

I'LL CROSS THAT BRIDGE IF I GET TO IT: FOCUSING ON THE NEAR FUTURE

ROBERT S. GAZZALE[†]

LINA WALKER[‡]

EXPERIMENT INSTRUCTIONS

1 EXPERIMENT 1

Introduction [*All Sessions.*]

- You are about to participate in a session in which you will make choices in situations in which the amount of money you receive depends on both your choice and chance. This is part of a study intended to provide insight into certain features of decision processes. I encourage you to follow the instructions carefully, as the amount of money you accumulate will depend on the decisions you make as well as chance. You will be paid in cash at the end of the experiment.
- *During the experiment, I ask that you please do not talk to each other.* If you have a question, please raise your hand and an experimenter will assist you.
- This experiment will consist of 2 parts: Part I and Part II. After you have made your choices in both Parts I and II, you will flip a coin. If the coin comes up heads, you will be paid for Part I. If the coin comes up tails, you will be paid for Part II.

Part I Procedures [*Sequential Ascending.*]

- Part I proceeds in a series of rounds. The number of rounds will be determined by chance. Your number of rounds will be as few as 1 and as many as 5. Your payment will depend on the number of rounds and whether you choose the Blue or Orange payout option. You will choose between the Blue and Orange payout options before your number of rounds is determined.
- If you choose the Blue option, the experimenter gives you \$0.00. The experimenter then gives you \$3.00 for each round you reach.
- If you choose the Orange option, the experimenter gives you \$7.00. The experimenter then gives you \$0.50 for each round you reach.

[†]Department of Economics, Williams College, 24 Hopkins Hall Drive, Williamstown, MA 01267; rgazzale@williams.edu.

[‡]AARP-Public Policy Institute, lwalker@aarp.org.

- Later in the experiment, I will call you up individually to determine your number of rounds. You receive your initial payment. You start in round 1 and thus the experimenter also gives you the per-round amount. The experimenter will present you with a bag with 5 marbles: 4 green and 1 red. (If you wish, you may count the marbles in the bag.)
- You draw 1 marble from the bag. If you draw the red marble, you do not continue to any further rounds. If you select a green marble, you move on to round 2 and the experimenter gives you the per-round amount. The experimenter would then present you the **same** bag of marbles, which would now contain 4 marbles, 3 of which are green. Again, if you draw the red marble, you do not continue to any further rounds. If you draw any one the green marbles, you move on to round 3, and the experimenter gives you the per-round amount. The bag would now contain 3 marbles, 2 of which are green.
- The rounds proceed until you draw a red marble.
- I will now hand each of you a Choice Sheet.
- The last set of columns indicates for each round the number of green marbles in the bag for that round as well as the total number of marbles. The next-to-last column indicates for each round the chance of drawing a green marble and thus proceeding to the next round. The final column indicates the probability that your Part I lasts for exactly a given number of rounds.
- You will get as much time as you need to make your Choice. When you have made your Choice, please circle it in the place indicated on the Choice Sheet. I will collect the sheets when everyone has made a Choice.
- Are there any questions?

Part I Procedures [*Simultaneous.*]

- For Part I, you will first choose between the Blue and Orange payout options. Later in the experiment, you will draw 1 of 5 chips from a bag. Your payout depends on the chip you draw as well as whether you chose the Blue or Orange payout option.
- You will draw 1 chip out of a bag containing 5 chips. Each chip is lettered, with letters ranging from A through E (the first 5 letters of the alphabet). Each chip has one and only one letter, and each letter is on one and only one chip. Prior to drawing, you may inspect the chips to verify this.

- I have just handed each of you a Choice Sheet.
- The blue column on the Choice Sheet indicates your earnings for each chip if you choose Blue. The orange column on the Choice Sheet indicates your earnings for each chip if you choose Orange.
- You will get as much time as you need to make your Choice. When you have made your Choice, please circle it in the place indicated on the Choice Sheet. I will collect the sheets when everyone has made a Choice.
- Are there any questions?

2 EXPERIMENT 2

We reproduce below instructions for the annuity-choice portion (Part A) of our experiment. Instructions for the risk-aversion assessment (Part B), as well as our questionnaire, are available upon request.

Introduction [*All sessions.*]

- You are about to participate in a session in which you will make choices in situations in which the amount of money you receive depends on both your choice and chance. This is part of a study intended to provide insight into certain features of decision processes. I encourage you to follow the instructions carefully, as the amount of money you accumulate will depend on the decisions you make as well as chance. You will be paid in cash at the end of the experiment.
- *During the experiment, I ask that you please do not talk to each other.* If you have a question, please raise your hand and an experimenter will assist you.
- This experiment will consist of 2 parts: Part A and Part B.

***** **Part A Procedures** [*No Endowment, Simultaneous.*]

- For Part A, you will first choose between the Blue and Orange payout options. Later in the experiment, you will draw 1 of 15 chips from a bag. Your payout depends on the chip you draw as well as whether you chose the Blue or Orange payout option.
- You will choose Blue or Orange first, and I will collect your Choice. You will draw your chip later in the experiment.

- You will draw 1 chip out of a bag containing 15 chips. Each chip is lettered, with letters ranging from A through O (the first 15 letters of the alphabet). Each chip has one and only one letter, and each letter is on one and only one chip. Prior to drawing, you may inspect the chips to verify this.
- I have just handed each of you a Choice Sheet.
- For each payout option, the payment you receive for a particular chip has been split into Type I and Type II payments. Your total payment for the chip you draw from the bag is the sum of Type I and Type II payments for the payout option you chose.
- The set of blue columns on the Choice Sheet indicates the Type I and II earnings, as well as your total earnings for each chip, if you choose Blue. The set of orange columns on the Choice Sheet indicates the Type I and II earnings, as well as your total earnings for each chip, if you choose Orange.
- Prior to making your choice, your monitor will display a series of review questions to test your understanding of these Experiment Instructions. You may refer to the Experiment Instructions and the Choice Sheet in answering the review questions. You will be paid \$0.10 for each correctly answered question.
- After completing the review questions, you will get as much time as you need to make your Choice. When you have made your Choice, please circle it in the place indicated on the Choice Sheet. I will collect the sheets when everyone has made a Choice.
- At the end of the experiment, I will pay you, in cash, your show-up fee and your earnings from Parts A and B of this experiment.
- Are there any questions?

Part A Overview [*Prior to Earnings Phase: Lump Sum, Sequential*]

- There are two phases to Part A: the Earning Phase and the Payout Phase.
- You earn points in the Earnings Phase by successfully completing tasks in each of two 4-minute periods. The number of points you earn in the Earnings Phase determines the size of your Payout-Phase account. It is from this account that payments are made to you in the Payout Phase.
- The Payout Phase proceeds in a series of rounds. The number of rounds will be determined by chance. Your number of Payout-Phase rounds will be as few as 1 and

as many as 15. In each round that your Part A lasts, you receive a payment from your account. After your final Part A round, you also receive a fraction of what is remaining in your account after the per-round payments to you have been subtracted. Your payment for Part A will depend on total funds you accumulate in your account during the Earnings Phase, as well as the number of Payout-Phase rounds.

- **The more tasks you successfully complete in Earnings Phase, the more points you generate, the larger the Payout-Phase account and thus the larger your Part A payment.**

Earnings Phase Procedures [*Prior to Earnings Phase: Lump Sum, Sequential*]

- In each of two 4-minute periods, your computer monitor will present you with a series of tasks. For each task, your monitor first presents you with 5 letters. After you click the OK button, your monitor will present you with a series of 3 letters. You are then asked to click **Yes** if all of the new 3 letters were in the original 5 letters, and **No** if any the new 3 letters were not in the original 5.
- If your response is correct, your monitor will immediately present you with the next set of 5 letters. If your response is incorrect, your computer monitor will present a screen indicating that your response is incorrect. After clicking the OK button, your monitor will then present you with the next set of 5 letters.
- The computer will keep track of your correct and incorrect responses. The number of points you earn in an Earnings Period is the number of correct responses minus the number of incorrect responses in the 4-minute period. The number of points you earn in the Earnings Phase is the sum of the points you earn in the two Earnings periods.
- The Points Table indicates for each number of total points you accumulate in the Earnings Phase the funds in your account in the Payout Phase.
- The Earnings Phase starts with a short practice round. The purpose of the practice round is to give you an opportunity to familiarize yourself with the computer interface. You do not accumulate points in the practice round.

Payout Phase Procedures [*Prior to Earnings Phase: Lump Sum, Sequential*]

- The number of points you earn in the Earnings Phase determines the value of your Payout-Phase account.
- Later in the experiment, I will call you up individually to determine your number of Payout-Phase rounds.

- You receive a payment from your Payout-Phase account each round. Your per-round payments are subtracted from your account. Your per-round payment decreases with each round.
- In each round, I present you with a bag of marbles. If you draw a green marble, you proceed to the next round and receive the per-round payment for that next round. If you do not draw a green marble, you do **not** proceed to the next round and your Part A is over. After your final round, you receive 20% of what remains in your account after your per-round payments have been subtracted.
- Note that you will receive all of the funds in your Payout-Phase account only if your Payout Phase lasts all 15 rounds.
- You start in round 1 and therefore collect the round 1 per-round payment. I will present you with a bag with 15 marbles, 14 of which are green. (If you wish, you may count the marbles in the bag.)
- If you select a green marble, you move on to round 2 and thus collect the round-2 per-round payment. I would then present you the same bag of marbles, which would now contain 14 marbles, 13 of which are green. Again, if you draw any one the green marbles, you move on to round 3, and collect your per-round payment for round 3. The bag would now contain 13 marbles, 12 of which are green.
- The rounds proceed until you fail to draw a green marble, at which point your Part A ends. You receive the per-round payment for each Payout-Phase round you last, as well as 20% of what remains in your account after the per-round payments have been subtracted.
- At the end of the experiment, I will pay you, in cash, your show-up fee and your earnings from Parts A and B of this experiment.
- Are there any questions?

[After Earnings Phase: Lump Sum, Sequential]

- I am now going to offer you an alternate payout schedule for the Payout Phase. I encourage you to listen carefully as you will be asked to choose between the original and alternate schedules.
- Depending on the number of Payout-Phase rounds, sometimes the original payout schedule will result in higher payouts, and sometimes the alternate payout schedule will result in higher payouts.

- Based on your points and thus the Payout-Phase account you earned, we have calculated your per-round payment for each Payout-Phase round. These are the Type-I payments on the Choice Sheet for the original schedule. We have also calculated 20% of the remaining account balance after per-round payments have been subtracted. These are the Type-II payments on the Choice Sheet for the original schedule.
- In the alternate payout schedule, there are also per-round Type-I payments, although unlike the original payout schedule these payments are equal in each round. You receive these Type-I payments for each round you last.
- If you choose the alternate payout schedule, in your final round, you do not receive a Type-II payment.
- The set of blue columns on the Choice Sheet indicates the alternate payout schedule. It indicates the Type-I payment for each round you last. The set of orange columns on the Choice Sheet indicates the Type-I and Type-II payments for the original payout schedule. Recall that you receive the the Type-I payment for **each** round, and receive only one Type-II payment: the Type-II payment associated with your final round. The last column of each color indicates your total Part-A earnings if you chose that option and your game lasts *exactly* a given number of rounds.
- The last set of columns indicates for each round the number of green marbles in the bag for that round as well as the total number of marbles. The final column indicates for each round the chance of drawing a green marble and thus proceeding to the next round.
- Prior to making your choice, your monitor will display a series of review questions to test your understanding of these Experiment Instructions. You may refer to the Experiment Instructions and the Choice Sheet in answering the review questions. You will be paid \$0.10 for each correctly answered question.
- After completing the review questions, you will get as much time as you need to make your Choice. When you have made your Choice, please circle it in the place indicated on the Choice Sheet. I will collect the sheets when everyone has made a Choice.
- At the end of the experiment, I will pay you, in cash, your show-up fee and your earnings from Parts A and B of this experiment.
- Are there any questions?