Online appendix B to "Fairness in bankruptcy situations: an experimental study": Instructions and screenshots

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What follows is the instructions read to participants and references to screenshots that are attached at the end. The screenshots shown to participants as part of the instructions did not have any numbers on them that could anchor choices or expectations.

B.1   General introduction

Welcome to this experiment. My name is ...[L] and I will be in charge of this session. All instructions are provided in English since this is part of an international research project.

In this experiment you make decisions that determine what you and other participants are paid from the experiment. The results from this experiment will be used in a research project. It is therefore very important that all participants follow certain rules of conduct. All cell-phones must be turned off, and you are not permitted to access any internet sites other than the one for this experiment. 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 assist you.

All interaction between participants will take place via a web-based interface. The experiment will be conducted under complete anonymity, that is, no one, including the research team and other participants, will ever know who made which decisions during the experiment.

The payment to you is organized as follows. At the end of the experiment, the computer assigns to each of you a payment code. At the same time, it prepares for an assistant, who is not in this room when the payment codes are provided, a list of the payment codes and corresponding payments. The assistant then prepares envelopes with the payments inside, where he makes sure that it is impossible

to identify the amount of money simply by looking at the envelope. He writes the payment code on the envelope, and brings all the envelopes to the lab. The assistant immediately leaves the lab, and we then hand out the envelopes based on the payment codes. Therefore, it will not be possible for him or anyone else to identify how much you get paid from the experiment.

I'll now explain the first part of the experiment.

B.2 Production

In the first part of the experiment, there are five firms in which you can produce. There are 31 production periods, and in each you can decide in which firm to produce. The different firms use different production technologies, but the earning potential is the same for you in all firms. In each firm, you earn 15 NOK if you reach a target level of production. You can only work in one firm per period.

I will first show you what the screen for choosing which firm to work in looks like.

> L puts on slide of production choice screen (Figure B1 on page 6)

You can notice that the names of the firms are on the left, in the middle it says how many production units (each worth 15 kroner) you have completed in each firm, and to the right you can tick of which firm you want to work for in this period. When you have made your choice, you hit the "submit" button. You can notice that there is a timer here. If you don't make the choice before the time runs out, a random choice will be made for you.

I will now show you what the production technologies in each firm looks like.

> L puts on "color" screenshot (Figure B2 on page 7)

In this firm, firm A, you must count the number of black squares in each of these boards. You enter the number of black squares in the yellow box below each board. When you are done you hit the submit button, and get a new board. You get one point for each correct board, and you can see here how many points you need to to finish one unit of production. You can also see that there is a timer on each of these production pages. When the time runs out, the answers you have finished will automatically be submitted.

> L puts on "add" screenshot (Figure B3 on page 8)

In this firm, firm B, you must add each of these numbers, and enter the correct answer in the yellow box. Here as well, you hit the submit button when you are done, and get new numbers to add. In all of the firms, you could also choose to hit submit before you are done with all, you get one point for each correct answer, and you can see the requirement and the timer.

In this firm, firm C, the task is to tick off all instances of the number indicated on the screen. You get one point for each correct tick-off. The number you have to search for changes when you hit submit and get a new screen. You can see the requirement and the timer.

In this firm, firm D, you must reproduce the given text in the yellow text box. You get one point for each correctly typed word.

In this firm, firm E, you must find out which of the alternatives that is a scrambled version of the word given above. You tick off your answer for each of the words, and proceed to a new screen with the submit button.

You can notice that all the screens state a requirement, how many points you have up til now, and a timer that will auto-submit when the time runs out.

B.3 Distribution

When all the production rounds are completed, the computer will randomly match you with one other participant for each of the firms. This other person may have produced a number of units that is different from yours in that firm. The computer will then randomly draw three out of the five firms that will go bankrupt. The firms can go bankrupt so that either 35, 50 or 65 percent of the value produced by you and your partner is lost.

For the firms that don't go bankrupt, you will be paid the value of your production.

For the firms that go bankrupt, a third party will step in and decide how the available funds should be distributed between you and your partner.

Each of you will play the role of "third party" for other participants in this room, that is, you will decide the outcome in situations where you don't have any stake in the outcome. The computer will randomly assign you the cases where you will act as "third-party". Some of these cases may also have been assigned to other "third-party" persons, and the computer will then randomly choose among the "third-part" decisions to determine how to distribute the funds between the two individuals.

When all the third party arbitrators have finished making their decisions, you will be asked to answer a few questions that have no consequences for your earnings in this experiment. Then you will be shown how your payments have been drawn, and you will be paid before you leave.

Are these instructions clear? I will show you a screenshot of how the third-party decisions are made right before these start.

This is what the screen will look like when you make third party decisions. The screen indicates how much each of them produced in this firm, and how much is left after bankruptcy. You have to enter numbers for how much each of the participants will get. The amounts should be multiples of 5 kroner, and should sum up to the amount available.

Hitting submit, you will get the next bankrupt firm you are asked to make distributions in.

At the end, you will be shown an overview of all your choices, and then you will have the the opportunity to revise your choices.

B.4   Rounding off

All of you have now completed all your third party decisions. The computer will now draw the third part decisions that will determine your payment from the experiment. While we wait for the payments to be prepared, we should like to ask you to answer some questions.[1] Your answers to these questions will not in any way affect your payment. When you have answered the questions, please remain seated for further instructions.

L PRESSES THE BUTTON TO START THE QUESTIONS

You should now start answering the questions.

L WAITS UNTIL STATUS PAGE SHOWS WE ARE READY FOR PAY-
MENTS.

Everyone has now answered all the questions. You will soon be given an overview of what you have earned in the experiment.[2] When you are done with this, you can click the link below the overview and be taken to a screen that shows your payment code.[3] You should then write down the payment code on the payment form available at your work station. Make sure that you write the correct code, since this is your identification for receiving your payment. We will then have to wait for the envelopes with the payment to be brought to the lab before we can proceed. Again, while we wait, we ask you to remain quiet and seated at your desk.

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[1] Figure B9 on page 14.

[2] See Figure B10 on page 15.

[3] See Figure B11 on page 16.

My assistant will now hand over the envelopes to you. He will do so by asking you to step forward row by row, and you should show the payment form with the payment code to collect the envelope with your payment.

Before we finish, let me take the opportunity to thank you all for participating in this experiment. Your participation is valuable to the research that we do. May we also ask you not to talk to anyone about the experiment before the end of today, since we will conduct more session later today. Thank you!

NHH

Choice of firm to work in

Firm	Past production	Choice?
Firm A	2	○
Firm B	2	○
Firm C	2	⦿
Firm D	3	○
Firm E	1	○

Seconds left to make a decision: 24.1   [Submit Query]

If you don't make a decision before the time runs out, a random firm will be chosen for you.

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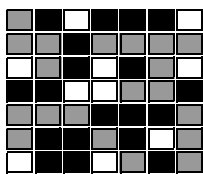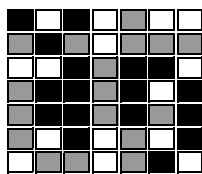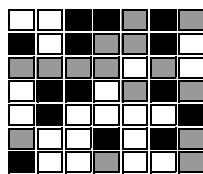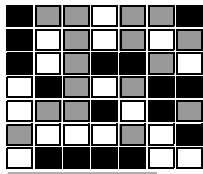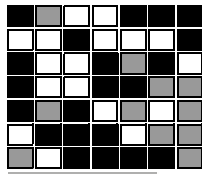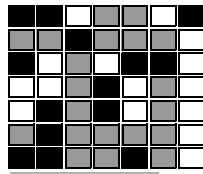
Figure B1: Choice of what firm to work in

Production task

You collect one point for each correct answer.

You can generate a new screen at any time by pressing the submit button.

For each matrix below, enter the number of **black** squares

Seconds left: 88.7   submit

Your points up to now are 0 out of 7 necessary.

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Figure B2: Production in Firm A

Production task

You collect one point for each correct sum.

You can generate a new screen at any time by pressing the submit button.

16 + 10 + 12 = [   ]

6 + 8 + 10 = [   ]

17 + 5 + 11 = [   ]

14 + 19 + 5 = [   ]

20 + 11 + 6 = [   ]

Seconds left: [88.5   ] [submit]

Your points up to now are 0 out of 5 necessary.

Figure B3: Production in Firm B

Production task

You collect one point per correct tick-off.

You can generate a new screen at any time by pressing the submit button.

In the table below, tick off the number **979**

363 ☐	593 ☐	617 ☐	657 ☐	161 ☐	466 ☐	740 ☐	466 ☐	161 ☐	617 ☐
386 ☐	593 ☐	466 ☐	466 ☐	657 ☐	351 ☐	657 ☐	740 ☐	386 ☐	275 ☐
617 ☐	657 ☐	363 ☐	275 ☐	979 ☐	466 ☐	458 ☐	161 ☐	518 ☐	351 ☐
458 ☐	593 ☐	617 ☐	593 ☐	275 ☐	161 ☐	657 ☐	363 ☐	476 ☐	657 ☐
657 ☐	161 ☐	518 ☐	386 ☐	657 ☐	593 ☐	386 ☐	740 ☐	386 ☐	204 ☐
458 ☐	979 ☐	161 ☐	363 ☐	458 ☐	204 ☐	204 ☐	275 ☐	386 ☐	363 ☐
518 ☐	351 ☐	204 ☐	617 ☐	657 ☐	351 ☐	363 ☐	657 ☐	657 ☐	740 ☐
275 ☐	386 ☐	593 ☐	740 ☐	386 ☐	593 ☐	161 ☐	161 ☐	476 ☐	363 ☐
161 ☐	979 ☐	386 ☐	617 ☐	161 ☐	593 ☐	740 ☐	740 ☐	351 ☐	363 ☐
476 ☐	351 ☐	979 ☐	617 ☐	476 ☐	740 ☐	204 ☐	593 ☐	979 ☐	204 ☐

Seconds left: 72.6   submit

Your points up to now are 3 out of 10 necessary.

Figure B4: Production in Firm C

Production task

Reproduce this text in the form given below. You collect one point for each correctly typed word.

You can generate a new screen at any time by pressing the submit button.

But British India, properly so called, only embraces seven hundred thousand square miles, and a population of from one hundred to one hundred and ten millions of inhabitants. A considerable portion of India is still free from British authority; and there are certain ferocious rajahs in the interior who are absolutely independent. The celebrated East India Company was all-powerful from 1756, when the English first gained a foothold on the spot where now stands the city of Madras, down to the time of the great Sepoy insurrection. It gradually annexed province after province, purchasing them of the native chiefs, whom

Seconds left: 45.8   submit

Your points up to now are 0 out of 15 necessary.

Figure B5: Production in Firm D

Production task

For each word given below, select the entry that is a scrambled version of this word. You collect one point for each correct selection.

You can generate a new screen at any time by pressing the submit button.

BULB	**LET**	**WHISTLE**
○ BLUB	○ TVD	○ LESHTWI
○ KZBL	○ LEY	○ SWLTIGM
○ LEBB	○ GLU	○ HSWLEEI
○ BSUS	○ LET	○ LSWEXJH

TWIST	**FOOT**	**OVER**
○ TITQW	○ VOTE	○ REOA
○ SUWIX	○ OTJI	○ OERV
○ WTIST	○ TONY	○ OREF
○ ITIWT	○ OTFO	○ EMOR

TRADE	**REGULAR**	**HOLLOW**
○ AYRED	○ LUANRGR	○ HLLOWM
○ CTRDX	○ GVLSRUA	○ XLWOZL
○ MGATD	○ GLRRUAQ	○ OLLWOY
○ AEDTR	○ ALERRUG	○ HWLLOO

Seconds left: 83.6   submit

Your points up to now are 0 out of 9 necessary.

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Figure B6: Production in Firm E

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bankruptcy situation 1/4

In this firm, two other participants produced in one of the **Firm B**s.

This firm went bankrupt and only 85 kroner is available
for distribution.

You are asked to make a distribution of the liquidation value:

	Participant 1	Participant 2	Total
Earnings	45	120	165
Distribution			85

Submit distribution

Please submit your proposed distribution in units no smaller than 5 kr, and
make sure that the total adds up to 85 kr.

Figure B7: Choice of distribution

Confirm or tick off to revise distribution choices

Confirm all choices

Revise choices ticked off below

Decision	Description				Revise?
		Participant 1	**Participant 2**	**Total**	
1 / 4	Earnings	45	120	165	
	Your distribution	20	65	85	☐
		Participant 1	**Participant 2**	**Total**	
2 / 4	Earnings	135	75	210	
	Your distribution	40	35	75	☐
		Participant 1	**Participant 2**	**Total**	
3 / 4	Earnings	30	30	60	
	Your distribution	20	20	40	☐
		Participant 1	**Participant 2**	**Total**	
4 / 4	Earnings	45	60	105	
	Your distribution	25	30	55	☐

Figure B8: Confirmation of distributions

Questions

We are grateful for your participation in this experiment.

We would also be grateful if you could answer the following questions:

1. How familiar are you with bankruptcy law?

○ Not at all
○ Somewhat
○ Very familiar

2. Did you follow a follow a specific principle when you made distributions in the bankruptcy situations? Please explain your considerations when making "third-party" decisions.

[ ]

3. How far along in your studies are you?
○ 1st year
○ 2nd year
○ 3rd year
○ 4th year
○ 5th year

4. Your gender is:
○ male
○ female

Submit

Figure B9: Questions asked

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Payment details

Your payment from this experiment is 330. This is made up of the showup fee of 100 and a total of 230 in return from the firms you have worked for.

The earnings from these firms are as follows:

- In Firm B you earned 30 and the other participant earned 75.
  This firm went bankrupt, and only 70 was left.
  A third party decided that you should have **70 kr**.
- In Firm C you earned 30 and the other participant earned 165.
  This firm went bankrupt, and only 70 was left.
  A third party decided that you should have **25 kr**.
- In Firm A you earned 30 and the other participant earned 90.
  This firm went bankrupt, and only 60 was left.
  A third party decided that you should have **45 kr**.
- Firm D did not go bankrupt, and you get your earnings of **60 kr**.
- Firm E did not go bankrupt, and you get your earnings of **30 kr**.

  You can <u>go on to your payment code</u>.

Figure B10: Information about payments

Payment code

Your secret payment code is **UUULBP**. You must write this on the form available next to your work station. Take care to write down the correct code.

We appreciate your participation in this experiment.

Please stay seated until you are called forward to receive your payment.

When you leave your workstation you may close the browser.

Figure B11: Code for getting paid