

Experimental Protocol for Experiment

General:

Sessions for 16-24 subjects in multiples of four

Study is in Spanish

8 independent treatments: 3 factors with two levels each

Tax rate: 25 vs. 50%

Who pays tax: everyone (proportional contribution) vs. only richest half of group

Who receives benefits from tax: everyone (equal division) vs. poorest half of group

One round paid from each part:

One dictator decision for each pair of subjects, one round from part 2/3, one choice from the risk portion

Part 1- Dictator Game:

- Start with attached Module 1 instructions
- Subjects choose how to divide 1000 ECUs between themselves and a randomly matched other participant
- At the end of the experiment, subjects are divided into two groups (Dictators and Recipients and randomly paired with a member of the other group. The dictator's decision is enforced in each pair.

Part 2- Real Effort Task

- Start with attached Module 2 instructions
 - Adjust to be treatment (i.e. to reflect the appropriate values of the factors)
 - Relevant parts highlighted
- Subjects add up sets of 2 randomly generated 2-digit numbers for 1 minute
 - Timer displayed
- Receive feedback on if previous answers are correct/incorrect and total score so far
 - Message for incorrect appears in Red
 - Message for correct appears in Green
 - Running total appears after first answer is submitted and remains on screen throughout the task
- Two trial periods
- Followed by 10 paid rounds:
 - Information about what the current round is always displayed
 - Prior to Round 1, subjects are informed that they will be asked to report their earnings and will be taxed 25/50% of what they report (tax rate varies across treatment)
 - Treatments also vary if taxes are equally distributed among all members or just among the two lowest earning members of the group (based on real earnings)
 - Prior to each paid round, subjects are randomly allocated to groups of 4
 - Subjects earn 150 ECUs for each correct answer

- Subjects are reminded of # of correct answers and earnings in ECUS
 - Asked to declare how much they earned in round
 - Reported must be \leq actual earnings in that round
 - Taxed based on amount reported
- Last screen in each round shows the outcome of taxes:
 - How much actually earned
 - How much declared
 - If they were audited
 - Amount paid in taxes
 - Amount received from taxes
 - Total earnings for round

Part 3- Real Effort Task 2

- Start with attached Module 2 instructions
 - Adjust to be treatment (i.e. to reflect the appropriate values of the factors)
 - Relevant parts highlighted
- Identical to part 2 except that there is no trial rounds and a 10% chance of being audited
 - When a subject is audited, they pay 50% on any discrepancy between reported and actual earnings
 - so if you earned 1200 in the real effort task and you reported 1000 and the tax rate was 50% and you were in fact audited, you would pay 600 ($.5 \times 1200$) and then 100 ($1200 - 1000 \times .5$)

Part 4- Risk Preferences

- Start with attached module 4 instructions
- Relatively straightforward H+L presentation
- 10 choices where select option A or B with A always being the safer option
 - Choice between A: 2,000 vs 1600 and B: 3850 vs. 100
 - 1st choice is 10% chance of first payment, 2nd choice is 20% and so on
- 1 random choice selected for payment
- Consistency not forced

Part 5- Die Roll Lying Task

- Subjects are asked to roll a digital die and are paid 100 ECUs*the reported die roll number
 - Subjects can re-roll the die as many times as they like
 - Number of rolls and last value recorded

Part 6- Questionnaire

- Refer to screenshots

Part 7- Results

- Report of earnings from each part
 - Separate page for each part