

## Instructions

In this experiment, you are, together with two other participants, in a group of three people. No participant will ever learn the identity of the other participants.

In front of every participant is an envelope. In this experiment, the right to destroy this envelope is auctioned off.

### Auction

All three participants take part in this auction. Out of the three envelopes exactly one will be destroyed, two will remain. Each participant can bid for the right to destroy *his own* envelope. Only the winner of the auction may destroy the envelope.

This is how the auction works: Each participant states the number of Euro he is willing to bid on the decision sheet (minimum 0 Euro, maximum 10 Euro, step size 0.01 Euro). The participant who entered the highest bid wins the auction and obtains the right to destroy his envelope. However, the winner has to pay the second highest bid. This cost will be deducted during the payout at the end of the experiment. There will always be a winner of the auction. If there are several, equally high, highest bids, the winner will be randomly determined.

Note: In this type of auction, it is optimal to bid just the amount that is equivalent to your valuation of the good (here: the right to destroy the envelope) that is auctioned off.

### Result of the auction

The winner of the auction may now destroy his envelope in arbitrary manner. Afterwards, the envelopes of those participants who did not win the auction will be collected by the experimenters.

### Payment

The winner of the auction has to pay the second highest bid. All other participants pay nothing.