

Appendix: Summary of the instructions

The experiment started with on line computer instructions. In the first part of the instructions the rules of the experimental game were explained. Subsequently, the subjects were asked to answer three questions. These questions were used to establish whether the rules of the game were understood. Subjects could proceed only after they had filled in the correct answers. In the third part of the on line instructions the subjects were made familiar with the windows that they would see on their computer screen during the experiment. Besides the on line instructions a summary sheet was handed out to the subjects. Below a direct translation of this summary sheet is given to provide some information on exactly how the experiment was framed. (It concerns the summary sheet for the sessions with the "low-high" order of outside option values.)

Summary of the instructions

At the start of the experiment you will either be assigned the role of participant A or the role of participant B. During the experiment you will always keep the same role. Moreover, at the start of the experiment you will also receive an initial endowment. Participants with the role of A receive 70,000 points, participants B obtain 10,000 points.

The experiment itself consists of 20 periods. At the beginning of each period the participants are paired in couples. Each pair always consists of one participant A and one participant B. The division into pairs is already determined before the start of the experiment. This division is chosen such that it is impossible that you will be paired with the same other participant in two consecutive periods. Moreover, within each of the four consecutive blocks of five periods – viz. periods 1 up to 5, periods 6 up to 10, periods 11 up to 15 and periods 16 up to 20 – you will never be paired to the same other participant more than once. When you will meet the same other participant again is unpredictable. To whom you are coupled in a particular period is always kept secret from you.

Each single period consists of two consecutive stages. In the first stage only the participant with role A takes a decision. In the second stage the two participants within a pair are asked to divide ten round-amounts among each other. The two stages take the following form:

Stage I: Participant A chooses the amount he or she wants to add to the base round-amount of 1000 points. This amount needs to be a multiple of 10, and also needs to be in between 0 and 800. After A has made his/her choice, B is informed about this choice.

The choice of participant A leads to costs for A only. The costs of a choice for a particular amount of increase T are equal to $(T/10)^2$. In the table that is also handed out to you, you will find for each choice of T the exact costs for participant A of this particular choice. Please note, the amount of increase chosen applies to each of the ten rounds of stage II. So, when A chooses amount of increase T , the total amount to be divided in stage II increases with $10 \cdot T$.

Stage II: The round-amounts to be divided in stage II are equal to the base round-amount of 1000 points, plus the amount of increase chosen by A in stage I. A and B now have ten rounds to reach agreement about the division of these round-amounts, where participant A is allowed to

make the first (thus in round 1) proposal. A proposal always applies to all remaining rounds. In case a proposed division is accepted, all remaining round-amounts are divided according to accepted proposal, and the period ends. A period also ends in case one of the participants breaks off the negotiations in reaction to a proposal of the other. For all rounds that still remain at the moment of break down, A and B receive their individual break down amount. The breakdown amount of A is always equal to 0 points, the break down amount of B changes over the periods. It holds that:

periods 1 up to 5 and 11 up to 15: the break down amount of B equals 300 points
periods 6 up to 10 and 16 up to 20: the break down amount of B equals 900 points

When a participant does not break off the negotiations, but does reject the proposal of the other, he or she may formulate a counter proposal in the next round. However, in case in round 10 no agreement has been reached yet, the period ends. In all the rounds in which no agreement has been reached the round-amount vanishes and both participants within a pair receive nothing.

At the end of the experiment you will be paid in euros, based on the total number of points you earned. The conversion rate is such that 5000 POINTS in the experiment correspond to 1 EURO in money.