APPENDICES

Appendix 1

GENERAL INSTRUCTIONS

Welcome to this experiment,

IT IS VERY IMPORTANT TO REMAIN SILENT DURING THE WHOLE EXPERIMENT!!!

If you have any doubts about the instructions please raise your hand and wait until one of the experimentalists comes to your place to solve it.

You will receive 4 € as a show-up fee.

This experiment has three phases that called PHASE ONE (only Group A plays), PHASE TWO (only Group B plays), and PHASE THREE (Group B and part of Group A plays).

There are three types of players:

Players from group A

Players from group B

Player X: (THE INNOCENT HAND)

PHASE ONE

In this phase players in group B do not play, they only observe, so only the group A players act. Group A players must bet heads or tails when player X throws a coin. The players that guess right will obtain 2 € and the ones that don't get 0 €. Player X earns 10 € for her participation.

The process will be as follows:

1- Every player A will make her bet in an individual way: if she bets that heads will come out, she writes down a C in the cell "Bet" and if she that tails will come out she writes a + in the cell "Bet" in the folder that has been given to her.
2- Player X will throw the coin
3- Every player A will check the result (heads or tails) and will fill the cell "result" by writing a✓ if she had the right answer and an X if she didn't. All these can be found in the documents that have been given to players A.

There will be five rounds of this process. The bets will be made before each one of the throws. We will check that before each throw all players in group A have made their bets. Once the five rounds have been completed the documents will be collected.

After that a group of 6 players A will be selected and we will invite them to go out of the room. The selection will be made according to the different possible results that might come out in the five rounds.

The selected players A will go out of the room and wait for instructions.

The rest of players A will remain seated in their places during the rest of the experiment until they are called to be paid what they earned in the experiment.

PHASE TWO

This is the phase where players from group B participate in an active way in the experiment.

Each player B has an initial endowment of 10 €.

We assign by default to every player B one of the players that have been selected to leave the room, specifically the one that had the lowest number of right answers in PHASE ONE.

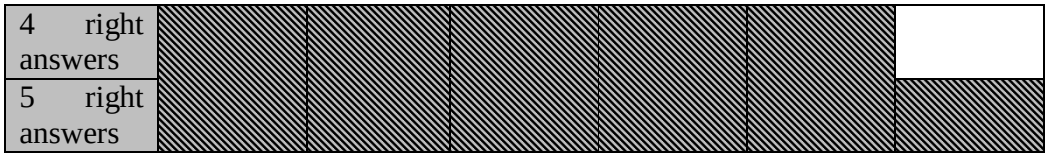
In phase three we will repeat the five rounds of coin throws as in the first phase. Players from group B will not bet. Players B's earnings will be determined by the player A that has been assigned to them (minimum number of right answers). This earnings will be of 2 € per right answer. But players B have the opportunity to change from the assigned player A to the one that had the maximum number of right answers in phase one.

To switch from the assigned player to the one with the highest number of right answers B players must pay a price.

The way to determine if a player B will switch from the assigned player A to the one of maximum number of right answers or will remain with the assigned player A works as follows:

1- First, every player B will determine the price that she is willing to pay to switch from the A player with the minimum number of right answers to another A player with higher number of right answers. This will be done by filling in the table that has been given to them in the documentation.

PLAYER Nº			**GRUP B**			
	Player to switch to					
Assigned player	0 right answers	1 right answers	2 right answers	3 right answers	4 righ tanswers	5 right answers
0 right answers						
1 right answers						
2 right answers						
3 right answers						



The prices for changing can be expressed in fractions of 0.5 €.The maximum price that can be paid is the initial endowment of 10 €.

2- Second, the organizers will reveal the results of the selected players A so players B will know the number of right answers that the player they have been assigned to had, and will also know the score of the maximum number of right answers. This will allow players B to know which cell in the table they are playing with.

3- Third, we will determine the random price of change by a lottery. If the price of change that player B has set is lower than the lottery price then player B doesn't switch. If the price of change that player B has set is equal or higher than the lottery price then player B switches to the player with the maximum number of right answers by paying that lottery determined random price.
Each player B must write down the player that finally is assigned to her in the cell on the first page of the documentation she has been given.

4- If player B does not change, she bets 2 € per round.
If player B does change, her bet will be:

$$bet = \frac{(10€ - random\ price\ of\ change)}{5}$$

The earnings will be double the bet.

As an example: If the random price of change is 2.5 €. *Player B bets (10-2.5)/5=1.5 per round, so if she get the right answer then the earnings will be double = 1.5*2=3. Wrong answers have a cost of 0* €.

After that we will let into the room the 6 players A and identify the player with the minimum number of right answers and the one with the maximum number of right answers and they will proceed to play the five rounds of coin throws.

While players A come into the room we will collect the documentation from B players.

PHASE THREE

In this phase we will proceed as follows:

1- Player A will make her bet out loud: Heads or Tails
2- Player X throws the coin
3- Te result will be written on the board.

There will be five rounds for each of the two players (minimum and maximum number of right answers). Bets will be made before each throw.

Players A do not earn money in this phase.

Players B's earnings depend on the amount of right answers that the A player they are assigned gets.

Once the experiment has finished it is important that all players remain seated until they are called by their number to be paid what they have earned in the experiment.

Appendix 2

BETTING SEQUENCES AND RESULTS OF THE COIN THROWS

The BDM session:
The sequence of coin tosses in Phase I was THTHH. The worst Group A participant obtained 2 hits with a betting sequence of TTTTT. The best A player obtained 4 hits in Phase I, with the betting sequence HHTHH. Fortune reversed in Phase III, where the two A players placed bets on separate sequences of coin throws. Now the two participants obtained respectively 4 and 1 hits. For the first player the sequence of bets was HHHHH, while the coin throws yielded HHHTH. For the second player the sequence of bets was HHTHH while the coin throw yielded HTHTT.

The FP-1 session:
The sequence of coin tosses in Phase I was TTHTH. The worst Group A participant obtained 1 hit with a betting sequence of HHHHT. The best A player obtained 5 hits in Phase I. Fortune reversed again in Phase III. Now the two participants obtained respectively 4 and 2 hits. For the first of these players the sequence of bets was THHTH, while the coin throws yielded HHHTH. For the second player the sequence of bets was HHHHH while the coin throw yielded HTHTT.

The FP-2 session:
The sequence of coin tosses in Phase I was THHTT. The worst Group A participant obtained 1 hit with a betting sequence of HTTTH. The best A player obtained 4 hits with a betting sequence of THHTH. In this session fortune did not reverse. Now the two participants obtained respectively 0 and 2 hits. For the first of these players the sequence of bets was HHHHT, while the coin throws yielded TTTTH. For the second player the sequence of bets was TTHHT while the coin throw yielded HTTTT.