Supplementary Appendix for

Chen, 2015,

“Obedience to Rules with Mild Sanctions: The Roles of Peer Punishment and Voting”

This Appendix contains full sets of instructions and questionnaires used in Chen (2015).

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1. Instructions of all treatments, Phase 1

Welcome

You are now taking part in a decision-making experiment. Depending on your decisions and the decisions of other participants, you may be able to earn a substantial amount of money. Please read the following instructions carefully.

During the experiment you are not allowed to communicate with other participants. This means no notes, no electronic messages, no gestures, etc., both during these instructions and while the experiment is in progress. If you have questions after the instructions have been read, please raise your hand and we will come to answer them.

During the experiment your earnings will be calculated in points. At the end of the experiment, points will be converted to Euro at the rate 20 points = 1 Euro. At the end of the experiment your total earnings will be paid out to you privately in cash.

The experiment has two phases, each consisting of 6 periods. The second phase may be identical to the first one or may include an additional element. The instructions we’re reading now describe Phase 1. Additional instructions will be distributed and read when this phase ends and prior to the beginning of Phase 2.

Instructions for Phase 1

In the experiment, each participant is randomly assigned to a group of 5. This means that you are in a group with four other participants. You will be part of the same group throughout the entire experiment. Nobody knows which other participants are in their group, and nobody will be informed who was in which group after the experiment.

In each period, each group member, yourself included, will be given an endowment of 20 points, and each of you will have to make one decision.

Your decision

Each period, you and the four others in your group simultaneously decide how to use your 20 point endowment for that period. There are two possibilities:

1. You can allocate points to a group account.
2. You can allocate points to a private account.

You will be asked to indicate the number of points you want to allocate to the group account. Only integers between 0 and 20 are allowed for this purpose. The remaining points will automatically be allocated to your private account. Your earnings depend on the total number of points in the group account, and the number of points in your private account.

How to calculate your earnings

Your earnings from your private account are equal to the number of points you allocate to it. That is, for each point you allocate to your private account you get 1 point as earnings. For example, your earnings from the private account equal 3 points if you allocate 3 points to it. The points you allocate to your private account do not affect the earnings of the others in your group.

Your earnings from the group account equal the sum of points allocated to the group account by all 5 group members multiplied by 0.3. For each point you allocate to the group account you and all others in your group each get 0.3 points as earnings. For example, if the sum of points in the group account is 30, then your earnings from the group account and the earnings of each of the others in your group from the group account are equal to 9 points.

Your earnings can be calculated with the following formula:

\[
20 - \text{(points you allocated to the group account)} + 0.3 \times \text{(sum of points allocated by all group members to the group account)}
\]

Note that you get 1 point as earnings for each point you allocate to your private account. If you instead allocate 1 extra point to the group account, your earnings from the group account increase by 0.3 * 1 = 0.3 points and your earnings from your private account decrease by 1 point. However, by allocating 1 extra point to the group account, the earnings of each of the other 4 group members also increase by 0.3 points. Therefore, the total group earnings increase by 0.3 * 5 = 1.5 points. Note that you also obtain earnings from points allocated to the group account by others. You obtain 0.3 * 1 = 0.3 points for each point allocated to the group account by another member.
Example
Suppose you allocate 15 points to the group account, the second and third members of your group each allocate 20 points to the group account, and the remaining two members allocate 0 points each. In this case, the sum of points in the group account is \(15 + 20 + 20 + 0 + 0 = 55\) points. Each group member gets earnings of \(0.3 \times 55 = 16.5\) points from the group account.

Your total earnings are: \((20 - 15) + (0.3 \times 55) = 5 + 16.5 = 21.5\) points.
The second and third members’ earnings are: \((20 - 20) + (0.3 \times 55) = 0 + 16.5 = 16.5\) points.
The fourth and fifth members’ earnings are: \((20 - 0) + (0.3 \times 55) = 20 + 16.5 = 36.5\) points.

At the end of each period, you will see a summary of your earnings for the period and how they were determined.

Comprehension questions
To help you check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. When everyone has finished, there will be a final chance for you to ask any questions you may have, and then Phase 1 will begin. Your performance on the comprehension questions will not affect your payoff.

1. Suppose all five individuals in your group allocate 0 points to the group account.
   a) How much do you earn? ___________________
   b) How much do the others each earn? _______________

2. Suppose all five allocate 20 points to the group account.
   a) How much do you earn? _______________
   b) How much do the others each earn? _______________

3. Suppose the others in your group allocate 40 points in total to the group account.
   a) How much do you earn if you allocate 0 points to the group account? ___________
b) How much do you earn if you allocate 10 points to the group account? _____________

c) How much do you earn if you allocate 20 points to the group account? _____________

4. How many periods will there be in this phase of the experiment? _____

5. How many others are in your group? ____

6. Do the same individuals continue to be in your group every period? _____

7. Do you receive a fresh endowment of 20 points to allocate every period? _____
2. **Instructions of the No-IS, No-Voting Treatment, Phase 2**

**Instructions for Phase 2**

As indicated before, Phase 2 consists of 6 periods during which you will interact with the same four individuals who were in your group in Phase 1. Each period will have the same structure as before with the possible difference that points allocated to your private account may be subject to a fine. At the beginning of the phase, you will be informed whether your group will interact with a fine or without one. You and all of those in your group will either interact in the presence of a fine for all 6 periods or will interact without a fine for all 6 periods.

If your group’s members interact without a fine, each period will have the identical structure as in Phase 1. If your group interacts with a fine, each period will have the same basic decision structure, but after your allocation decisions are made, the computer will automatically deduct from your earnings 0.4 times the number of points you allocated to your private account in that period.

If a fine is in place, that is, your earnings for each period will be:

\[
\{20 - (\text{points you allocate to group account}) \\
+ 0.3*(\text{sum of points allocated by all in group to group account}) \\
- (0.4 *\text{points you allocated to your private account})\}
\]

Recall that you and each member of your group get 0.3 points for each point you allocate to your group account. If a fine is in place, you get 1 point for each point you allocate to your private account but you lose 0.4 points due to the fine, so on balance your earnings increase by 0.6 points for each point you allocate to your private account.

At the end of each period, you will see a summary of your earnings for the period and how they were determined, including the amount if any that you lost due to the fine.

After the comprehension questions, the next screen will tell you either “Your group will interact with a fine in the remaining 6 periods.” Or “Your group will interact without a fine in the remaining 6 periods.”

**Comprehension questions**

To help you to check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. When everyone has finished, there will be a final chance for you to ask any questions you
may have, and then Phase 2 will begin. Your performance on the comprehension questions will not affect your payoff.

1. If your group has the fine in place in a given period of Phase 2, does that mean that it has the fine in place in all 6 periods of Phase 2? _______

2. If your group operates with such a fine, how much are you fined **for each point you put in your private account**? _________ points

3. Suppose that you allocate 9 points to your private account and 11 points to your group account in the allocation stage, and that your earnings in that stage are 18 points. What will you earn in this period if your group operates with a fine in place?
   ______________________ points
3. Open-ended questions of the No-IS, No-Voting Treatment
We have a few questions that we would like you to answer while we are preparing your payment from the experiment.

1. Are you ___ Male ___ Female

2.
   a) At which university are you registered?
      Academy of Fine Arts Vienna
      Diplomatic Academy of Vienna
      Medical University of Vienna
      PEF Private University of Management Vienna
      University of Applied Arts Vienna
      University of Music and Performing Arts, Vienna
      University of Veterinary Medicine Vienna
      University of Vienna
      Vienna University of Economics and Business
      University of Natural Resources and Applied Life Sciences, Vienna
      Vienna University of Technology
      Webster University Vienna
      International Anti-Corruption Academy
   b) Are you a undergraduate student or a Master's student?
      I am a undergraduate student
      I am a Master's student?
   c) If you are an undergraduate student, in which year of study are you currently?
      1st, 2nd, 3rd, 4th, 5th as options

3.
   a) What is your major subject?
      Economics
      Business, Management, etc.
      A Social Science
      Natural Science, Mathematics, Engineering, etc.
      Art, Language, Humanities, etc.
   b) If no to the above, what is (are; do you expect will be) your major subject(s)?

4. How would you describe your political outlook on a scale from 1 to 7 where 1 = very conservative and 7 = very liberal?
   1, 2, 3, 4, 5, 6 and 7 as options

5. We're interested in knowing how you chose your actions in the experiment and whether the choices of others in your group were in line with what you expected or surprised you, and if the latter, in what way(s)?

6. How did you decide what to put in the group account each period?
7. Did your group interact with a fine? If yes, how was what you put in the group account each period affected by the presence of a fine for allocations to your private account?
4. Instructions of the IS, No-Voting Treatment, Phase 2

Instructions for Phase 2

As indicated before, Phase 2 consists of 6 periods during which you will interact with the same four individuals who were in your group in Phase 1. Each period will now consist of two stages plus a possible third step.

The first stage is identical to the periods in Phase 1; that is, you are given 20 points and must allocate them between a group and a private account, with the same payoff consequences. In the second stage of each period, you will have an opportunity to reduce the earnings of others in your group at a cost to your own earnings. After you and others in your group make an allocation decision, you will see your earnings in the allocation stage and the amount allocated to the group account by each of the others in your group in an order that is randomly changed each period. Then, in boxes below the information on others’ allocations you will be asked to enter the whole number of points (if any) that you wish to use to reduce the earnings of each individual (see below). Each point you allocate to reducing another’s earnings reduces your own earnings by 1 point and reduces that individual’s earnings by 2 points. Your own earnings can be reduced in the same way by the decisions of others in your group. You are free to leave any or all others’ earnings unchanged by entering 0’s in the relevant boxes.
Note: Numbers shown are for illustration only.

Earnings reductions directed at you in stage 2 cannot bring your earnings for the period to less than zero. However, the cost of giving reductions to others is always fully born even if it makes your period earnings negative. (If you lose points in a period, they are deducted from those you accumulate in other periods.) Thus, your earnings can be thought of as having two parts:

**Part 1:** Earnings from the allocation stage minus reductions by others in your group, or 0 if the latter is negative

-- minus --

**Part 2:** Points you use to reduce others’ earnings

Note that you incur the cost in Part 2 even if it causes your net earnings for the period to be negative.

Restated, your earnings are:

**Part 1:**

\[
\text{the greater of } \left\{ \begin{array}{l}
20 - (\text{points you allocate to group account}) \\
+ 0.3*(\text{sum of points allocated by all in group to group account}) \\
- 2*(\text{sum of reduction points directed at you by others in your group})
\end{array} \right\}
\]

and

0

-- minus --

**Part 2:**

points you use to reduce others’ earnings

For example, suppose that you use 0 points to reduce the earnings of the first and second individuals whose allocations appear on the screen, you use 1 point to reduce the earnings of the third, and you use 2 points to reduce the earnings of the fourth. Suppose further that these individuals use 0, 1, 0 and 3 points to reduce your earnings. Then the third and fourth individuals’ earnings for the period will be reduced by 2 and by 4 points, respectively, in addition to any reductions due to the decisions of others, although these reductions cannot bring their earnings below zero. Your own earnings for
the period will be reduced by 3 points, your cost to impose reductions on others, plus \((1 \times 2) + (3 \times 2) = 8\) points, the reductions imposed on your earnings by others. At the end of the reduction stage, you will learn that others decided to reduce your earnings by a total of 8 points although your actual earnings reduction will be less if your allocation stage earnings are less than 8. You will not be told which individuals reduced your earnings or by how much any given individual reduced your earnings.

Others will also not know who in particular reduced their earnings and by how much.

In addition to the fact that earnings from the allocation stage and reductions received cannot go below zero, the earnings reduction process is subject to two limits. First, your reduction points must be an integer. Second, you cannot assign more than 10 reduction points to any one individual in your group.

Remember that if no reductions are imposed (the reduction boxes are filled in with 0’s), earnings after the reduction stage are the same as those before it. The possible third step that might be part of each period will be discussed after you test your understanding of the second stage.

**Comprehension questions**

To help you to check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. Your performance on the comprehension questions will not affect your payoff.

1) How much does it cost you to reduce the earnings of another group member by 4 points?

__________________

2) Suppose that an individual earns 10 points from the allocation stage, spends 2 points on reducing others’ earnings, and incurs no earnings reductions from others. What are the individual’s earnings for this period?

__________________

3) Suppose that an individual earns 8 points from the allocation stage, spends 1 point on reducing others’ earnings, and that others spend a total of 4 points to reduce her earnings. What are the individual’s earnings for this period?

__________________

**The possibility of fines**

The third step that will take place after Stage 2 for some groups consists of the imposition of a fine for each point allocated to your private account. At the beginning of Phase 2 (that is, when this break for instructions ends), you’ll learn whether your group will be operating in the presence of a fine, or
will not face such a fine. If you operate with a fine, it will be in place for all 6 remaining periods; if not, you will operate without a fine for those 6 periods.

If your group’s members interact without a fine, each period will have the structure described in the previous section, with an allocations stage followed by a reductions stage. If your group interacts with a fine, each period will have those two stages, but after the reduction decisions are made, the computer will automatically deduct from your earnings 0.4 times the number of points you allocated to your private account in that period, although your earnings for the period cannot be brought below zero by these deductions.

If a fine is in place, that is, your earnings for each period will be:

\[
\text{Part 1:} \quad \text{the greater of} \{ \\
\quad [20 - (\text{points you allocate to group account}) \\
\quad + 0.3*(\text{sum of points allocated by all in group to group account}) \\
\quad - 2*(\text{sum of reduction points directed at you by others in your group}) \\
\quad - (0.4*\text{points you allocated to your private account})] \\
\quad \text{and} \\
\quad 0 \}
\]

-- minus --

\[
\text{Part 2:} \quad \text{points you use to reduce others’ earnings}
\]

Recall that you and each member of your group get 0.3 points for each point you allocate to your group account. If a fine is in place, you get 1 point for each point you allocate to your private account but you lose 0.4 points due to the fine, so on balance your earnings increase by 0.6 points for each point you allocate to your private account.

At the end of each period, you will see a summary of your earnings for the period and how they were determined, including the amount if any that you lost due to the fine.

After the comprehension questions, the next screen will tell you either “Your group will interact with a fine in the remaining 6 periods.” Or “Your group will interact without a fine in the remaining 6 periods.”

**Comprehension questions**

To help you check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. When everyone has
finished, there will be a final chance for you to ask any questions you may have, and then Phase 2 will begin. Your performance on the comprehension questions will not affect your payoff.

1. If your group has the fine in place in a given period of Phase 2, does that mean that it has the fine in place in all 6 periods of Phase 2? _________
2. If your group operates with such a fine, how much are you fined for each point you put in your private account? _________ points
3. Suppose that you allocate 9 points to your private account and 11 points to your group account in the allocation stage, and that your earnings in that stage are 18 points. What will you earn in this period if your group operates with a fine in place?
   _________________________ points
5. Open-ended questions of the IS, No-Voting Treatment

We have a few questions that we would like you to answer while we are preparing your payment from the experiment.

1. Are you ___ Male  ___ Female

2. 
   a) At which university are you registered?
      Academy of Fine Arts Vienna
      Diplomatic Academy of Vienna
      Medical University of Vienna
      PEF Private University of Management Vienna
      University of Applied Arts Vienna
      University of Music and Performing Arts, Vienna
      University of Veterinary Medicine Vienna
      University of Vienna
      Vienna University of Economics and Business
      University of Natural Resources and Applied Life Sciences, Vienna
      Vienna University of Technology
      Webster University Vienna
      International Anti-Corruption Academy
   b) Are you a undergraduate student or a Master's student?
      I am a undergraduate student
      I am a Master's student?
   c) If you are an undergraduate student, in which year of study are you currently?
      1st, 2nd, 3rd, 4th, 5th as options

3.
   a) What is your major subject?
      Economics
      Business, Management, etc.
      A Social Science
      Natural Science, Mathematics, Engineering, etc.
      Art, Language, Humanities, etc.
   b) If no to the above, what is (are; do you expect will be) your major subject(s)?

4. How would you describe your political outlook on a scale from 1 to 7 where 1 = very conservative and 7 = very liberal?
   1, 2, 3, 4, 5, 6 and 7 as options

5. We're interested in knowing how you chose your actions in the experiment and whether the choices of others in your group were in line with what you expected or surprised you, and if the latter, in what way(s)?

6. How did you decide what to put in the group account each period? and how was this affected
by the opportunities others had to reduce your earnings?

7. Did your group interact with a fine? If yes, how was what you put in the group account each period affected by the presence of a fine for allocations to your private account? 
6. Instructions of the no-IS, Voting Treatment, Phase 2

**Instructions for Phase 2**

As indicated before, Phase 2 consists of 6 periods during which you will interact with the same four individuals who were in your group in Phase 1. Each period begins with an allocation stage identical to that in periods of Phase 1. But there is the possibility of an additional element affecting your earnings each period. After these instructions and the answering of any questions you have, you will be asked to vote on whether to have your group adopt a scheme under which points allocated to members’ private accounts are subject to a fine. The scheme will either be in place or not be in place during the 6 remaining periods in which you will interact with the same four individuals who were in your group in Phase 1.

If your group’s members interact without a fine, each period will have the identical structure as in Phase 1. If your group interacts with a fine, each period will have the same basic decision structure, but after your allocation decisions are made, the computer will automatically deduct from your earnings 0.4 times the number of points you allocated to your private account in that period.

If a fine is in place, that is, your earnings for each period will be:

\[
\{20 \ensuremath{-} \text{(points you allocate to group account)} \\
+ 0.3 \times \text{(sum of points allocated by all in group to group account)} \\
- (0.4 \times \text{points you allocated to your private account})\}
\]

Recall that you and each member of your group get 0.3 points for each point you allocate to your group account. If a fine is in place, you get 1 point for each point you allocate to your private account but you lose 0.4 points due to the fine, so on balance your earnings increase by 0.6 points for each point you allocate to your private account.

At the end of each period, you will see a summary of your earnings for the period and how they were determined, including the amount if any that you lost due to the fine.

**Voting and decision process**

After these instructions, you’ll see a screen asking you to select either **Interact with Fine** or **Interact with No Fine**. Remember that whatever is the decision, it will be in place for the remaining 6 periods of the experiment. When you see this screen, indicate your preference and press Submit.
There are in fact two possible ways that the Fine or No Fine decision may be determined. For some groups, the vote of the majority of members will determine the outcome, but for other groups, the vote will not be counted. You will not know whether your group is one whose vote will determine presence or absence of the fine until after your vote. The next screen will tell you either “Your group’s vote will be counted.” or “Your group’s vote will not be counted.” The sentence that follows that will say either “Your group will interact with a fine in the remaining 6 periods.” or “Your group will interact without a fine in the remaining 6 periods.” If the first statement indicates that your group’s vote counts, then you will know how the majority of members of your group voted from the second statement, the one telling you whether your group will or will not have a fine in place. That is, if the vote counts, the majority prevails. If the first statement indicates that your group’s vote will not be counted, then the determination of whether your group will or will not interact with a fine in place is made by the computer.

With regard to what determines whether your group’s vote counts and what determines whether your group interacts with a fine or without a fine if the vote doesn’t count, we can give you only the following information. First, whether your vote counts or not is in no way related to how you vote or to the decisions members of your group made during the previous 6 periods. Second, if the computer determines whether your group interacts with the fine or not without counting the vote, the outcome is also in no way related to how you vote or to what decisions members of your group made during the previous 6 periods.

Finally, in the event that your group’s vote does not count (that is, if the vote is not what determines whether a fine system is in place for the remaining 6 periods), there is a possibility that you will nevertheless be informed of how the majority of your group’s members voted (in other words, you may be told whether the majority favored or opposed the fine). If shown, that information would appear on the same screen as the statement about whether or not your group will be using the fine system, just below that statement. The information will not be shown to all groups, however. Whether the information is shown or is not shown is unrelated to how you or others vote.

Due to the importance of the information on this screen which appears after your vote, you’ll be asked to confirm that you’ve read it carefully before proceeding.

**Comprehension questions**

To help you to check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. When everyone has finished, there will be a final chance for you to ask any questions you may have, and then Phase 2 will begin. Your performance on the comprehension questions will not affect your payoff.
8. If your group has the fine in place in a given period of Phase 2, does that mean that it has the fine in place in all 6 periods of Phase 2? __________

9. If your group operates with such a fine, how much are you fined for each point you put in your private account? __________ points

10. Suppose that you allocate 9 points to your private account and 11 points to your group account in the allocation stage, and that your earnings in that stage are 18 points. What will you earn in this period if your group operates with a fine in place?

_________________________ points
7. Open-ended questions of the no-IS, Voting Treatment

1. Are you ___ Male ___ Female

2. 
a) At which university are you registered?
   Academy of Fine Arts Vienna
   Diplomatic Academy of Vienna
   Medical University of Vienna
   PEF Private University of Management Vienna
   University of Applied Arts Vienna
   University of Music and Performing Arts, Vienna
   University of Veterinary Medicine Vienna
   University of Vienna
   Vienna University of Economics and Business
   University of Natural Resources and Applied Life Sciences, Vienna
   Vienna University of Technology
   Webster University Vienna
   International Anti-Corruption Academy
b) Are you a undergraduate student or a Master's student?
   I am a undergraduate student
   I am a Master's student?
c) If you are an undergraduate student, in which year of study are you currently?
   1st, 2nd, 3rd, 4th, 5th as options

3. 
a) What is your major subject?
   Economics
   Business, Management, etc.
   A Social Science
   Natural Science, Mathematics, Engineering, etc.
   Art, Language, Humanities, etc.
b) If no to the above, what is (are; do you expect will be) your major subject(s)?

4. How would you describe your political outlook on a scale from 1 to 7 where 1 = very conservative and 7 = very liberal?
   1, 2, 3, 4, 5, 6 and 7 as options

5. We're interested in knowing how you chose your actions in the experiment and whether the choices of others in your group were in line with what you expected or surprised you, and if the latter, in what way(s)?

6. How did you decide what to put in the group account each period?

7. Did your group interact with a fine? If yes, how was what you put in the group account each
period affected by the presence of a fine for allocations to your private account)?

8. Also, please say how you voted and explain your reasons for voting as you did about whether there should be a fine for allocating points to the private accounts.
8. Instructions of the IS, Voting Treatment, Phase 2

Instructions for Phase 2

As indicated before, Phase 2 consists of 6 periods during which you will interact with the same four individuals who were in your group in Phase 1. Each period will now consist of two stages plus a possible third step.

The first stage is identical to the periods in Phase 1; that is, you are given 20 points and must allocate them between a group and a private account, with the same payoff consequences. In the second stage of each period, you will have an opportunity to reduce the earnings of others in your group at a cost to your own earnings. After you and others in your group make an allocation decision, you will see your earnings in the allocation stage and the amount allocated to the group account by each of the others in your group in an order that is randomly changed each period. Then, in boxes below the information on others’ allocations you will be asked to enter the whole number of points (if any) that you wish to use to reduce the earnings of each individual (see below). Each point you allocate to reducing another’s earnings reduces your own earnings by 1 point and reduces that individual’s earnings by 2 points. Your own earnings can be reduced in the same way by the decisions of others in your group. You are free to leave any or all others’ earnings unchanged by entering 0’s in the relevant boxes.

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<th>1</th>
<th>2</th>
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<th>4</th>
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<td>Other members’ allocations to group account</td>
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</tr>
</tbody>
</table>

Remember that the earnings of the group members are reduced by 2 times the amounts you reduce. If you allocate all your earnings unchanged, enter 0.
Note: Numbers shown are for illustration only.
Earnings reductions directed at you in stage 2 cannot bring your earnings for the period to less than zero. However, the cost of giving reductions to others is always fully born even if it makes your period earnings negative. (If you lose points in a period, they are deducted from those you accumulate in other periods.) Thus, your earnings can be thought of as having two parts:

**Part 1:** Earnings from the allocation stage minus reductions by others in your group, or 0 if the latter is negative

-- minus --

**Part 2:** Points you use to reduce others’ earnings

Note that you incur the cost in Part 2 even if it causes your net earnings for the period to be negative.

Restated, your earnings are:

**Part 1:**

\[
\text{the greater of } \left\{ \begin{array}{c}
20 - (\text{points you allocate to group account}) \\
+ 0.3 \times (\text{sum of points allocated by all in group to group account}) \\
- 2 \times (\text{sum of reduction points directed at you by others in your group}) \\
\end{array} \right\}
\]

and

0

-- minus --

**Part 2:**

points you use to reduce others’ earnings

For example, suppose that you use 0 points to reduce the earnings of the first and second individuals whose allocations appear on the screen, you use 1 point to reduce the earnings of the third, and you
use 2 points to reduce the earnings of the fourth. Suppose further that these individuals use 0, 1, 0 and 3 points to reduce your earnings. Then the third and fourth individuals’ earnings for the period will be reduced by 2 and by 4 points, respectively, in addition to any reductions due to the decisions of others, although these reductions cannot bring their earnings below zero. Your own earnings for the period will be reduced by 3 points, your cost to impose reductions on others, plus \((1 \times 2) + (3 \times 2) = 8\) points, the reductions imposed on your earnings by others. At the end of the reduction stage, you will learn that others decided to reduce your earnings by a total of 8 points although your actual earnings reduction will be less if your allocation stage earnings are less than 8. You will not be told which individuals reduced your earnings or by how much any given individual reduced your earnings. Others will also not know who in particular reduced their earnings and by how much.

In addition to the fact that earnings from the allocation stage and reductions received cannot go below zero, the earnings reduction process is subject to two limits. First, your reduction points must be an integer. Second, you cannot assign more than 10 reduction points to any one individual in your group.

Remember that if no reductions are imposed (the reduction boxes are filled in with 0’s), earnings after the reduction stage are the same as those before it. The possible third step that might be part of each period will be discussed after you test your understanding of the second stage.

**Comprehension questions**

To help you to check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. Your performance on the comprehension questions will not affect your payoff.

1. How much does it cost you to reduce the earnings of another group member by 4 points? ________________

2. Suppose that an individual earns 10 points from the allocation stage, spends 2 points on reducing others’ earnings, and incurs no earnings reductions from others. What are the individual’s earnings for this period? ________________
3. Suppose that an individual earns 8 points from the allocation stage, spends 1 point on reducing others’ earnings, and that others spend a total of 4 points to reduce her earnings. What are the individual’s earnings for this period?

The possibility of fines
The third step that will take place after Stage 2 for some groups consists of the imposition of a fine for each point allocated to your private account. After these instructions and the answering of any questions you have, you will be asked to vote on whether to have your group adopt a scheme under which points allocated to members’ private accounts are subject to a fine. The scheme will either be in place or not be in place during the 6 remaining periods in which you will interact with the same four individuals who were in your group in Phase 1.

If your group’s members interact without a fine, each period will have the structure described in the previous section, with an allocations stage followed by a reductions stage. If your group interacts with a fine, each period will have those two stages, but after your reduction decisions are made, the computer will automatically deduct from your earnings 0.4 times the number of points you allocated to your private account in that period, although your earnings for the period cannot be brought below zero by these deductions.

If a fine is in place, your earnings for each period will be:

Part 1:

the greater of 

\[
[ 20 – \text{ (points you allocate to group account) } \\
+ 0.3 \times \text{ (sum of points allocated by all in group to group account) } \\
- 2 \times \text{ (sum of reduction points directed at you by others in your group) } \\
- (0.4 \times \text{ points you allocated to your private account}) ]
\]

and
Part 2:

points you use to reduce others’ earnings

Recall that you and each member of your group get 0.3 points for each point you allocate to your group account. If a fine is in place, you get 1 point for each point you allocate to your private account but you lose 0.4 points due to the fine, so on balance your earnings increase by 0.6 points for each point you allocate to your private account.

At the end of each period, you will see a summary of your earnings for the period and how they were determined, including the amount if any that you lost due to the fine.

Voting and decision process

After these instructions, you’ll see a screen asking you to select either Interact with Fine or Interact with No Fine. Remember that whatever is the decision, it will be in place for the remaining 6 periods of the experiment. When you see this screen, indicate your preference and press Submit.

There are in fact two possible ways that the Fine or No Fine decision may be determined. For some groups, the vote of the majority of members will determine the outcome, but for other groups, the vote will not be counted. You will not know whether your group is one whose vote will determine presence or absence of the fine until after your vote. The next screen will tell you either “Your group’s vote will be counted.” or “Your group’s vote will not be counted.” The sentence that follows that will say either “Your group will interact with a fine in the remaining 6 periods.” or “Your group will interact without a fine in the remaining 6 periods.” If the first statement indicates that your group’s vote counts, then you will know how the majority of members of your group voted from the second statement, the one telling you whether your group will or will not have a fine in place. That is, if the vote counts, the majority prevails. If the first statement indicates that your group’s vote will not be counted, then the determination of whether your group will or will not interact with a fine in place is made by the computer.

With regard to what determines whether your group’s vote counts and what determines whether your group interacts with a fine or without a fine if the vote doesn’t count, we can
give you only the following information. First, whether your vote counts or not is in no way related to how you vote or to the decisions members of your group made during the previous 6 periods. Second, if the computer determines whether your group interacts with the fine or not without counting the vote, the outcome is also in no way related to how you vote or to what decisions members of your group made during the previous 6 periods.

Finally, in the event that your group’s vote does not count (that is, if the vote is not what determines whether a fine system is in place for the remaining 6 periods), there is a possibility that you will nevertheless be informed of how the majority of your group’s members voted (in other words, you may be told whether the majority favored or opposed the fine). If shown, that information would appear on the same screen as the statement about whether or not your group will be using the fine system, just below that statement. The information will not be shown to all groups, however. Whether the information is shown or is not shown is unrelated to how you or others vote.

Due to the importance of the information on this screen which appears after your vote, you’ll be asked to confirm that you’ve read it carefully before proceeding.

Comprehension questions
To help you check your understanding of the instructions, we ask you now to please answer the questions that will appear on your screen. Raise your hand if you need help. When everyone has finished, there will be a final chance for you to ask any questions you may have, and then Phase 2 will begin. Your performance on the comprehension questions will not affect your payoff.

4. If your group has the fine in place in a given period of Phase 2, does that mean that it has the fine in place in all 6 periods of Phase 2? _______

5. If your group operates with such a fine, how much are you fined for each point you put in your private account, assuming that any reductions you received in Stage 2 plus any fines don’t exceed your Stage 1 earnings? _______ points

6. Suppose that you allocate 9 points to your private account and 11 points to your group account in Stage 1, and that your Stage 1 earnings are 18 points. Suppose, further, that you neither give nor receive any Stage 2 reductions. What will you earn in this period if your group operates with a fine in place?

_______________________ points
9. Open-ended questions of the IS, Voting Treatment

1. Are you  ___ Male  ___ Female

2. a) At which university are you registered?
   Academy of Fine Arts Vienna
   Diplomatic Academy of Vienna
   Medical University of Vienna
   PEF Private University of Management Vienna
   University of Applied Arts Vienna
   University of Music and Performing Arts, Vienna
   University of Veterinary Medicine Vienna
   University of Vienna
   Vienna University of Economics and Business
   University of Natural Resources and Applied Life Sciences, Vienna
   Vienna University of Technology
   Webster University Vienna
   International Anti-Corruption Academy

   b) Are you an undergraduate student or a Master's student?
      I am a undergraduate student
      I am a Master's student?

   c) If you are an undergraduate student, in which year of study are you currently?
      1st, 2nd, 3rd, 4th, 5th as options

3. a) What is your major subject?
   Economics
   Business, Management, etc.
   A Social Science
   Natural Science, Mathematics, Engineering, etc.
   Art, Language, Humanities, etc.

   b) If no to the above, what is (are; do you expect will be) your major subject(s)?

4. How would you describe your political outlook on a scale from 1 to 7 where 1 = very conservative and 7 = very liberal?
   1, 2, 3, 4, 5, 6 and 7 as options

5. We're interested in knowing how you chose your actions in the experiment and whether the choices of others in your group were in line with what you expected or surprised you, and if the latter, in what way(s)?

6. How did you decide what to put in the group account each period? and how was this affected by the opportunities others had to reduce your earnings?
7. Did your group interact with a fine? If yes, how was what you put in the group account each period affected by the presence of a fine for allocations to your private account)?

8. Also, please say how you voted and explain your reasons for voting as you did about whether there should be a fine for allocating points to the private accounts.