

APPENDIX

A INSTRUCTIONS

Below we include the instructions used in the first run of treatment IEQ, translated from German. Instructions for the other runs and treatments were worded analogously.

Welcome to this experiment! In this experiment you can earn money. How much money you earn depends on your decisions and the decisions of the other participants.

From now on, please do not communicate with other participants. If you have a question concerning the experiment, please raise your hand! We will come to your place and answer your question privately. If you do not comply with these rules, we will have to exclude you from the experiment and all payments.

In the experiment, we will use ET (“Experiment-Taler”) as the currency. At the end of the experiment, your payoff will be converted into Euros and will be paid out in cash. The exchange rate is $150 \text{ ET} = 1 \text{ Euro}$. In the experiment, all amounts in ET are rounded to whole numbers.

The experiment consists of several parts. The payoff of only one of these parts will be paid out at the end of the experiment. When the experiment is finished, a die will be used to determine which part will be used for payment. The following instructions refer to the first part of the experiment. After the first part is finished you will receive new instructions.

In this part all participants receive an initial endowment. Half of the participants receive an initial endowment of 800 ET, the other half receive an initial endowment of 200 ET. It will be determined by chance which participant receives which initial endowment.

This part consists of 20 rounds. In each round pairs are formed randomly, each pair consisting of participant A and participant B. It is guaranteed that you do not interact with the same participant in two consecutive rounds. The roles A and B within the pair are assigned randomly in every round.

The identity of the participant you are interacting with is secret, and no other participant will be informed about your identity. In this sense, your decisions are anonymous.

Every round proceeds as follows:

- At the beginning of the round both participants are informed about their roles (A or B), the current round (1-20), their own current wealth and the current wealth of the other participant.
- Then participant A decides how much of his/her wealth he/she wants to send to participant B.
- The amount sent by participant A is multiplied by 1.2. This means participant B not only receives the amount sent, but 120 % of the amount sent ($1.2 \times \text{amount sent}$).
- Then participant B decides how much he/she sends back to participant A. He/she must send back at least 90 % of the amount sent ($0.9 \times \text{amount sent}$). The upper limit for the amount sent back is the wealth of participant B.

After that the round is over. Wealth at the end of the round is calculated as follows:

- Participant A: Wealth at the end of the round = wealth at the beginning of the round - amount sent + amount sent back (at least $0.9 \times \text{amount sent}$)
- Participant B: Wealth at the end of the round = wealth at the beginning of the round + $1.2 \times \text{amount sent}$ - amount sent back (at least $0.9 \times \text{amount sent}$)

Wealth at the beginning of a new round is equal to wealth at the end of the preceding round. The payment for this part in case it is selected is given by the wealth at the end of the last round of this part.