

Experimental Instructions:

Toward an Understanding of Optimal Mediation Choice

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Section 1 reproduces the experimental instructions that were used in Experiment I for the Simple-Informed/Uninformed treatments. For the Complex-Informed/Uninformed treatments, the prior probability of the type, the mediators' labels and their mediation rules were changed accordingly. Section 2 reproduces the experimental instructions that were used in Experiment II.

1 Instructions for Experiment I

Welcome to this experiment. We are going to read these instructions carefully. In the following one and a half hours or so, you will participate in 40 rounds of decision making. The monetary payment you will receive from this experiment will depend on the decisions you make.

Overview

Today's experiment studies a game of negotiation and it consists of four parts. Below are the instructions for Part I. You will receive the instructions for Parts II, III, and IV later.

Instructions for Part I

Part I consists of 4 rounds of decision making. In each round, you will be randomly matched with another participant, and the two of you will compete for a resource worth 400 points. In case of agreement, the resource is divided equally. In case of disagreement, the resource shrinks to 300 points (think of the 100 points lost as time and resources wasted to disagreement), and is divided according to your randomly assigned types.

The game of negotiation in each round goes as follows:

1. At the start of each round, the computer will assign you a type, which can be either High (H) or Low (L). Each person is likely to be H with 25% chance, and L with 75% chance.
2. You will be randomly and anonymously matched with another participant. All you know about the participant is that he or she is of type H with 25% chance and of type L with 75% chance. Your type and your match's type matter because they affect how the resource is shared in case of disagreement.
3. You decide on what message to send. You are prompted to enter your choice of message. You have the choice to send message "H" by clicking the button marked "H" or to send message "L" by clicking the button marked "L." Note that you can send any message you want regardless of your type.

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4. Your message is transmitted to the participant you are matched with. You also receive a message from him or her.
5. You and the participant you are matched with choose, without knowing what the other's decision is, between "In" and "Out".
6. The round is concluded and the outcome is realized as follows:
 - (a) If both choose "In", the negotiation reaches an **agreement**. The resource is divided equally and each receives 200 points.
 - (b) If either chooses "Out", the negotiation reaches a **disagreement**. The total resource shrinks to 300 points. The reduced resource is then allocated (automatically by the computer) according to your type and your match's type, as follows:
 - i. If both are H or both are L, then each receives 150 points.
 - ii. If one is H and the other is L, then H receives 240 points, and L receives 60 points.

The table below summarizes earnings for all possible scenarios.

Your Type		H		L	
Your Match's Type		H	L	H	L
Negotiation reaches	Agreement	200	200	200	200
	Disagreement	150	240	60	150

Table 1: Your Earnings

Each participant will be randomly rematched with another participant after each round, and will be re-assigned a type for the round. The person you were matched with and the type you were in each round are independent of the previous rounds.

Information Feedback for Part I

At the end of each round of Part I, the computer will provide you with some feedback, including 1) your type, 2) the type of the participant you are matched with, 3) the message you sent, 4) the message you received, 5) the outcome of the negotiation (agreement or disagreement), and 6) your earning in points.

Your Monetary Payment

The computer randomly selects **1 round** out of the 40 rounds to calculate your cash payment. That is, only 1 round is chosen out of Parts I-IV. So it is in your best interest to take each round and each part equally seriously. Your total payment in HKD will be the points you earned in the selected round translated into HKD with the exchange rate of 1 point = 1 HKD, plus a HKD 40 show-up fee.

Completion of the Experiment

After the 40th round, the experiment will be over. You will be instructed to fill in the receipt for your payment. The amount you earn will be paid **electronically via the HKUST Autopay System to the bank account you provide to the Student Information System (SIS)**. The auto-payment will be arranged by the Finance Office of HKUST, which takes about three to four weeks.

You will receive the instructions for Parts II after you finish making your 4 rounds of decision making in Part I.

Instructions for Part II

Part II consists of 4 rounds of decision making. In each round, you will be randomly matched with another participant, and the two of you will compete for a resource worth 400 points. In case of agreement, the resource is divided equally. In case of disagreement, the resource shrinks to 300 points (think of the 100 points lost as time and resources wasted to disagreement), and is divided according to your randomly assigned types. Unlike Part I, after types are assigned, you will be asked to send a message to a computer Mediator who will either prescribe agreement or walk out of the mediation.

The game of negotiation in each round goes as follows:

1. At the start of each round, the computer will assign you a type, which can be either High (H) or Low (L). Each person is likely to be H with 25% chance, and L with 75% chance.
2. You will be randomly and anonymously matched with another participant. All you know about the participant is that he or she is of type H with 25% chance and of type L with 75% chance. Your type and your match's type matter because they affect how the resource is shared in case of disagreement.
3. You decide on what message to send to a (computer) **Mediator**. We shall call the mediator

40-Mediator

You are prompted to enter your choice of message. You have the choice to send message "H" by clicking the button marked "H" or to send message "L" by clicking the button marked "L." Your message will then be transmitted to the mediator **confidentially**. Note that you can send any message you want regardless of your type.

4. The mediator receives two messages (one from you and another from the participant you are matched with) and makes a prescription to both of you as follows:
 - (a) If both messages are the same (both "L" or both "H"), then it recommends **agreement**.
 - (b) If one message is "L" and the other message is "H", then it recommends **agreement** with 40% chance and **walks out of the mediation** with 60% chance.
5. The round is concluded and the outcome is realized as follows:
 - (a) If the mediator prescribes **agreement**, the resource is divided equally and each receives 200 points.
 - (b) If the mediator walks out, negotiation reaches **disagreement**. The total resource shrinks to 300 points. The reduced resource is then allocated (automatically by the computer) according to your type and your match's type, as follows:
 - i. If both are H or both are L, then each receives 150 points.
 - ii. If one is H and the other is L, then H receives 240 points, and L receives 60 points.

The table below summarizes earnings for all possible scenarios.

[Same table as Table 1 in Part I Instructions]

Information Feedback for Part II

At the end of each round of Part II, the computer will provide you with some feedback, including 1) your type, 2) the type of the participant you are matched with, 3) the message you sent, 4) the message the participant you are matched with sent, 5) the prescription made by the mediator (agreement or disagreement) and 6) your earning in points.

You will receive the instructions for Parts III after you finish making your 4 rounds of decision making in Part II.

Instructions for Part III

Part III consists of 4 rounds of decision making. In each round, you will be randomly matched with another participant, and the two of you will compete for a resource worth 400 points. In case of agreement, the resource is divided equally. In case of disagreement, the resource shrinks to 300 points (think of the 100 points lost as time and resources wasted to disagreement), and is divided according to your randomly assigned types. This part is identical to Part II except that the computer Mediator will have a different prescription rule.

The negotiation process in each round in Part III is exactly the same as that in Part II except that the mediator is



More precisely,

1. The mediator receives two messages (one from you and another from the participant you are matched with) and makes a prescription to both of you as follows:
 - (a) If both messages are the same (both “L” or both “H”), then it prescribes **agreement**.
 - (b) If one message is “L” and the other message is “H”, then it **walks out of the mediation**.
2. The rest of the negotiation process is the same as that in Part II.

Information Feedback for Part III

The information feedback is exactly the same as that in Part II.

You will receive the instructions for Part IV after you finish making your 4 rounds of decision making in Part III.

Instructions for Part IV (Simple-Informed)

Part IV consists of **28** rounds of decision making. In each round, you will be randomly matched with another participant, and the two of you will compete for a resource worth 400 points. In case of agreement, the resource is divided equally. In case of disagreement, the resource shrinks to 300 points (think of the 100 points lost as time and resources wasted to disagreement), and is divided according to your randomly assigned types. Now, you will be given the option to choose a mediator for the negotiation.

The game of negotiation in each round goes as follows:

1. At the start of each round, the computer will assign you a type, which can be either High (H) or Low (L). Each person is likely to be H with 25% chance, and L with 75% chance.
2. You will be randomly and anonymously matched with another participant. All you know about the participant is that he or she is of type H with 25% chance and of type L with 75% chance.
3. You will then be asked to imagine yourself being the selector of a mediator to rely on for the negotiation in the round and choose one mediator among the following two choices.

Imagine yourself being the selector of a mediator. Which mediator do you want to choose?

<p>40-Mediator (as in Part II)</p>	<p>0-Mediator (as in Part III)</p>
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4. One of the choices made by you and the participant you are matched with is randomly (with equal chances) chosen. Then 1) the selector of the mediator for the round, and 2) which mediator the selector has chosen are announced.
5. After the chosen mediator is announced, the non-selector may make some inferences about the selector's type based on his/her chosen mediator. Also, the non-selector has an option to decline the mediator.
6. If the non-selector declines, negotiation reaches disagreement immediately and each of you receives earnings according to your type and your match's type. Otherwise, you will take part in the negotiation accordingly. The rest of the procedure is the same as one of the Parts II, III, and IV depending on the chosen mediator.

Information Feedback for Part IV

At the end of each round of Part IV, the computer will provide you with some feedback, including 1) your choice of mediator, 2) the choice of mediator made by the participant you are matched with, 3) the chosen mediator for the negotiation, 4) whether the non-selector declines after the selector of the mediator and the chosen mediator are announced, 5) your type, 6) the type of the participant you are matched with, 7) the message you sent, 8) the message the participant you are matched with sent, 9) the prescription made by the mediator (agreement or disagreement), and 10) your earning in points.

This is the last part of the experiment. You will be instructed to fill in the receipt after you finish all your 28 rounds of decision making. Thank you for your participation.

Instructions for Part IV (Simple-Uninformed)

Part IV consists of **28** rounds of decision making. In each round, you will be randomly matched with another participant, and the two of you will compete for a resource worth 400 points. In case of agreement, the resource is divided equally. In case of disagreement, the resource shrinks to 300 points (think of the 100 points lost as time and resources wasted to disagreement), and is divided according to your randomly assigned types. Now, you will be given the option to choose a mediator for the negotiation.

The game of negotiation in each round goes as follows:

1. At the start of each round, each person is likely to be H with **25%** chance, and L with **75%** chance. The computer has not yet assigned you a type, **and so you will not be informed about your type.**
2. You will be randomly and anonymously matched with another participant. All you know about the participant is that he or she is of type H with 25% chance and of type L with 75% chance. **The other participant does not know their type as well.**
3. You will then be asked to imagine yourself being the selector of a mediator to rely on for the negotiation in the round and choose one mediator among the following two choices.

Imagine yourself being the selector of a mediator. Which mediator do you want to choose?

40-Mediator (as in Part II)	0-Mediator (as in Part III)
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4. One of the choices made by you and the participant you are matched with is randomly (with equal chances) chosen. Then 1) the selector of the mediator for the round, and 2) which mediator the selector has chosen are announced.
5. After the chosen mediator is announced, the computer will assign each person a type, either H or L, and you will be informed of only your type. The non-selector may make some inferences about the selector's type based on his/her chosen mediator. Also, the non-selector has an option to decline the mediator.
6. If the non-selector declines, negotiation reaches disagreement immediately and each of you receives earnings according to your type and your match's type. Otherwise, you will take part in the negotiation accordingly. The rest of the procedure is the same as one of the Parts II, III, and IV depending on the chosen mediator.

Information Feedback for Part IV

[The information feedback given to subjects is exactly the same as in the Simple-Informed treatment]

This is the last part of the experiment. You will be instructed to fill in the receipt after you finish all your 28 rounds of decision making. Thank you for your participation.

2 Instructions for Experiment II

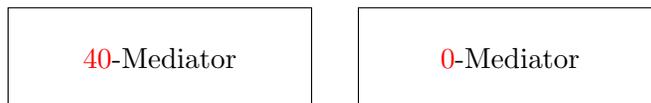
Welcome to this experiment. We are going to read these instructions carefully. In the following one and a half hours or so, you will participate in 40 rounds of decision making. The monetary payment you will receive from this experiment will depend on the decisions you make.

Overview

Today's experiment studies a game of negotiation and it consists of four parts. Below are the instructions for Part I. You will receive the instructions for Parts II, III, and IV later.

Instructions for Part I

Part I consists of 5 rounds of decision making. In each round, you will be randomly matched with another participant, and the two of you will compete for a resource worth 400 points. In case of agreement, the resource is divided equally. In case of disagreement, the resource shrinks to 300 points (think of the 100 points lost as time and resources wasted to disagreement), and is divided according to your randomly assigned types, which can be either High (H) or Low (L). Your type, H or L, is your private information. You will be asked to send a message to a computer Mediator. Two computer Mediators are available for the negotiation, each called



The 40-Mediator receives two messages (one from you and another from the participant you are matched with) and makes a prescription to both of you according to the following prescription rule:

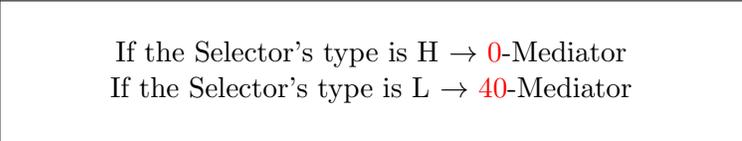
1. If both messages are the same (both “L” or both “H”), then it prescribes **agreement**.
2. Otherwise, it prescribes **agreement** with 40% chance and **walks out of the mediation** with 60% chance.

The 0-Mediator receives two messages (one from you and another from the participant you are matched with) and makes a prescription to both of you according to the following prescription rule:

1. If both messages are the same (both “L” or both “H”), then it prescribes **agreement**.
2. Otherwise, it **walks out of the mediation**.

The game of negotiation in each round goes as follows:

1. At the start of each round, one of you and your match will be randomly (with equal chances) chosen to be the Selector of a mediator. The Selector of a mediator for the round will be announced.
2. The computer will assign you a type, which can be either High (H) or Low (L). You will be privately informed about your type. Each person is likely to be H with 25% chance, and L with 75% chance. All you know about the participant you are matched with is that he or she is of type H with 25% chance, and L with 75% chance. Your type and your match’s type matter because they affect how the resource is divided in case of disagreement.
3. The Selector’s mediator choice will be (automatically) assigned based on the Selector’s type according to the following mediator-selection rule:



Based on this given mediator-selection rule and the Selector’s type, the Selector’s chosen mediator is assigned and announced.

4. After the chosen mediator is announced, the Non-Selector may make some inferences about the Selector’s type based on his/her chosen mediator.
5. You will then decide on what message to send to the chosen mediator. You have the choice to send message “H” by clicking the button marked “H” or to send message “L” by clicking the button marked “L.” Your message will then be transmitted to the mediator **confidentially**. Note that you can send any message you want regardless of your type.

6. At this stage, the Non-Selector has an option to decline the mediator. If the Non-Selector declines, negotiation reaches disagreement immediately. Otherwise, the mediator makes a prescription based on the two messages received, according to its prescription rule.
7. The round is concluded and the outcome is realized as follows:
 - (a) If the mediator prescribes **agreement**, the resource is divided equally and each receives 200 points.
 - (b) If the mediator walks out or if the Non-Selector declines, negotiation reaches **disagreement**. The total resource shrinks to 300 points. The reduced resource is then allocated (automatically by the computer) according to your type and your match's type, as follows:
 - i. If both are H or both are L, then each receives 150 points.
 - ii. If one is H and the other is L, then H receives 240 points, and L receives 60 points.

The table below summarizes earnings for all possible scenarios.

Your Type		H		L	
Your Match's Type		H	L	H	L
Negotiation reaches	Agreement	200	200	200	200
	Disagreement	150	240	60	150

Table 1: Your Earnings

Each participant will be randomly re-matched with another participant after each round, and will be randomly re-assigned a selector/non-selector role for the round. Also, each participant will be re-assigned a type for the round. The person you were matched with and the role/type you were assigned to in each round are independent across rounds.

Information Feedback for Part I

At the end of each round of Part I, the computer will provide you with some feedback, including 1) the given mediator-selection rule, 2) your type, 3) the type of the participant you are matched with, 4) the Selector's chosen mediator for the negotiation, based on the given mediator-selection rule and the Selector's type, 5) whether the Non-Selector declines after the chosen mediator is announced, 6) the message you sent, 7) the message the participant you are matched with sent, 8) the prescription made by the mediator (agreement or disagreement), and 9) your earning in points.

Your Monetary Payment

The computer randomly selects **1 round** out of the 40 rounds to calculate your cash payment. That is, only 1 round is chosen out of Parts I-IV. So it is in your best interest to take each round and each part equally seriously. Your total payment in HKD will be the points you earned in the selected round translated into HKD with the exchange rate of 1 point = 1 HKD, plus a HKD 40 show-up fee.

Completion of the Experiment

After the 40th round, the experiment will be over. You will be instructed to fill in the receipt for your payment. The amount you earn will be paid **electronically via the HKUST Autopay System to the bank account you provide to the Student Information System (SIS)**. The auto-payment will be arranged by the Finance Office of HKUST, which takes about three to four weeks.

You will receive the instructions for Part II after you finish making your 5 rounds of decision making in Part I.

Instructions for Part II

Part II consists of 5 rounds of decision making. [Repeat explanations regarding the environment, two computer mediators, and their prescription rules.] This part is identical to Part I except that the given mediator-selection rule will be different. More precisely,

1. At the start of each round, one of you and your match will be randomly (with equal chances) chosen to be the Selector of a mediator. The Selector of a mediator for the round will be announced.
2. The computer will assign you a type, which can be either High (H) or Low (L). You will be privately informed about your type. Each person is likely to be H with 25% chance, and L with 75% chance. All you know about the participant you are matched with is that he or she is of type H with 25% chance, and L with 75% chance.
3. The Selector's mediator choice will be (automatically) assigned based on the Selector's type according to the following mediator-selection rule:

If the Selector's type is H → 40-Mediator If the Selector's type is L → 40-Mediator
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Based on this given mediator-selection rule, the Selector's chosen mediator is assigned and announced.

4. The rest of the negotiation process is the same as that in Part I.

The table below summarizes earnings for all possible scenarios.

[Same table as Table 1 in Part I Instructions]

Information Feedback for Part II

The information feedback is exactly the same as that in Part I.

You will receive the instructions for Part III after you finish making your 5 rounds of decision making in Part II.

Instructions for Part III

Part III consists of 5 rounds of decision making. [Repeat explanations regarding the environment, two computer mediators, and their prescription rules.] This part is identical to Parts I and II except that the given mediator-selection rule will be different. More precisely,

1. At the start of each round, one of you and your match will be randomly (with equal chances) chosen to be the Selector of a mediator. The Selector of a mediator for the round will be announced.
2. The computer will assign you a type, which can be either High (H) or Low (L). You will be privately informed about your type. Each person is likely to be H with 25% chance, and L with 75% chance. All you know about the participant you are matched with is that he or she is of type H with 25% chance, and L with 75% chance.
3. The Selector's mediator choice will be (automatically) assigned based on the Selector's type according to the following mediator-selection rule:

If the Selector's type is H → 0-Mediator
 If the Selector's type is L → 0-Mediator

Based on this given mediator-selection rule, the Selector's chosen mediator is assigned and announced.

4. The rest of the negotiation process is the same as that in Parts I and II.

The table below summarizes earnings for all possible scenarios.

[Same table as Table 1 in Part I Instructions]

Information Feedback for Part III

The information feedback is exactly the same as that in Parts I and II.

You will receive the instructions for Part IV after you finish making your 5 rounds of decision making in Part III.

Instructions for Part IV

Part IV consists of 25 rounds of decision making. Unlike previous Parts I–III, if you are assigned the role of the Selector, you will now be given the **option to choose a mediator-selection rule** for the negotiation in each and every round. More precisely,

1. At the start of each round, one of you and your match will be randomly (with equal chances) chosen to be the Selector of a mediator. The Selector of a mediator for the round will be announced.
2. The computer will assign you a type, which can be either High (H) or Low (L). You will be privately informed about your type. Each person is likely to be H with 25% chance, and L with 75% chance. All you know about the participant you are matched with is that he or she is of type H with 25% chance, and L with 75% chance.
3. The Selector will then be asked to choose **one mediator-selection rule** among the following three options:

If the Selector's type is H \rightarrow 0-Mediator If the Selector's type is L \rightarrow 40-Mediator	If the Selector's type is H \rightarrow 40-Mediator If the Selector's type is L \rightarrow 40-Mediator
If the Selector's type is H \rightarrow 0-Mediator If the Selector's type is L \rightarrow 0-Mediator	

The Selector's mediator choice will be (automatically) assigned based on the chosen mediator-selection rule and the Selector's realized type. For instance, suppose you choose the top-left rule above and your realized type in the current round is H. Then the 0-Mediator will be automatically implemented.

It is important to note that the mediator choice for the **unrealized type** (40-Mediator for type L in the example above) also matters. At the end of the experiment, we will randomly pick one round (out of all 25 rounds in Part IV) in which the unrealized type in the current round is realized, and give you a bonus payment of 20 points if the mediator choice you specified for that unrealized type coincides with the actual mediator choice in the randomly picked round. Otherwise, no bonus will be given. If there are no rounds in which the unrealized type in the current round was realized, then you will receive the 20-point bonus unconditionally.

Table 4: Unrealized Type's Mediator Choice and Bonus Payments

Current Round			Randomly Picked Round	
Mediator Selection Rule You Chose	Realized Type	Unrealized Type's Choice	Your Realized Type's Choice	Bonus Payment
H \rightarrow 0-Mediator	H	L \rightarrow 40-Mediator	L \rightarrow 40-Mediator	20
			L \rightarrow 0-Mediator	0
L \rightarrow 40-Mediator	L	H \rightarrow 0-Mediator	H \rightarrow 40-Mediator	0
			H \rightarrow 0-Mediator	20
H \rightarrow 40-Mediator	H	L \rightarrow 40-Mediator	L \rightarrow 40-Mediator	20
			L \rightarrow 0-Mediator	0
L \rightarrow 40-Mediator	L	H \rightarrow 40-Mediator	H \rightarrow 40-Mediator	20
			H \rightarrow 0-Mediator	0
H \rightarrow 0-Mediator	H	L \rightarrow 0-Mediator	L \rightarrow 40-Mediator	0
			L \rightarrow 0-Mediator	20
L \rightarrow 0-Mediator	L	H \rightarrow 0-Mediator	H \rightarrow 40-Mediator	0
			H \rightarrow 0-Mediator	20

4. The Selector's chosen mediator is announced. The Non-Selector does not know which mediator-selection rule the Selector has chosen but only observes **the Selector's mediator choice that is automatically assigned based on the Selector's chosen mediator-selection rule and the Selector's type**.
5. After the chosen mediator is announced, the Non-Selector may make some inferences about the Selector's type based on his/her chosen mediator.
6. You will then decide on what message to send to the chosen mediator. You have the choice to send message "H" by clicking the button marked "H" or to send message "L" by clicking the

button marked “L.” Your message will then be transmitted to the mediator **confidentially**. Note that you can send any message you want regardless of your type.

7. At this stage, the Non-Selector has an option to decline the mediator. If the Non-Selector declines, negotiation reaches disagreement immediately. Otherwise, the mediator makes a prescription based on the two messages received, according to its prescription rule.
8. The round is concluded and the outcome is realized as follows:
 - (a) If the mediator prescribes **agreement**, the resource is divided equally and each receives 200 points.
 - (b) If the mediator walks out or if the Non-Selector declines, negotiation reaches **disagreement**. The total resource shrinks to 300 points. The reduced resource is then allocated (automatically by the computer) according to your type and your match’s type.

[Same table as Table 1 in Part I Instructions]

Information Feedback for Part IV

At the end of each round of Part IV, the computer will provide you with some feedback, including:

- The mediator-selection rule chosen by the Selector.
- Your type and the type of the participant you are matched with.
- The Selector’s chosen mediator for the negotiation.
- Whether the Non-Selector declines after the chosen mediator is announced.
- The message you sent and the message the participant you are matched with sent.
- The prescription made by the mediator (agreement or disagreement).
- Your earning in points.

This is the last part of the experiment. You will be instructed to fill in the receipt after you finish all your 25 rounds of decision making. Thank you for your participation.