Instructions for T1

(randomly allocated outside options)
On your desk you will find a copy of the instructions for the experiment, which I will now read out loud. You may refer to that copy now and again at any time during the experiment.

You are going to participate in an experiment financed by the Department of Economics at BI and the Norwegian Research Council. The experiment will not last more than 90 minutes. The aim of the experiment is to examine how people behave in bargaining situations.

In the experiment you will earn money. How much you earn depends on the decisions you make, as well as on the decisions made by other subjects.

All interactions are anonymous and are performed through a network of computers. The administrators of the experiment will not be able to observe your decisions during the experiment.

The people in this room are participating in the same experiment as you. They have all been recruited in the same way as you and are reading the same instructions as you are for the first time.

The experiment will consist of 10 games, in each of which you can earn units of an experimental currency that we call “ECU” (Experimental Currency Unit). At the end of the experiment you will be paid based on your total earnings in ECUs from all 10 games:

1 ECU is worth 1.07 Norwegian Kroner.

The more ECUs you earn, the more cash you will receive.

At the end of the experiment you will fill in your first and last name in a screen on your computer. Once this has been done by everyone a payment file will be written. In this payment file your earnings in ECU are converted to Norwegian Kroner at the stated exchange rate. You will be paid your earnings in cash as you leave the lab.
During the experiment all mobile phones must be powered off (it is not enough to turn off the sound). You are not allowed to talk with any of the other participants during the experiment. If you have questions or need help with the computer, please raise your hand and one of us will approach you and assist you privately.

**INSTRUCTIONS**

The experiment consists of ten games. Each game consists of one or more stages.

In each game there is a first mover and a second mover. The first mover makes a proposal in the first stage of the game the second mover does not make a proposal in the first stage of the game.

Before bargaining starts you will be randomly assigned a role as first or second mover for the first five games of the experiment. In the last five games of the experiment you will be assigned the alternative role; that is if you are first mover in the first five games you will be second mover in the last five games. If you are second mover in the first five games you will be first mover in the last five games.

You will also be randomly assigned an outside option which will remain constant throughout the experiment. Note however that the outside option can only be used when you are a second mover.

During the experiment you will bargain with different opponents. Your opponent is randomly selected but you will never be matched with the same opponent in more than one game. Each new game is with a new opponent.

The first screen shows you your type – either a first mover or a second mover – and the randomly drawn outside option (that you will keep for all 10 games).
After this screen disappears you will bargain with a random opponent.

We now go through the instructions for the first and the second mover separately.

**INSTRUCTIONS FOR FIRST MOVER**

You will be asked to divide a pie between yourself and an opponent.

The initial value of the pie is 70 ECU.

At certain times, your opponent can, if he/she wishes, "opt out," and be paid a certain sum; if he/she does this, you will receive nothing.

As a first mover you do not have any such "outside option."

As bargaining continues over time, these values will be reduced in a manner to be explained below.

The way bargaining will proceed is as follows:

You will make your opponent an offer of some share of the pie. You will get the following screen on your computer:
Make your offer by entering the amount you offer in the field “Your offer to the opponent (in ECU):”
Note that you will see a pie of the implied distribution when you press the display button on the screen.
You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive.

After you have made your offer, your opponent can do one of 3 things:

1. Accept your offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. Your opponent can decide to "opt out" of the game, in which case he/she will be paid the value of his/her outside option and you will receive nothing.
3. Reject the offer, in which case the game moves to the next stage and the pie shrinks by 10 percent and so does the outside option. Now it becomes your opponent’s turn to make you an offer. The pie is now worth 63 experimental units. Your opponent makes you an offer.

So, if your opponent decides to decline your offer and make you a new offer, you will see the following screen. Note that the pink part of the pie is the share of the pie that your opponent suggests that you will receive.
Now, you can do one of two things:

1. Accept your opponent's offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Reject your opponent's offer, in which case the pie and the outside option shrinks by a further 10 percent and it becomes your turn once again to make your opponent an offer.

The game continues in this way, with the sums of money shrinking by 10 percent following each rejection, until an agreement is reached or your opponent takes his/her outside option.

When an agreement is reached you will see a screen like the following one which gives the earnings for both you and your opponent.
All this information is known to your opponent.
INSTRUCTIONS TO SECOND MOVER

You will be asked to divide a pie (worth a certain sum of money) between yourself and an opponent.

The initial value of the pie is 70 ECU.

At certain times, you can, if you wish, "opt out," and be paid a certain sum; if you do this, your opponent will receive nothing.

Your opponent does not have any such "outside option."

As bargaining continues over time, these values will be reduced, in a manner to be explained below.

The way bargaining will proceed is as follows:

Your opponent will make you an offer of some share of the pie. When your opponent has made an offer you will see the following screen:

Note that the pink part of the pie is the share of the pay your opponent offers to you.

You can do one of 3 things, each represented by a red button:

1. Accept your opponent’s offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. You can decide to "opt out" of the game in which case you will be paid the value of your outside option and your opponent will receive nothing.
3. Reject the offer, in which case the pie shrinks by 10 percent and so does the outside option.

If you reject the offer, it becomes your turn to make your opponent an offer. The pie is now worth 63 experimental units. You will see the following screen:

You make your offer by entering the amount you offer in the open field on the computer. Note that you will see a pie of the implied distribution if you press the display button on the screen.

You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive.

Your opponent can do one of two things:

1. He/she accepts your offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Your opponent rejects your offer, in which case the pie, and the option, shrinks by a further 10 percent and it becomes your opponents turn once again to make you an offer.
The game continues in this way, with the sums of money shrinking by 10 percent following each rejection, until an agreement is reached or you chose to take your outside option. When an agreement is reached you will see a screen like this:

If, at some point you choose to take your outside option the game ends and you will see a screen like this:
All this information is known to your opponent.

Questions?

If you have questions about the experiment please raise your hand, and we will try to answer them.
Instructions for T2

(earned outside options)
GENERAL INFORMATION

On your desk you will find a copy of the instructions for the experiment, which I will now read out loud. You may refer to that copy now and again at any time during the experiment.

You are going to participate in an experiment financed by the Department of Economics at BI and the Norwegian Research Council.

The aim of the experiment is to examine how people behave in bargaining situations.

In the experiment you will earn money. How much you earn depends on the decisions you make, as well as on the decisions made by other subjects.

All interactions are anonymous and are performed through a network of computers. The administrators of the experiment will not be able to observe your decisions during the experiment.

The people in this room are participating in the same experiment as you. They have all been recruited in the same way as you and are reading the same instructions as you are for the first time.

The experiment consists of an encoding task and eight bargaining games. In the eight bargaining games you earn units of an experimental currency that we call “ECU” (Experimental Currency Unit). At the end of the experiment you will be paid based on your total earnings in ECUs:

1 ECU is worth 1.25 Norwegian Kroner.

The more ECUs you earn, the more cash you will receive.

At the end of the experiment you will fill in your first and last name in a screen on your computer. Once this has been done by everyone a payment file will be written. In this payment file your earnings in ECU are converted to Norwegian Kroner at the stated exchange rate. You will be paid your earnings in cash as you leave the lab.

During the experiment all mobile phones must be powered off (it is not enough to turn off the sound). You are not allowed to talk with any of the other participants during the experiment. If you have questions or need help with the computer, please raise your hand and one of us will approach you and assist you privately.
INSTRUCTIONS

ENCODING TASK

Performance in this task is measured by the number of words you manage to encode correctly in 10 minutes. The more words you encode correctly the higher your rank is. Higher ranks correspond to higher “outside options” in the bargaining games. The concept of an outside option, and the details of the ranks, will be explained below.

For the encoding task your computer will display a screen like the one showed below. A “word code” – a sequence of 4 letters of the alphabet – is displayed along with a key showing the number that corresponds to each letter. Below each letter in the word code on your screen there will be a blank space. Inside each space, you type the number that corresponds to the letter above it in the key. Once you have encoded the entire word, click the “OK” button. If you have encoded the word correctly, the computer will accept it and display a new word. The key will stay the same for all words during the effort task.

Example: Look at the screen reported below. The word you are given is Q – U – Y – L. The code for Q is 18 (below Q in the key), and the codes for U is 26, the code for Y is 13, and for L it is 1. So, you would encode this word as 18 – 26 – 13 – 1, as shown below, then click “OK”. The computer will not allow you to go further until you encode the word correctly. You will have ten minutes to encode as many words as possible.
BARGAINING

You will participate in eight bargaining games. Each of these games consists of one or more stages.

In each game there is a first mover and a second mover. The first mover makes a proposal in the first stage of the game the second mover does not make a proposal in the first stage of the game.

Before bargaining starts you will be randomly assigned a role as first or second mover for the first four games of the experiment. In the last four games of the experiment you will be assigned the alternative role; that is if you are first mover in the first four games you will be second mover in the last four games. If you are second mover in the first four games you will be first mover in the last four games.

Your performance in the encoding task determines your outside option. The six highest ranked subjects in this task have earned an outside option of 60 ECUs. Subjects ranked seven to fourteen in the encoding task have earned an outside option of 40 ECUs, subjects ranked fifteen to twenty two have earned an outside option of 20 ECUs, and subjects ranked below twenty two have earned an outside option of 0 ECUs.

Your earned outside option will remain constant throughout the experiment. Note however that the outside option can only be used when you are a second mover.

During the experiment you will bargain with different opponents. Your opponent is randomly selected but you will never be matched with the same opponent in more than one game. Each new game is with a new opponent.

The first screen shows you your type – either a first mover or a second mover – and your earned outside option (that you will keep for all 8 games).
After this screen disappears you will bargain with a random opponent.

We now go through the instructions for the first and the second mover separately.

**INSTRUCTIONS FOR FIRST MOVER**

You will be asked to divide a pie between yourself and an opponent.

The initial value of the pie is 70 ECU.

At certain times, your opponent can, if he/she wishes, "opt out," and be paid a certain sum; if he/she does this, you will receive nothing.

As a first mover you do not have any such outside option.

As bargaining continues over time, these values will be reduced in a manner to be explained below.

The way bargaining will proceed is as follows:

You will make your opponent an offer of some share of the pie. You will get the following screen on your computer:
Make your offer by entering the amount you offer in the field “Your offer to the opponent (in ECU):”
Note that you will see a pie of the implied distribution when you press the display button on the screen.
You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive.

After you have made your offer, your opponent can do one of 3 things:

1. Accept your offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. Your opponent can decide to "opt out" of the game, in which case he/she will be paid the value of his/her outside option and you will receive nothing.
3. Reject the offer, in which case the game moves to the next stage and the pie shrinks by 10 percent and so does the outside option. Now it becomes your opponent's turn to make you an offer. The pie is now worth 63 experimental units. Your opponent makes you an offer.

So, if your opponent decides to decline your offer and make you a new offer, you will see the following screen. Note that the pink part of the pie is the share of the pie that your opponent suggests that you will receive.
Now, you can do one of two things:

1. Accept your opponent's offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Reject your opponent's offer, in which case the pie and the outside option shrink by a further 10 percent and it becomes your turn once again to make your opponent an offer.

The game continues in this way, with the sums of money shrinking by 10 percent following each rejection, until an agreement is reached or your opponent takes his/her outside option.

When an agreement is reached you will see a screen like the following one which gives the earnings for both you and your opponent.
All this information is known to your opponent.
INSTRUCTIONS TO SECOND MOVER

You will be asked to divide a pie (worth a certain sum of money) between yourself and an opponent.

The initial value of the pie is 70 ECU.

At certain times, you can, if you wish, "opt out," and be paid a certain sum; if you do this, your opponent will receive nothing.

Your opponent does not have any such outside option.

As bargaining continues over time, these values will be reduced, in a manner to be explained below.

The way bargaining will proceed is as follows:

Your opponent will make you an offer of some share of the pie. When your opponent has made an offer you will see the following screen:

Note that the pink part of the pie is the share of the pay your opponent offers to you.

You can do one of 3 things, each represented by a red button:

1. Accept your opponent’s offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. You can decide to "opt out" of the game in which case you will be paid the value of your outside option and your opponent will receive nothing.
3. Reject the offer, in which case the pie shrinks by 10 percent and so does the outside option.

If you reject the offer, it becomes your turn to make your opponent an offer. The pie is now worth 63 experimental units. You will see the following screen:

You make your offer by entering the amount you offer in the open field on the computer. Note that you will see a pie of the implied distribution if you press the display button on the screen.

You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive.

Your opponent can do one of two things:

1. He/she accepts your offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Your opponent rejects your offer, in which case the pie, and the option, shrinks by a further 10 percent and it becomes your opponents turn once again to make you an offer.
The game continues in this way, with the sums of money shrinking by 10 percent following each rejection, until an agreement is reached or you chose to take your outside option. When an agreement is reached you will see a screen like this:

If, at some point you choose to take your outside option the game ends and you will see a screen like this:
All this information is known to your opponent.

Questions?

If you have questions about the experiment please raise your hand, and we will try to answer them.
Instructions for T3

(randomly allocated contributions)
This is an economics experiment, administered by the department of economics at the school.

In economics experiments deception is never used. This means that any information you are provided with in the experiment is correct.

Experiments administered by other departments at the school may use deception. Whenever they do, you are told so.

GENERAL INFORMATION

I will now read out loud the instructions for the experiment. You may refer to the instructions any time during the experiment.

You are going to participate in an experiment financed by the Department of Economics at BI and the Norwegian Research Council. The experiment will not last more than 90 minutes.

The aim of the experiment is to examine how people behave in bargaining situations.

In the experiment you will earn money. How much you earn depends on the decisions you make, as well as on the decisions made by other subjects.

All interactions are anonymous and are performed through a network of computers. The administrators of the experiment will not be able to observe your decisions during the experiment.

The people in this room are participating in the same experiment as you. They have all been recruited in the same way as you and are reading the same instructions as you are for the first time.

The experiment will consist of 6 games, in each of which you can earn units of an experimental currency that we call “ECU” (Experimental Currency Unit). At the end of the experiment you will be paid based on your total earnings in ECUs from all 6 games:

1 ECU is worth 2 Norwegian Kroner.

The more ECUs you earn, the more cash you will receive.

At the end of the experiment you will fill in your first and last name in a screen on your computer. Once this has been done by everyone a payment file will be written. In this payment file your earnings in ECU are converted to Norwegian Kroner at the stated exchange rate. You will be paid your earnings in cash as you leave the lab.

During the experiment all mobile phones must be powered off (it is not enough to turn off the sound). You are not allowed to talk with any of the other participants during the experiment. If you have questions or need help with the computer, please raise your hand and one of us will approach you and assist you privately.
INSTRUCTIONS

The experiment consists of six games. Each game consists of one or more stages.

In each game there is a first mover and a second mover. The first mover makes a proposal in the first stage of the game, while the second mover does not make a proposal in the first stage of the game.

Before bargaining starts you will be randomly assigned a role as first or second mover for the first three games of the experiment. In the last three games of the experiment you will be assigned the alternative role; that is if you are first mover in the first three games you will be second mover in the last three games. If you are second mover in the first three games you will be first mover in the last three games.

When you are a second mover you will be given an option to opt-out. Note that only the second mover has this option.

During the experiment you will bargain with different opponents. Your opponent is randomly selected but you will never be matched with the same opponent in more than one game. Each new game is with a new opponent.

You will be randomly assigned an allocation of ECU, which will remain constant throughout the entire experiment. The allocation of ECU will be your contribution to a pie. The sum of your contribution and your randomly matched opponent's contribution equals the pie in each game. The value of this pie is the amount of ECU you will have to divide with your opponent in the bargaining process. The first screen shows you your type – either a first mover or a second mover – and your contribution.
After this screen disappears you will bargain with a random opponent.

We now go through the instructions for the first and the second mover separately.

**INSTRUCTIONS FOR FIRST MOVER**

You will be asked to divide a pie between yourself and an opponent.

The initial value of the pie is the sum of your contribution and your opponent’s contribution.

At certain times, your opponent can, if he/she wishes, opt out; if he/she does this, both of you will receive nothing. As a first mover you cannot opt out.

The way bargaining will proceed is as follows:

You will make your opponent an offer of some share of the pie. You will get the following screen on your computer:

Make your offer by entering the amount you offer in the field “Your offer to the opponent (in ECU):”

Note that you will see a pie of the implied distribution when you press the display button on the screen.
You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive for yourself.

After you have made your offer, your opponent can do one of three things:

1. He/she can accept your offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. Your opponent can decide to opt out of the game, in which case both of you will receive nothing.
3. Reject the offer, in which case the game moves to the next stage and the pie shrinks by 10 percent. Now it becomes your opponent’s turn to make you an offer. The value of the pie is now reduced.

If your opponent rejects your offer, he will have to make you a new offer. The pie will shrink by 10 percent and you will see the following screen. Note that the pink part of the pie is the share of the pie that your opponent suggests that you will receive.
Now, you can do one of two things:

1. Accept your opponent's offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Reject your opponent's offer, in which case the pie shrinks by a further 10 percent and it becomes your turn once again to make your opponent an offer.

The game continues in this way, with the pie shrinking by 10 percent following each rejection, until an agreement is reached or the second mover opts out.

When the game ends you will see a screen like the following one, which gives the earnings for both you and your opponent.
All this information is known to your opponent.
INSTRUCTIONS TO SECOND MOVER

You will be asked to divide a pie between yourself and an opponent.

The initial value of the pie is the sum of your contribution and your opponent’s contribution.

At certain times, you can, if you wish, opt out; if you do this, both of you will receive nothing. Your opponent cannot opt out.

The way bargaining will proceed is as follows:

Your opponent will make you an offer of some share of the pie. When your opponent has made an offer you will see the following screen:

![Offer Screen]

Note that the pink part of the pie is the share of the pay your opponent offers to you.

You can do one of three things, each represented by a red button:

1. Accept your opponent’s offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. You can decide to opt out of the game in which case both of you will receive nothing.
3. Reject the offer, in which case the pie shrinks by 10 percent.
If you reject the offer, it becomes your turn to make your opponent an offer. The value of the pie is now reduced and you will see the following screen:

You make your offer by entering the amount you offer in the open field on the computer. Note that you will see a pie of the implied distribution if you press the display button on the screen.

You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive.

Your opponent can do one of two things:

1. He/she can accept your offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Reject your offer, in which case the game moves to the next stage and the pie shrinks by a further 10 percent. Now it becomes your opponent’s turn once again to make you an offer.

The game continues in this way, with the pie shrinking by 10 percent following each rejection, until an agreement is reached or you opt out.

When the game ends you will see a screen like this:
All this information is known to your opponent.

Questions?

If you have questions about the experiment please raise your hand, and we will try to answer them.
Instructions for T4
(earned contributions)
GENERAL INFORMATION

I will now read out loud the instructions for the experiment. You may refer to the instructions any time during the experiment.

You are going to participate in an experiment financed by the Department of Economics at BI and the Norwegian Research Council. The experiment will not last more than 90 minutes.

The aim of the experiment is to examine how people behave in bargaining situations.

In the experiment you will earn money. How much you earn depends on the decisions you make, as well as on the decisions made by other subjects.

All interactions are anonymous and are performed through a network of computers. The administrators of the experiment will not be able to observe your decisions during the experiment.

The people in this room are participating in the same experiment as you. They have all been recruited in the same way as you and are reading the same instructions as you are for the first time.

The experiment consists of an encoding task and four bargaining games. In the bargaining games you earn units of an experimental currency that we call “ECU” (Experimental Currency Unit). At the end of the experiment you will be paid based on your total earnings in ECU from all 4 games:

1 ECU is worth 3 Norwegian Kroner.

The more ECU you earn, the more cash you will receive.

At the end of the experiment you will fill in your first and last name in a screen on your computer. Once this has been done by everyone a payment file will be written. In this payment file your earnings in ECU are converted to Norwegian Kroner at the stated exchange rate. You will be paid your earnings in cash as you leave the lab.

During the experiment all mobile phones must be powered off (it is not enough to turn off the sound). You are not allowed to talk with any of the other participants during the experiment. If you have questions or need help with the computer, please raise your hand and one of us will approach you and assist you privately.
INSTRUCTIONS

ENCODING TASK

Performance in this task is measured by the number of words you manage to encode correctly in 10 minutes. The more words you encode correctly the higher your rank is. Higher ranks correspond to higher “contributions” in the bargaining games. The concept of contribution, and the details of the ranks, will be explained below.

For the encoding task your computer will display a screen like the one showed below. A “word code” – a sequence of 4 letters of the alphabet – is displayed along with a key showing the number that corresponds to each letter. Below each letter in the word code on your screen there will be a blank space. Inside each space, you type the number that corresponds to the letter above it in the key. Once you have encoded the entire word, click the “OK” button. If you have encoded the word correctly, the computer will accept it and display a new word. The key will stay the same for all words during the effort task.

Example: Look at the screen reported below. The word you are given is Q – U – Y – L. The code for Q is 18 (below Q in the key), and the codes for U is 26, the code for Y is 13, and for L it is 1. So, you would encode this word as 18 – 26 – 13 – 1, as shown below, then click “OK”. The computer will not allow you to go further until you encode the word correctly. You will have ten minutes to encode as many words as possible.
**Bargaining**

You will participate in four bargaining games. Each game consists of one or more stages.

In each game there is a first mover and a second mover. The first mover makes a proposal in the first stage of the game, while the second mover does not make a proposal in the first stage of the game.

Before bargaining starts you will be randomly assigned a role as first or second mover for the first two games of the experiment. In the last two games of the experiment you will be assigned the alternative role; that is if you are first mover in the first two games you will be second mover in the last two games. If you are second mover in the first two games you will be first mover in the last two games.

When you are a second mover you will be given an option to opt-out. Note that only the second mover has this option.

During the experiment you will bargain with different opponents. Your opponent is randomly selected but you will never be matched with the same opponent in more than one game. Each new game is with a new opponent.

Your performance in the encoding task determines your contribution to a pie. The sum of your contribution and your randomly matched opponent’s equals the pie in each game. The value of this pie is the amount of ECU you will have to divide with your opponent in the bargaining process.

The six highest ranked subjects in the encoding task have earned a contribution of 60 ECUs. Subjects ranked seven to fourteen in the encoding task have earned a contribution of 40 ECUs, subjects ranked fifteen to twenty two have earned a contribution of 20 ECUs, and subjects ranked below twenty two have earned a contribution of 0 ECUs.

Your earned contribution to the pie will remain constant throughout the entire experiment.

The first screen shows you your type – either a first mover or a second mover – and your contribution.
After this screen disappears you will bargain with a random opponent.

We now go through the instructions for the first and the second mover separately.
INSTRUCTIONS FOR FIRST MOVER

You will be asked to divide a pie between yourself and an opponent.

The initial value of the pie is the sum of your contribution and your opponent’s contribution.

At certain times, your opponent can, if he/she wishes, opt out; if he/she does this, both of you will receive nothing. As a first mover you cannot opt out.

The way bargaining will proceed is as follows:

You will make your opponent an offer of some share of the pie. You will get the following screen on your computer:

Make your offer by entering the amount you offer in the field “Your offer to the opponent (in ECU):” Note that you will see a pie of the implied distribution when you press the display button on the screen.
You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive for yourself.

After you have made your offer, your opponent can do one of three things:

1. He/she can accept your offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. Your opponent can decide to opt out of the game, in which case both of you will receive nothing.
3. Reject the offer, in which case the game moves to the next stage and the pie shrinks by 10 percent. Now it becomes your opponent’s turn to make you an offer. The value of the pie is now reduced.

If your opponent rejects your offer, he will have to make you a new offer. The pie will shrink by 10 percent and you will see the following screen. Note that the pink part of the pie is the share of the pie that your opponent suggests that you will receive.
Now, you can do one of two things:

1. Accept your opponent's offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Reject your opponent's offer, in which case the pie shrinks by a further 10 percent and it becomes your turn once again to make your opponent an offer.

The game continues in this way, with the pie shrinking by 10 percent following each rejection, until an agreement is reached or the second mover opts out.

When the game ends you will see a screen like the following one, which gives the earnings for both you and your opponent.
All this information is known to your opponent.
INSTRUCTIONS TO SECOND MOVER

You will be asked to divide a pie between yourself and an opponent.

The initial value of the pie is the sum of your contribution and your opponent’s contribution.

At certain times, you can, if you wish, opt out; if you do this, both of you will receive nothing. Your opponent cannot opt out.

The way bargaining will proceed is as follows:

Your opponent will make you an offer of some share of the pie. When your opponent has made an offer you will see the following screen:

Note that the pink part of the pie is the share of the pay your opponent offers to you.

You can do one of three things, each represented by a red button:

1. Accept your opponent’s offer, in which case the game ends and you and your opponent each receive the agreed amount.
2. You can decide to opt out of the game in which case both of you will receive nothing.
3. Reject the offer, in which case the pie shrinks by 10 percent.
If you reject the offer, it becomes your turn to make your opponent an offer. The value of the pie is now reduced and you will see the following screen:

You make your offer by entering the amount you offer in the open field on the computer. Note that you will see a pie of the implied distribution if you press the display button on the screen.

You cannot send the offer before you have displayed at least one suggested offer. The blue part of the pie is the share you suggest you should receive.

Your opponent can do one of two things:

1. He/she can accept your offer, in which case the game ends and you and your opponent receive the agreed amount.
2. Reject your offer, in which case the game moves to the next stage and the pie shrinks by a further 10 percent. Now it becomes your opponent’s turn once again to make you an offer.

The game continues in this way, with the pie shrinking by 10 percent following each rejection, until an agreement is reached or you opt out.

When the game ends you will see a screen like this:
All this information is known to your opponent.

Questions?

If you have questions about the experiment please raise your hand, and we will try to answer them.