

Cycles of Conditional Cooperation in A Real-Time Voluntary Contribution Mechanism - experimental instructions (translated from German)

Welcome and thanks for participating in this experiment. You receive €2.5 for having shown up on time. If you read these instructions carefully and follow all the rules, you can earn more. The €2.5 and all additional amount of money will be paid to you in cash immediately after the experiment.

During the experiment, we shall not speak of euros but rather of ECU (Experimental Currency Unit). ECU are converted to euros at the following exchange rate: 1 ECU = €0.05.

It is prohibited to communicate with the other participants during the experiment. If you have any questions, please ask us. We will gladly answer your questions individually. It is very important that you follow this rule, otherwise we shall have to exclude you from the experiment and from all payments.

The instructions are identical for all participants.

Detailed information on the experiment

The experiment is divided into four periods. In every period, you will be interacting in groups of four persons. The composition of your group will be randomly determined at the beginning and kept constant for the entire experiment. That is, your three group members will be the same in all periods of the experiment. The identity of your group members will not be revealed to you at any time.

In your group there will be 2 members of type *A* and 2 members of type *B*. You will learn your type at the beginning of the experiment. Types do not change, i.e., you will keep your type over the entire experiment.

At the beginning of each period, each participant receives a number of ECU. In the following we refer to this as “your endowment”.

- If you are an *A*-participant, you will receive an endowment of 5 ECU per period.
- If you are a *B*-participant, your endowment will be 15 ECU per period.

Your task in each period

In each period, you as well as the other three participants in your group have to decide how much of your endowment (5 or 15 ECU) you want to contribute to a project.

Whatever you do not contribute, you keep for yourself (“*ECU you keep*”).

You will have 3 minutes (i.e., 180 seconds) for deciding about the amount of ECU that you want to contribute to the project. During this time you can either gradually increase your contribution from 0 (which is the starting point) or leave it unchanged. Once you have decided to give a certain amount, you can raise it again but you can never lower it.

[*Participants in the IF-treatment read:* While the 3 minutes go by, you will be continuously informed about the actual level of contributions of each of your partners. You will also know which type (*A* or *B*) decides to contribute.]

Your contribution level at the end of the three minutes will represent your period contribution decision.

Your contribution decision as well as the contribution decisions of your three group members will determine the “income from the project”. This is:

$$\begin{aligned} \text{Income from the project} &= \\ &= \frac{2}{4} \times \text{Sum of the 4 group members' contributions to the project} \end{aligned}$$

In words, to determine the “income from the project” we will sum up the contributions of the four group members, multiply this sum by 2, and then divide the resulting amount equally among the 4 group members independently of how much each of them has contributed.

Your “period income” will be calculated by adding the “ECU you keep” to the “income from the project”. That is:

$$\text{Period Income} = \text{ECU you keep} + \text{Income from the project}$$

[*Participants in the IF-treatment read:* You will learn about your period income at the end of each period.]

[*Participants in the SF-treatment read:* You will learn about the contributions of each of your partners as well as about your period income at the end of each period.]

The sum of your period income in all four periods will determine the payment that you will receive from the experiment.

Before the experiment starts, you will have to answer some control questions to verify your understanding of the rules of the experiment.

Please remain seated quietly until the experiment starts. If you have any questions please raise your hand now.