Risk Preferences and the Role of Emotions
Online Appendix

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Experimental instructions

This Online Appendix reports the instructions (originally in German) that we used for our experiment. The instructions were the same in all treatments.

INSTRUCTIONS

Welcome! You are about to participate in an experiment funded by the Max Planck Institute of Economics. Please remain silent and switch off your mobile. If you have any questions during the experiment please raise your hand.

You will receive €7.50 for participating in this experiment. Beyond this you can earn more money, depending partly on the decisions that you take during the experiment and partly on chance. There are no right or wrong ways to complete the experiment, but what you do will have implications for what you are paid at the end of the experiment. So it is in your interest to read these instructions carefully before you turn to the computer.

The experiment consists of two parts. The instructions for the first part follow on the next page. The instructions for the second part will be distributed after all participants have completed the first part.

At the end of the experiment, we will randomly invite one participant to draw one ball from a bag containing two balls labeled 1 and 2.

- If the ball labeled 1 is drawn, all of you will be paid your earnings in part 1.
- If the ball labeled 2 is drawn, all of you will be paid your earnings in part 2.

Thus, you will be paid your earnings in part 1 OR your earnings in part 2, and both parts will have an equal chance of being selected for payment.

The €7.50 participation fee and any additional amounts of money you may earn will be paid to you in cash at the end of the experiment. Payments are carried out privately, i.e., without the other participants knowing the extent of your earnings.

In the course of the experiment you will be asked to fill in some questionnaires that have no effect on your earnings.
Instructions for Part 1

The first part of the experiment consists of 100 choice tasks. During all tasks, there will be no interaction between the participants, meaning that your decisions have no influence on the decisions and earnings of other participants and vice versa. In the following we provide a detailed description of the choice tasks.

The choice tasks

In each one of the 100 tasks you will have to choose between lotteries with varying chances of winning different amounts. You will be presented with two lotteries at a time and must choose one of them. For each pair of lotteries, you should choose the lottery you prefer to play.

In the experiment lotteries will be presented as circles divided into segments representing possible outcomes from the lottery. The number written next to each segment is the monetary value of each outcome in euros. Over all 100 tasks the possible outcomes are €0, €8, €16, and €24. The size of each segment indicates the chance of each outcome occurring. Such chances are also reported below each lottery and are all multiples of one-eighth. An example of how a pair of lotteries will be displayed on your screen is shown in the following figure:

![An example of a task](image)

In this figure, there are two lotteries – that on the left and that on the right. The LEFT lottery provides a 3/8 chance of winning 8 Euros and a 5/8 chance of winning 16 Euros. This means that the size of the €8 segment corresponds to 3/8 of the total circle, and the size of the €16 segment corresponds to 5/8 of the total circle. The RIGHT lottery provides a 4/8 (or 1/2) chance of winning 8 Euros, a 1/8 chance of winning 16 Euros, and a 3/8 chance of winning 24 Euros. As with the LEFT lottery, the circle segments represent the chances of occurrence of each possible outcome; for example, the size of the €16 segment is 1/8 of the total circle.

The outcome of the lotteries will be determined by the roll of an unbiased eight-sided die. In the above figure for example:

- the LEFT lottery leads to a gain of 8 Euros if the die lands on number 1, 2
or 3, and to a gain of 16 Euros if the die comes up with a number between 4 and 8. Thus, there are THREE CHANCES OUT OF EIGHT that your prize will be 8 Euros, and FIVE CHANCES OUT OF EIGHT that your prize will be 16 Euros.

• the RIGHT lottery leads to a gain of 8 Euros if the die shows a number between 1 and 4, to a gain of 16 Euros if the die shows number 5, and to a gain of 24 Euros if the die comes up with number 6, 7 or 8. Thus, there are FOUR CHANCES OUT OF EIGHT that your prize will be 8 Euros, ONE CHANCE OUT OF EIGHT that your prize will be 16 Euros, and THREE CHANCES OUT OF EIGHT that your prize will be 24 Euros.

Please note that we assign the faces of the dice to prizes in an ascending order. For instance, in the above figure, in the LEFT lottery the first three faces (1 to 3) are assigned to the smaller prize (8 Euros) and the last five (4 to 8) to the larger prize (16 Euros). Similarly, in the RIGHT lottery faces 1 to 4 are assigned to the smallest prize (8 Euros), face 5 is assigned to the medium prize (16 Euros) and faces 6 to 8 are assigned to the largest prize (24 Euros).

You have to decide for each choice task whether you prefer the lottery on the left or that on the right. You should indicate your choice by clicking on the box below the appropriate lottery.

Your earnings
As we have already noted, you are guaranteed a €7.50 participation fee. You may also win an additional amount of money which depends on your choices. How this works is as follows. At the end of the experiment, if part 1 is randomly selected for payment, we will ask a participant to select one of the 100 tasks at random, by drawing a ticket from an opaque bag containing 100 tickets numbered from 1 to 100. The computer will recall that task and your choice for that task. An experimenter will then come to your place and your choice will be played out for real. You will roll an eight-sided die to determine the outcome of the lottery you chose. For instance, suppose you chose the LEFT lottery in the above example. Then, if the die shows 2, you win 8 Euros; if it shows 7, you get 16 Euros. If you chose the RIGHT lottery and the outcome of the die roll is 2, you get 8 Euros; if the outcome of the die roll is 7, you get 24 Euros.

Therefore, if part 1 is selected for payment, your earnings are determined by

• which task is randomly selected;
• which lottery you chose in the randomly selected task, the left or the right, and
• the outcome of that lottery when you roll the eight-sided die.

As you do not know in advance which task will be selected, you should think carefully about which lottery you prefer in each and every task.

Instructions for Part 1 are over. If you have any doubts or queries please raise your hand. Before starting the experiment, we will ask you to answer a questionnaire about feelings. Your answers to these questions will not affect your payoffs. When you have finished reading the instructions for the present part, click “OK” (on your computer screen).
Instructions for Part 2

In the second part of the experiment you will face a situation similar to that encountered in the first part. As before:

• you will face 100 choice tasks;

• your decisions in all tasks have no effect on the decisions and earnings of other participants and viceversa;

• each task requires you to choose between lotteries with varying prizes and chances of winning;

• the possible monetary prize amounts are €0, €8, €16, and €24, and the chances of occurrence of each prize are multiples of one-eighth;

• the two lotteries will be called the LEFT lottery and the RIGHT lottery;

• you should always choose the lottery you prefer to play.

If part 2 is selected for payment, your earnings will be determined like in the previous part.

• A randomly selected participant will choose one of the tasks you face in part 2 by drawing a ticket from an opaque bag containing 100 tickets numbered from 1 to 100.

• You will then play out your preferred choice on that task in the manner described above (i.e., rolling an eight-sided die).

Before starting the second part of the experiment, you will be shown a film clip. Before the film clip starts, the computer screen will be black for 30 seconds. In this period of time, you should clear your mind of all your thoughts, feelings, and memories. Please get involved in the feelings suggested by the situation in the film clip and keep them in mind for the remainder of the experiment.

*If you have finished reading the instructions for the present part and have no questions, please wear the headphones and click “OK”.*