then go to the appropriate mailbox, open it, take out the envelope, and remove the money. The person will then return the envelope to the mailbox and lock the mailbox. The person will then return the key to the envelope marked KEY and drop the envelope in the box just outside the door in the hallway. When you are called to go to room C, you should take all your belongings since you will be asked to leave the building when you are done.

When everyone in room A has left, the experiment is over, and the monitors will be paid for their participation.