Online Supplementary Material

A Optimal Consumption with CARA Preferences

Following Caballero (1990, 1991), assume that optimal consumption follows an AR(1)-Process:

$$c_{t+1} = c_t + \Gamma_t + \nu_{t+1}, \tag{1}$$

Since the income generating process follows a discrete uniform distribution, the error of the consumption process should follow the same distribution. Define the stochastic error as $\nu_{t+1} = \zeta_{t+1}\varepsilon_{t+1}$ with

$$\varepsilon_{t+1} = \begin{cases} 1 & \text{with probability } 1/2 \\ -1 & \text{with probability } 1/2. \end{cases}$$

Where ζ_t is the standard deviation of consumption in period t. From the numerical solution[1], we observe that ζ_t grows between periods t and $t+1$ in the following way:

$$\zeta_{t+1} = \frac{T-t+1}{T-t}\zeta_t. \tag{2}$$

We can therefore write:

$$c_{t+1} = c_t + \Gamma_t + \frac{T-t+1}{T-t}\zeta_t\varepsilon_{t+1}, \tag{3}$$

Now we need to pin down Γ_t. We start from the Euler equation

$$1 = E_t[\exp^{-\theta(c_{t+1}-c_t)}]. \tag{4}$$

Plugging (1) in (4) yields

$$\Gamma_t = \frac{1}{\theta}\log\{E_t[\exp^{-\theta\nu_{t+1}}]\} = \tag{5}$$

$$= \frac{1}{\theta}\log[1/2\exp^{-\theta\zeta_{t+1}\varepsilon_{t+1}} + 1/2\exp^{\theta\zeta_{t+1}\varepsilon_{t+1}}] \tag{6}$$

$$= \frac{1}{\theta}\log\cosh[\theta\zeta_{t+1}]. \tag{7}$$

[1] We followed Carroll (2011) to obtain the numerical solution.

$$\Gamma_t = \frac{1}{\theta}\log\cosh\left[\theta\frac{T-t+1}{T-t}\zeta_t\right]. \tag{8}$$

Iteration of (1) from t to $t+j$ gives

$$c_{t+j} = c_t + \sum_{i=1}^{j}\Gamma_{t+i-1} + \sum_{i=1}^{j}\nu_{t+i}, \tag{9}$$

where $\sum_{i=1}^{j}\Gamma_{t+i-1} = \sum_{i=1}^{j}\frac{1}{\theta}\log\cosh\left[\theta\frac{T-t+1}{T-t+1-i}\zeta_t\right]$,

$$\sum_{i=1}^{j}\nu_{t+i} = \sum_{i=1}^{j}\frac{T-t+1}{T-t+1-i}\zeta_t\varepsilon_{t+i}. \tag{10}$$

Iteration of (9) from $t+j$ to $T-t$ gives

$$\sum_{j=0}^{T-t}c_{t+j} = (T-t+1)c_t + \sum_{j=0}^{T-t}\sum_{i=1}^{j}\Gamma_{t+i-1} + \sum_{j=0}^{T-t}\sum_{i=1}^{j}\nu_{t+i}. \tag{11}$$

The iterated intertemporal budget constraint is

$$\sum_{j=0}^{T-t}c_{t+j} = a_t + \sum_{j=0}^{T-t}y_{t+j} - \sum_{j=0}^{T-t}\tau_{t+j}, \tag{12}$$

where $E_t[\sum_{j=0}^{T-t}y_{t+j}] = y_t + (T-t)y_p$ and $y_p = E[y_t]$.
Therefore, taking expectations gives

$$\begin{aligned}(T-t+1)c_t + \sum_{j=0}^{T-t}\sum_{i=1}^{j}\Gamma_{t+i-1} + \sum_{j=0}^{T-t}\sum_{i=1}^{j}\frac{T-t+1}{T-t+1-i}\zeta_t\underbrace{E_t[\varepsilon_{t+i}]}_{=0}&\\ = a_t + y_t + (T-t)y_p - \sum_{j=0}^{T-t}\tau_{t+j}.&\end{aligned} \tag{13}$$

Solving for c_t gives

$$c_t = \frac{1}{T-t+1}\left(a_t + y_t + (T-t)y_p - \sum_{j=0}^{T-t}\tau_{t+j} - \sum_{j=0}^{T-t}\sum_{i=1}^{j}\frac{1}{\theta}\log\cosh\left[\theta\frac{T-t+1}{T-t+1-i}\zeta_t\right]\right). \tag{14}$$

From equation (2) we know that

$$\zeta_t = \frac{\zeta_T}{T-t+1}. \tag{15}$$

Since the marginal propensity to consume in the last period is 1, we know that the standard deviation of the consumption process must equal the standard deviation of the income process, $\zeta_T = \sigma_y$. Therefore we can write:

$$c_t^* = \frac{1}{T-t+1}[a_t + y_t + (T-t)y_p - \Im_t - \Gamma_t(\theta\sigma_y)], \tag{16}$$

$$\Gamma_t(\theta\sigma_y) = \sum_{j=0}^{T-t}\sum_{i=1}^{j}\frac{1}{\theta}\log\cosh\left[\frac{\theta\sigma_y}{T-t+1-i}\right], \tag{17}$$

$$\Im_t = \sum_{j=0}^{T-t}\tau_{t+j} = \vartheta - \sum_{j=1}^{t-1}\tau_j. \tag{18}$$

B Experimental Literature on Ricardian Equivalence

Table B.1: Experimental Literature on Ricardian Equivalence

Study	Model	Manipulation/Treatments	Ricardian Equivalence holds?
Cadsby and Frank (1991)	Overlapping Generations	A number of different parametrisations (e.g. endowments, periods, utility specifications)	yes
Slate et al. (1995)	Overlapping Generations	Different probabilities of debt repayment	no, if prob. of debt repayment < 1, yes if prob. of debt repayment $= 1$
Di Laurea and Ricciuti (2003)	Overlapping Generations	Liquidity constraints, income uncertainty	yes with liquidity constraints and baseline, no with income uncertainty
Adji et al. (2009)	Overlapping Generations	Distortionary and non-distortionary taxation	yes with non-distortionary taxation, no with distortionary taxation
This study	Life Cycle	Difficulty to smooth consumption, pre-announced taxation	no on average, evidence for Ricardian Equivalence and learning for specific consumption rules

Notes: In the overlapping generation models Ricardian Equivalence usually rather depends on whether "participants placed in a particular environment will interact" (Cadsby and Frank, 1991) than whether they use a behavioural strategy that does or does not violate Ricardian Equivalence and to what extend there is learning behaviour. Therefore, in overlapping generation models Ricardian Equivalence depends on different subjects, while in this study Ricardian Equivalence depends only on the subject's own decisions.

C Additional Tables and Figures

Table C.1: Median Regressions on Deviation from Optimal Consumption.

Constant	1202.9***	(35.04)
Treatment (base: Control):		
dR1	188.7***	(3.93)
dR2	226.5***	(4.79)
Round dummies (base: round 1):		
$d_{r.2}$	-247.8***	(-5.10)
d_r.3	-471.8***	(-9.72)
d_r.4	-417.3***	(-8.60)
d_r.5	-448.1***	(-9.23)
d_r.6	-486.2***	(-10.02)
d_r.7	-521.8***	(-10.75)
d_r.8	-574.5***	(-11.83)
Interaction of treatment and round (base: Control):		
$d_{r.2} \times$ dR1	-96.41	(-1.42)
$d_{r.3} \times$ dR1	-58.89	(-0.87)
$d_{r.4} \times$ dR1	-274.4***	(-4.04)
$d_{r.5} \times$ dR1	-105.3	(-1.55)
$d_{r.6} \times$ dR1	-118.7*	(-1.75)
$d_{r.7} \times$ dR1	-195.3***	(-2.88)
$d_{r.8} \times$ dR1	-96.18	(-1.42)
$d_{r.2} \times$ dR2	54.31	(0.81)
$d_{r.3} \times$ dR2	18.98	(0.28)
$d_{r.4} \times$ dR2	-21.58	(-0.32)
$d_{r.5} \times$ dR2	-103.8	(-1.55)
$d_{r.6} \times$ dR2	-101.5	(-1.52)
$d_{r.7} \times$ dR2	-168.2**	(-2.52)
$d_{r.8} \times$ dR2	-167.9**	(-2.51)

Notes: The dependent variable is aggregate absolute deviation from optimal consumption (see equation (8) in the main text). T-statistics are in parentheses. T-statistics and significance levels refer to tests of the hypothesis for which the coefficient of the respective variable is equal to zero; significance levels are * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table C.2: Fixed Effects Regressions on Observed Consumption.

	Control		Ricardian 1		Ricardian 2		Ricardian 3	
$\tilde{y}$	1.449**	(8.69)	1.312***	(13.85)	1.256***	(13.20)	1.261***	(13.48)
$\tilde{a}$	0.782***	(22.38)	0.781***	(23.38)	0.782***	(24.48)	0.782***	(25.66)
$(T-t)\tilde{y}_p$	1.097	(1.48)	1.301	(3.61)	1.104	(3.10)	1.342	(3.70)
$\tilde{\mathcal{T}}$			0.291***	(1.08)	0.314***	(3.42)	0.548**	(2.54)
$\tilde{\Gamma}(\theta\sigma_y)$	−8.904	(−0.66)	−0.444	(−0.06)	−2.729	(−0.43)	0.633	(0.09)
Tax dummies (base: 120):								
d_0.tx			18.20*	(1.84)	35.08***	(4.61)	29.86***	(3.43)
d_240.tx			−41.14***	(−4.13)	−27.19***	(−3.92)	−33.01***	(−2.82)
t	−2.967	(−1.29)	−3.522**	(−2.44)	−2.374	(−1.60)	−2.980**	(−2.15)
t^2	−0.0196	(−0.08)	0.0985	(0.84)	0.0322	(0.27)	0.110	(0.95)
Round dummies (base: round 1):								
$d_{r.2}$	−23.79	(−1.07)	−11.08	(−0.97)	−9.502	(−0.79)	−15.55	(−1.38)
$d_{r.3}$	−15.45	(−0.72)	−7.147	(−0.65)	−6.732	(−0.57)	−8.385	(−0.74)
$d_{r.4}$	−17.37	(−0.74)	−5.050	(−0.42)	−8.538	(−0.69)	−8.426	(−0.69)
$d_{r.5}$	−10.86	(−0.48)	−2.856	(−0.25)	−5.022	(−0.42)	−5.088	(−0.44)
$d_{r.6}$	−20.27	(−0.91)	−8.709	(−0.75)	−8.623	(−0.72)	−9.535	(−0.78)
$d_{r.7}$	−20.88	(−0.93)	−6.252	(−0.53)	−8.851	(−0.74)	−10.90	(−0.92)
$d_{r.8}$	−24.08	(−1.07)	−6.365	(−0.54)	−9.706	(−0.81)	−13.18	(−1.10)
Constant	−120.6*	(−1.79)	−102.3***	(−4.24)	−84.14**	(−2.12)	−77.11***	(−2.94)
Adjusted R^2	0.639		0.620		0.617		0.629	
Overall R^2	0.526		0.509		0.506		0.516	

Notes: The dependent variable is observed consumption (c_{itr}). T-statistics based on cluster robust (subject level) standard errors are in parentheses. T-statistics and significance levels of the first five regressors refer to tests of the H_1 (see text) that the respective variable is equal to 1, significance levels are * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. All other t statistics and significance levels refer to tests of the H_2 (see text) for which the respective variable is equal to zero; significance levels are * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table C.3: Fixed Effects Regressions on Observed Consumption Across Heuristics.

	Optimal		σ-Zero-Approximation		Constant		Net Income		Cash on Hand	
Tax dummies (base: 120):										
d_0.tx	20.37***	(3.30)	20.27**	(2.33)	22.40	(1.36)	74.72***	(3.73)	39.15*	(1.88)
d_240.tx	−22.95***	(−4.06)	−31.55***	(−3.90)	−23.61	(−1.37)	−59.98***	(−8.05)	−23.49	(−0.78)
Interaction of tax cut and round (base: round 1, 120):										
d_0.$tx \times$ d$_{r.2}$	−3.387	(−0.60)	−10.26	(−1.09)	−8.692	(−0.52)	−22.51	(−1.25)	−0.595	(−0.03)
d_0.$tx \times$ d$_{r.3}$	−6.037	(−0.96)	−3.516	(−0.37)	−12.46	(−0.66)	17.77	(0.57)	−2.562	(−0.11)
d_0.$tx \times$ d$_{r.4}$	−13.57**	(−2.18)	−16.23*	(−1.92)	−19.84	(−1.11)	−20.53	(−0.83)	0.735	(0.03)
d_0.$tx \times$ d$_{r.5}$	−14.22**	(−2.59)	−6.932	(−0.67)	−18.65	(−1.12)	−20.13	(−0.91)	−9.995	(−0.46)
d_0.$tx \times$ d$_{r.6}$	−8.701	(−1.36)	−11.27	(−1.34)	−9.832	(−0.57)	−26.67	(−0.90)	−13.38	(−0.63)
d_0.$tx \times$ d$_{r.7}$	−13.49**	(−2.23)	−17.69**	(−2.25)	−16.37	(−0.97)	−38.16	(−1.38)	−5.654	(−0.26)
d_0.$tx \times$ d$_{r.8}$	−14.13**	(−2.35)	−17.45*	(−1.81)	−18.26	(−1.04)	−30.97	(−1.01)	−9.798	(−0.46)
Interaction of tax increase and round (base: round 1, 120):										
d_240.$tx \times$ d$_{r.2}$	−2.564	(−0.46)	10.22	(1.13)	10.46	(0.98)	−9.687	(−1.12)	−27.01	(−0.90)
d_240.$tx \times$ d$_{r.3}$	7.916	(1.33)	7.323	(1.03)	11.18	(0.63)	18.11	(1.31)	−14.42	(−0.43)
d_240.$tx \times$ d$_{r.4}$	1.275	(0.20)	19.38**	(2.57)	17.09	(0.96)	5.518	(0.51)	−12.59	(−0.38)
d_240.$tx \times$ d$_{r.5}$	4.678	(0.68)	18.17**	(2.58)	18.65	(1.00)	4.735	(0.36)	−13.63	(−0.41)
d_240.$tx \times$ d$_{r.6}$	5.111	(0.80)	11.71*	(1.75)	11.11	(0.59)	12.87	(0.96)	−10.29	(−0.30)
d_240.$tx \times$ d$_{r.7}$	8.369	(1.43)	22.22***	(2.94)	22.46	(1.33)	5.680	(0.59)	−10.82	(−0.34)
d_240.$tx \times$ d$_{r.8}$	13.46**	(2.30)	23.74***	(2.96)	18.28	(0.96)	15.11	(1.57)	−13.69	(−0.40)
Round dummies (base: round 1):										
d$_{r.2}$	0.164	(0.04)	2.927	(1.08)	9.734	(0.77)	11.84***	(2.85)	−9.174	(−0.81)
d$_{r.3}$	−0.231	(−0.05)	−2.400	(−0.91)	5.530	(0.62)	3.192	(0.78)	−17.23	(−1.58)
d$_{r.4}$	5.019	(1.31)	4.628*	(1.69)	8.189	(0.88)	16.18***	(3.74)	−7.491	(−0.61)
d$_{r.5}$	4.500	(1.23)	2.692	(1.08)	8.128	(0.97)	18.67***	(3.75)	−10.12	(−0.92)
d$_{r.6}$	0.135	(0.03)	−0.848	(−0.34)	2.128	(0.29)	11.13**	(2.16)	−13.15	(−1.10)
d$_{r.7}$	4.675	(1.20)	0.892	(0.38)	4.884	(0.63)	16.05***	(2.90)	−10.28	(−0.89)
d$_{r.8}$	0.863	(0.23)	−3.129	(−0.84)	4.306	(0.57)	12.91**	(2.45)	−13.70	(−1.15)
Constant	−27.65	(−0.85)	−157.7***	(−6.41)	−11.29	(−0.24)	−353.8***	(−5.94)	−68.15	(−1.36)
Additional Controls	✓		✓		✓		✓		✓	
Adjusted R^2	0.202		0.177		0.042		0.283		0.096	
Overall R^2	0.175		0.162		0.0355		0.272		0.0998	

Notes: The dependent variable is observed consumption (c_{itr}). T-statistics based on cluster robust (subject level) standard errors are in parentheses. T-statistics and significance levels refer to tests of the H_0 for which the respective variable is equal to zero; significance levels are * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Full estimation results are available on request.

Table C.4: Strategy Evolution.

		Round						
Strategy	Unit	2	3	4	5	6	7	8
from σ-Zero-Approximation	(%)	9	7	18	9	15	15	11
from Optimal Consumption	(%)	18	11	16	16	10	8	11
from Constant Consumption	(%)	8	18	8	3	17	3	3
from Fraction of Cash on Hand	(%)	16	12	5	7	6	7	7
from Fraction of Net Income	(%)	7	8	6	6	6	3	3
Total Switchers	(%)	58	56	53	41	54	36	35

Figure C.1: Aggregate Monetary Loss by Treatments in Euro.

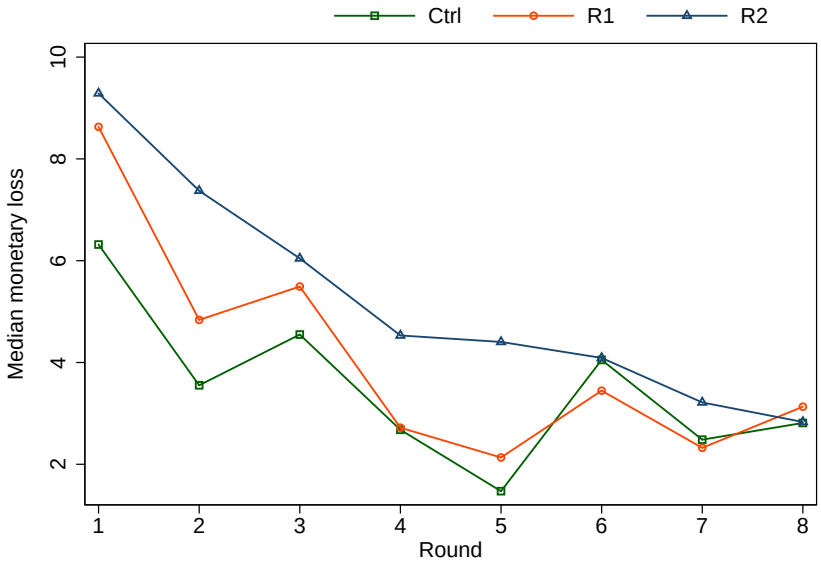


Figure C.2: Aggregate Monetary Loss by Heuristic in Euro.

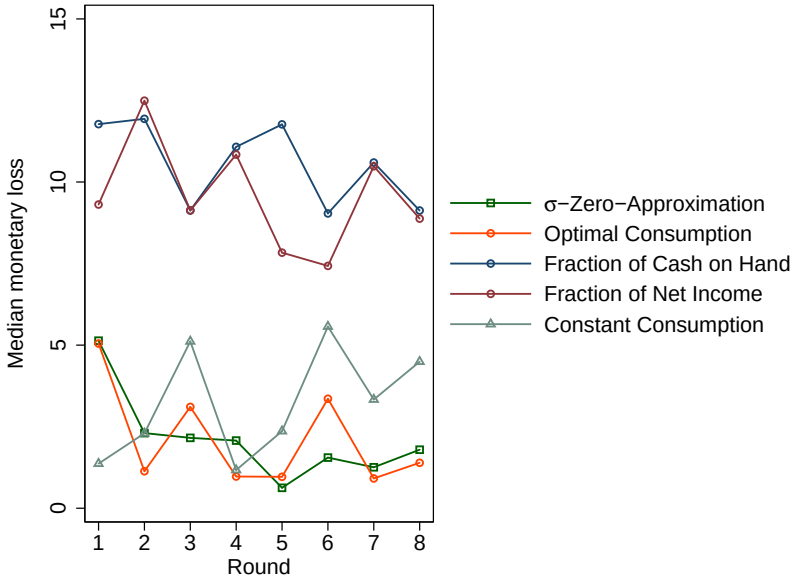
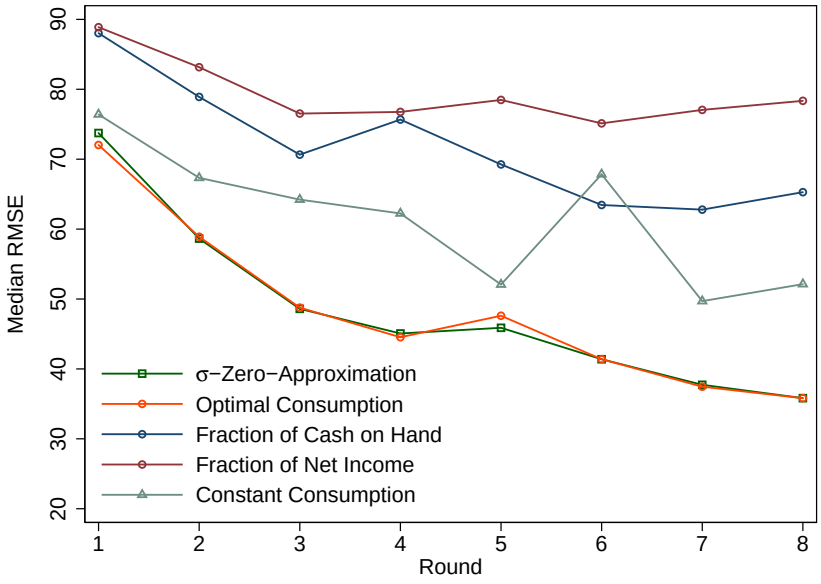


Figure C.3: RMSE.



D Instructions

This section contains the instructions of the experiment.[2] Subjects in all treatments received the same instructions, except for the treatment Ricardian 3. Differences are indicated by footnotes.

Instructions

Welcome to this experiment!
During this experiment you are not allowed to use electronic devices or to communicate with other participants. Please only use programs provided for this experiment. Please do not talk to other participants. If you have a question, please raise your hand. We will then come to you and answer your question individually. Please do not ask your question out loud. If your question is relevant for all participants, we will repeat your question out loud.

Overview. First you will have time to read the instructions. After that we will go through the instructions together, and you will complete a quiz in order to make sure you understood the instructions. The experiment consists of 8 rounds, each of which consists of 25 periods. The duration of the experiment is around 1.5 hours. Instructions, quiz, and a questionnaire will take around 30 minutes. The remaining hour is dedicated to the actual experiment. After the last round, your experiment payoff will be displayed. Please raise you hand when you have finished the last period. You will then be handed a short questionnaire. After filling out the questionnaire, please raise your hand again. You will then receive your experiment payoff in the adjacent room.

Your task is to decide in every period how many *points* you want to purchase. The sum of all points purchased in one round is that period's result. Your payoff depends on the results from two randomly drawn rounds.

Income, Savings and Wealth. In every period you obtain a certain *income*, denoted in the experimental currency "Taler". From this income you have to pay a certain amount of taxes to the government. Your task is to choose how many Taler to spend in order to purchase points. Thereby you (implicitly) also choose how many

[2]The instructions printed here are a translation of the original German version.

Taler you want to save or borrow. We call your income minus spending and taxes in one period *savings*.

Your *wealth* in the first period of every round is 1,000 Taler (initial wealth). The wealth in every later period equals the wealth of the previous period plus savings (=income-spending-taxes) of the previous period.

Please note that the sign of the savings can be either positive or negative. If you decide to spend fewer Taler than you have as income minus taxes, your savings have a positive sign. In this case your wealth in the next period is your wealth in this period plus the absolute amount of savings in this period. Should you decide to spend more Taler than you have as income, your savings have a negative sign. In this case your wealth in the next period is your wealth in this period minus the absolute amount of savings.

Example: assume your income in one period is 50 Taler and you have to pay 10 Taler in taxes. If you spend 30 Taler to purchase points, your savings are 10 Taler. In case you instead spend 70 Taler with the same income, your savings are -30 Taler. In the first case your wealth in the next period is the wealth in this period plus 10 Taler. In the latter case your wealth in the next period is this period's wealth minus 30 Taler.

Your wealth may take positive or negative values as well, depending on whether your savings from previous periods plus your initial wealth were positive or negative. In the last period, your wealth plus income minus taxes will be spent automatically in order to purchase points. This implies that the sum of Taler spent in all periods of one round equals the sum of income obtained in all periods of this round minus the sum of all taxes paid in this round. In other words: you may spend more or less than your income in one round. However, over one round, the sum of income plus initial wealth always equals the sum of Taler spent plus the sum of all taxes.

Determination of Income and Taxes. Your income is randomly determined. In every period, your income can take the values of either 250 Taler or 120 Taler. Both values occur with the equal probability of 50%. It is very important to understand that income is truly randomly determined. The value the income takes in one period does not depend on the values it had in previous periods or how you behaved in previous periods.

The government has fixed costs of 120 Taler in every period, which you have to finance through taxes. This implies that the government collects a total of $120 \times 25 = 3000$ Taler from you in the course of one round. The government is free to collect

more or less than 120 Taler in taxes in any period.[3] Before you decide how much to spend in every period you learn the amount of taxes the government collects from you in the respective period.

Taler and Points. Your task to decide in every period how many Taler you want to spend in order to purchase points. Taler are transformed to points as follows:

$$\text{Points} = 338 \times \left(1 - e^{-0.0125 \times (\text{chosen amount of Taler})}\right)$$

A graph of this function, as well as a table with relevant function values is attached to the instructions.[4] Please note that the above function is defined in the positive as well as the negative domain. If you choose to spend a negative amount of Taler, you receive a negative amount of points. In this case you "sell" points and gain Taler. Should your wealth plus income in the last period be negative, you will have to automatically sell points in order to make sure that your Taler account is balanced.

Payoff. For your participation you will receive a fixed amount of 5 Euro. Additionally you will receive an amount that depends on the results of two randomly drawn rounds. This amount is calculated as follows:

$$\text{Payoff in Euro} = \frac{(\text{Result1} - 5000) + (\text{Result2} - 5000)}{100}$$

where Result1 is the first randomly drawn result and Result2 is the second randomly drawn result.

Example: suppose the first randomly drawn result is 5500 points and the second randomly drawn result is 6000 points. Your payoff is then:

$$\frac{(5500 - 5000) + (6000 - 5000)}{100} = \frac{1500}{100} = 15 \text{ Euro.}$$

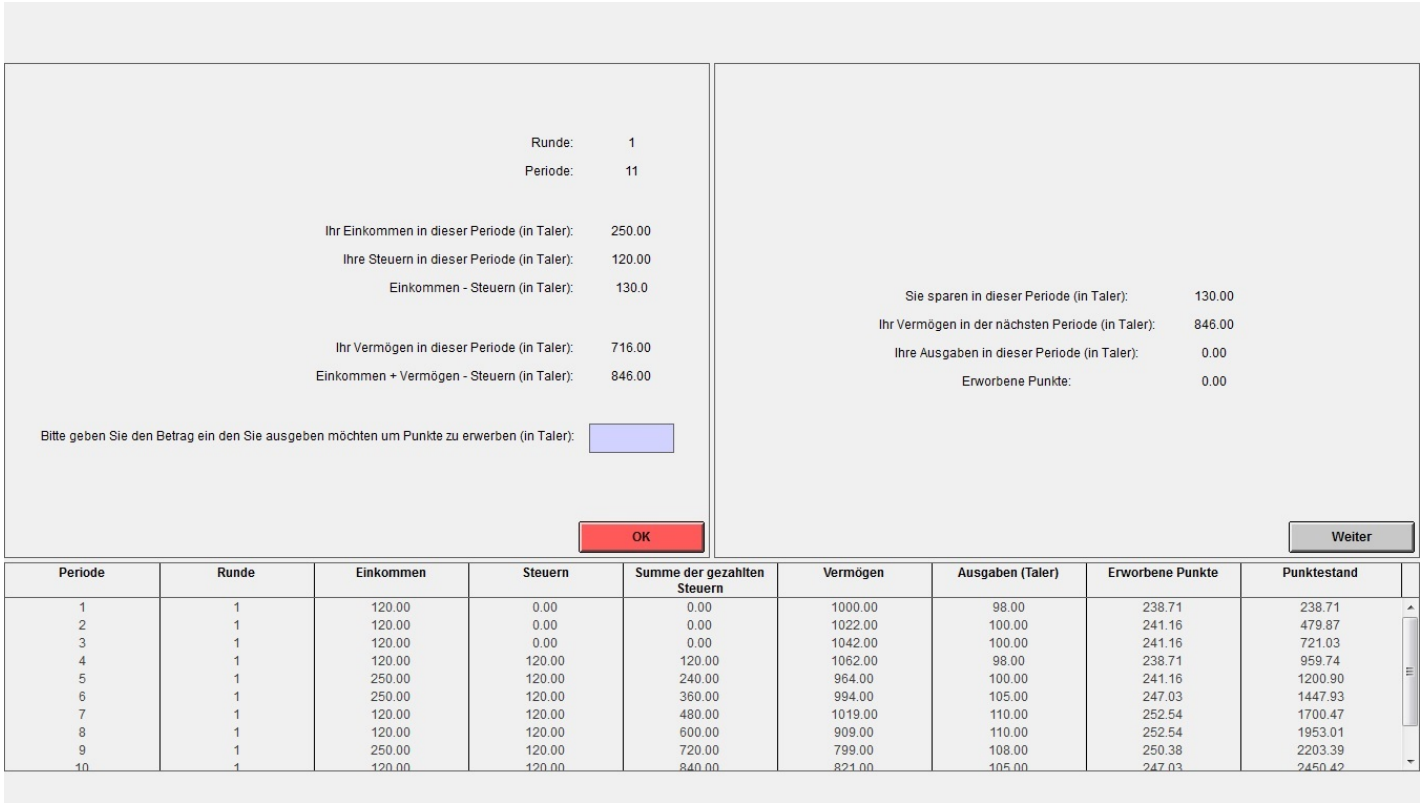
[3] This sentence was replaced in treatment Ricardian 3 by: "In periods 2, 4 and 6, the government grants you a tax relief. In these periods you do not have to pay any taxes. In periods 18, 20, and 22 the government raises taxes: in these periods you have to pay 240 Taler in taxes. In all other periods, the government taxes you with 120 Taler."

[4] Omitted here.

Should the payoff calculated according to the formula above fall below 0 Euro this will be counted as 0 Euro. In any case you will receive the fixed amount of 5 Euro. This implies that you will earn *at least* 5 Euro.

Quiz and Questions. You will now be asked to answer a short quiz regarding the contents of these instructions. In case you have questions after that, please raise your hand. An experimenter will then come to you and answer your question.

Figure D.1: Screenshot of the Experimental Interface.
Source: Own interface based on z-Tree.



Periode	Runde	Einkommen	Steuern	Summe der gezahlten Steuern	Vermögen	Ausgaben (Taler)	Erworbene Punkte	Punktestand
1	1	120.00	0.00	0.00	1000.00	98.00	238.71	238.71
2	1	120.00	0.00	0.00	1022.00	100.00	241.16	479.87
3	1	120.00	0.00	0.00	1042.00	100.00	241.16	721.03
4	1	120.00	120.00	120.00	1062.00	98.00	238.71	959.74
5	1	250.00	120.00	240.00	964.00	100.00	241.16	1200.90
6	1	250.00	120.00	360.00	994.00	105.00	247.03	1447.93
7	1	120.00	120.00	480.00	1019.00	110.00	252.54	1700.47
8	1	120.00	120.00	600.00	909.00	110.00	252.54	1953.01
9	1	250.00	120.00	720.00	799.00	108.00	250.38	2203.39
10	1	120.00	120.00	840.00	821.00	105.00	247.03	2450.42

E Quiz

Please indicate your answers to the following questions next to "your answer". After you have completed the quiz, we will go through the questions together. Please fill in the correct answers under "correct answer".

Income

a) True or false: your income in period 10 is either 100 or 230.

Your answer: Correct answer:

b) What is the probability of your income to be 250 Taler in period 15?

Your answer: Correct answer:

c) Suppose you were "lucky" in period 15, and received 250 Taler. How high is the probability to be lucky in the next period and receive 250 Taler?

Your answer: Correct answer:

Wealth and Savings

Suppose your wealth in some period is 50 Taler. Your income is 250 Taler. You decide to spend 140 Taler to purchase points.

a) What is the amount you save this period?

Your answer: Correct answer:

b) What will be our wealth in the next period?

Your answer: Correct answer:

Suppose you decide instead to spend 300 Taler.

c) What is the amount you save this period?

Your answer: Correct answer:

d) What will be your wealth in the next period?

Your answer: Correct answer:

Points and Taler

a) Have a look at the enclosed table. Suppose you wish to spend 300 Taler. How many points will you receive?

Your answer: Correct answer:

b) Suppose you want to spend -10 Taler. How many Taler do you get in return?

Your answer: Correct answer:

c) Suppose you want to buy 286.17 points. How many Taler do you have to spend?

Your answer: Correct answer:

d) Suppose you want to buy 105.7 points. How many Taler do you have to spend?

Your answer: Correct answer:

e) Suppose you want to **"sell"** 45 points (i.e. buy -45 points). How many Taler do you get in return?

Your answer: Correct answer:

f) Suppose your wealth is -50 Taler in the last period of one round. Your income is 250 Taler and the taxes are 100 Taler. How many points do you purchase automatically in this period?

Your answer: Correct answer:

Taxes

You are in period 10. Suppose, the government has collected a total of 1000 Taler as taxes so far. How much taxes does the government have to collect from you in the remaining periods?

Your answer: Correct answer:

Your Payoff

Suppose your period earnings in rounds 1 to 8 are: 5500, 5200, 4300, 6000, 6300, 5400, 3000 and 5700 points respectively.

a) The random draw determines rounds 1 and 5 to be payoff relevant. How many Euro do you earn? Please include your fixed payment of 5 Euro.

Your answer: Correct answer:

b) The random draw determines rounds 3 and 4 to be payoff relevant. How many Euro do you earn? Please include your fixed payment of 5 Euro.

Your answer: Correct answer:

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