Supplementary Appendix to "A Note on Loss Aversion and Framing-Bias Asymmetry"

Appendix A: Translated Instructions for Valuation Experiment

In this session (and in the sessions that will be conducted in the following weeks) you will be asked to bid prices for 10-15 lotteries (that is, we will ask how much you are willing to pay for 10-15 different lottery tickets).

To finance the price-offers that you will submit, we will endow you a budget (an initial balance) of 100 NIS for purchasing each of the lottery tickets.

At the end of the experiment, we will randomly select one of the lotteries.

The participants will be randomly divided into pairs. The highest bidder in each pair will receive the lottery outcome and pay the price-offer of his opponent.

For example, if one participant (in a given pair) has bid 82 for the selected lottery and the second participant has bid 64 for this lottery, then the bidder that has offered 82 would win the lottery for a price of 64 NIS (In other words, for those of you who are familiar with the term, the lotteries would be sold to each pair in a "second-price auction").

Calculating the Final Balances

*To calculate the final balance of the participant that has won the lottery we will first use the computer to draw the result of the lottery

*The final balance of the participant that has won the lottery will be: 100 NIS (the initial balance) minus the price as determined in the auction plus the outcome of the lottery as determined by the computer.

*The final balance of the participants that did not win the lottery ticket will be equal to the initial balance; i.e., 100 NIS.

*For example, if the first participant has offered 82 NIS for the selected lottery while the second participant has offered 64 for the lottery and the lottery's outcome was X NIS, then the final balance of the first participant would be 100-64+X; while the final balance of the second participant would be 100.

Actual payoff

At the end of the experiment, we will pay each participant a check at the amount of 1/3 of his/her final balance (rounded to an integer number). For example, if your final balance is 120 NIS you would receive 40 NIS; if your final balance is 80, your check would be 27 NIS.

Important Remark

The auction method that we are using is intended to guarantee that you disclose the *true value* of each lottery. By well known results in economics, "revealing you true valuation" is the best strategy in such auctions; there's no point in submitting "false-bids". We ask for your cooperation.

Additional Important Comment

The "*true value*" of each lottery is *subjective.* That is, each participant in the experiment may have his/her personal tastes and these determine the value of each lottery for this participant. There is no point consulting your neighbors.

Good Luck.

Appendix B: Unprocessed and Reduced-form Versions of Problem A

Unprocessed Version:

Your initial balance is 100 NIS

We offer you a lottery ticket paying cash prizes by the following scheme:

Consider a basic payoff-matrix as follows:

20	*120*
70	*0*
120	*70*

To calculate the lottery outcome, we will randomly select 3 distinct cells from the matrix

The lottery ticket would pay the maximal draw amongst the 3 designated prizes (that is, if the 3 selected cells show the prizes a,b,c then the lottery ticket would pay max(a,b,c))

What is your price-offer for the ticket?

My price offer is:_____

Reduced-form Version:

Your initial balance is 100 NIS

We offer you a lottery ticket paying cash prizes by the following scheme:

Probability	**Payoff in NIS**
80%	120
20%	70

What is your price-offer for the ticket?

My price offer is:_____