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3 May 2019

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November 8, 2019

Abstract: We experimentally investigate whether framing an individual-choice decision in a market setting results in a different outcome than when the decision is described in a context-free frame. We further explore whether the context effect is triggered solely by the frame or whether a richer descriptive content is required to establish familiarity with the decision-making environment. Understanding what constitutes context is central to formulating practical recommendations aiming to improve the quality of individual decisions. Our results show that framing a sequential search problem as selling houses leads to better decisions than a context-free frame. Manipulating whether or not the framed decision-making scenario includes a description of the house, which would be naturally available in a real estate market, does not impact the length of search or the value of accepted offers.

Keywords: Schema Activation, Secretary Problem, Sequential Search, Context, Framing, Decision-Making

JEL Classification: C91, D83

Acknowledgements: This paper is based on Yu-Chin Hsiao's dissertation chapter written jointly at the University of Canterbury and Macquarie Graduate School of Management (Hsiao, 2018). Financial support was provided by the University of Canterbury, College of Business and Economics and Macquarie Graduate School of Management. We thank Cary Deck, Matt Ward, Lyla Zhang, Peter Earl, Douglas Elliffe, and colleagues who provided insight and expertise that greatly assisted the research. Maroš Servátka thanks University of Alaska – Anchorage for their kind hospitality while working on this paper.

1 INTRODUCTION

Economic rationality can often be observed in social and economic institutions that provide interactive experience within a particular context in which the decisions are made (see Plott 1987; Smith, 1962 and 1991). However, a large fraction of individual decision-making experiments testing for rationality is context free and employs neutral framing. At the same time, empirical evidence points out that decisions, whether in an individual or strategic setting, are sensitive to framing (e.g., Tversky & Kahneman, 1981; McNeil, Pauker, Sox & Tversky, 1982; Meyerowitz & Chaiken, 1987) and that embedding a decision-making problem in a context can improve the quality of decisions (e.g., Eger & Dickhaut, 1982; Griggs & Cox, 1982).[1] The ability to make better decisions in context can be explained by the dual-processing theory. Dual-processing theory proposes that most daily decisions are made by associating a new situation with existing knowledge in similar experiences, rather than forming new knowledge and information for each new experience (Kahneman, 2003). People use existing schemas that contain effective strategies constructed from previous experiences to make decisions. A schema is a system of organizing and perceiving new information, which is then encoded as default assumptions about the world. Schemas form mental structures that describe how the world works, and how we interact with the world (see Bower & Cirilo, 1985; Dimaggio, 1997; Narvaez & Bock, 2002, for more details).[2] For instance, when someone holds a schema that maximizing profit is the best approach to make decisions, she will consistently re-apply this schema in various economic situations. Gilboa and Schmeidler (1995) and Jehiel (2005) propose arguments related to schema activation that effective contexts work through memory cues from past experience. People with existing experience in the presented context can evoke this past experience to guide their behavior in the current task.

From the perspective of behavioral sciences, a schema prescribes particular rules of behavior and its activation is often evidenced indirectly, for example by comparing choices made in a context-free setting with contextualized choices. In everyday life virtually all decisions are made within a context. Therefore, it is crucial to understand how contexts that could potentially activate a schema are generated and to identify the amount of information needed in a context in order to alter behavior. In this paper we study whether framing an individual-choice decision in a market setting results in a different outcome than when the decision is described in a neutral (context-free) frame. We further explore whether a change in behavior can be triggered by the frame itself or whether a richer descriptive content is required to establish familiarity with the decision-making environment. Understanding what

[1] See also Kay & Ross (2003), Rege & Telle (2004), Liberman, Samuels & Ross (2004), Hennig-Schmidt, Sadrieh & Rockenbach (2010), Dufwenberg, Gächter & Hennig-Schmidt (2011), Ellingsen, Johannesson, Mollerstrom & Munkhammar (2012) for more examples of decisions being sensitive to framing.

[2] Note that the literature implicitly assumes that the "correct" schema is activated, which then in turns improves the quality of decisions. In our study we will be able to verify this assumption by observing and evaluating the quality of decisions through the lens of a particular theory.

constitutes context is central to formulating practical recommendations aiming to improve the quality of individual decisions. It is important to note that certain contexts cannot be created or easily replicated in the lab, however one can frame (label) the decision and provide additional information about the environment to invoke a particular context and enhance the link between the laboratory and everyday life decision-making.[3]

We explore our questions in a sequential search task, known as the secretary problem (Gardner, 1960), in which individuals decide whether to accept the presented offer or whether to keep searching for a better one. Within this setting we frame the decisions as selling houses and manipulate whether or not the decision-making scenario includes a description of the house, which would be naturally available in a real estate market. Note that in reality buying or selling a house do often follow the processes of secretary problem. In parallel to the field, at no stage do our participants receive information regarding the distribution of offers or the optimal (highest) offer. Our findings show that decisions framed as selling houses, irrespectively of whether house descriptions are available or not, result in higher earnings and are closer to the optimal amount of search (approximated by numerical methods) than neutrally-framed (and thus context-free) decisions. Our experiment thus provides evidence that context can be established solely with framing and that no additional descriptive information is necessary.

The contribution of our study also has a methodological aspect. For certain research questions in social sciences, and economics in particular, the lack of context in subject instructions is desirable as the sole focus on induced values leads to more control over the data generating process than simulating alleged circumstances would (Smith, 1976). Using loaded language and engaging participants in "roleplay," runs the risk that home-grown values and preconceived notions of how one "should" behave in a given emotionally-charged scenario will dominate the pecuniary incentives (see Cox & Oaxaca, 1989 and Friedman & Sunder, 1994 for a discussion; Hoffman, McCabe, Shachat & Smith, 1994 and Hoffman, McCabe & Smith, 1996 for early experimental studies framing ultimatum game and dictator game decisions as market interactions; and Alekseev, Charness & Gneezy, 2017 for a survey of using contextual instructions in economics experiments). At the same time, it is crucial to recognize that the lack of context itself might result in loss of control, for example when comparing the behavior of participants from different populations and attributing the observed difference to "culture" or "group preferences," without properly understanding the context that the subjects might self-impose to help them interpret the experimental scenario and incentives. Ultimately, whether context enhances or diminishes control depends on the research question and deciding whether to implement it is an

[3] There appears to be a lack of consensus in the literature regarding the difference between the context and framing effect, with some authors using the two terms interchangeably. In the current paper, we refer to decisions being made in a particular context and this context could be experienced in a natural setting or introduced by framing. We use the term "context effect" when behavior changes due to a change in context in which the decision is made. In our experiment, such a change is caused by framing.

important design issue. Our main methodological contribution to this debate stems from our finding that framing itself is sufficient to generate a particular context even though the context has likely not been experienced before by the participants.

2 Relationship to the Literature

Many decision-making situations are sequential in life; such decisions often need to be made immediately and in certain instances cannot be revisited. This type of sequential decision-making situation displays the features of the secretary problem.[4] The classical secretary problem has been specified in the following way (Gardner, 1960). A known number of *n* candidates is presented randomly in a sequence. The decision-maker must either accept or reject the presented candidate immediately and the decision cannot be recalled.[5] A positive payoff is earned only if she chooses the best overall candidate. The optimal decision rule of the classical version of the secretary problem allows the decision-maker to maximize the probability of finding the best candidate. The decision rule states that the decision-maker should reject the first n/e (≈ 0.37 as n approaches infinity) of the candidates and then accept a candidate who is better than any of the previously rejected candidates (see Lindley, 1961; Gilbert & Mosteller, 1966 for a detailed proof). The chance of finding the best candidate increases to approximately 58% as n approaches infinity (Gilbert & Mosteller, 1966) when the distribution of the quality of candidates is available and known. However, often it is not and must be inferred during the process itself.

Researchers have explored many different features and variations of the secretary problem. A number of assumptions have been relaxed and their implication investigated both theoretically (e.g. Gilbert & Mosteller, 1966; Lindley, 1961; Moriguti, 1993; Tamaki, 1979; Yeo, 1998) and experimentally (e.g., Bearden, Murphy & Rapoport, 2005; Bearden, Rapoport & Murphy, 2006; Seale & Rapoport, 1997, 2000; Zwick, Rapoport, Lo & Muthukrishnan, 2003, Teodorescu, Sang & Todd, 2018; Angelovski & Güth, 2019). Early stopping behavior is a frequent finding in experiments on the variation of the secretary problem (e.g. Seale & Rapoport, 1997, 2000). Early stopping behavior is even reported in a context-free job search problem that could be considered a variant of the secretary problem with multiple relaxed assumptions (Cox & Oaxaca, 1989). Although Cox & Oaxaca discuss the importance of avoiding emotive terms in a sequential job search task (for their research question), the study does not include a treatment that would permit a conclusion as to whether sequential search is influenced by context.

[4] The secretary problem was first published in February 1960 Scientific American of Martin Gardner column of mathematical games. According to Gardner, it was originally devised in 1958 by John Fox of the Minneapolis-Honeywell Regulator Company and Gerald Marnie of the Massachusetts Institute of Technology and called the game of googol. See Ferguson (1989) and Freeman (1983) for historical reviews.
[5] Recall in the current paper refers to the ability to withdraw any previously made decision.

While many of these experiments frame the decisions in a particular context (e.g., interviewing candidates for a position or searching for new apartments) and present a specific content (e.g., relative rank of the current candidate with respect to the already interviewed candidates or the relative rank of the current apartment and the probability of successfully recalling a previously rejected apartment), we are unaware of any studies explicitly exploring whether framing exacerbates or alleviates early stopping behavior. Previous research finds that the quality of sequential search decisions might be susceptible to how the offers are presented in the classical secretary problem (Corbin, Olson & Abbondanza, 1975). When the actual value of each offer and the distribution of offers are presented, people search more than when only the relative rank is available (Palley & Kremer, 2014). Therefore, the amount of information available may potentially influence the length of search.

DIFFERENT DECISIONS UNDER DIFFERENT CONTEXT FRAMES

A recent study finds that people actively seek out richer information to facilitate their decisions in the dictator game (Thunström, Cherry, McEvoy & Shogren, 2016). Ample empirical evidence also shows that framing a decision-making problem in a particular context might result in different choices from a context-free (neutral) frame (e.g., Levin & Gaeth, 1988; Duchon, Dunegan & Barton, 1989; Gamliel & Peer, 2010). Dual-processing theory that consists of system one (intuitive/heuristic) and system two (analytic/executive) processes has been proposed to explain why different decisions result from how the problem is framed (e.g., Kahneman, 2003; Evans, 2008). The context effect can be caused by different decision-making schemas belonging to system one.

Some schemas are activated chronically and involuntarily due to the regular contact with environmental context (Freeman, 2007). They are formed from previous experiences and are then used to organize or integrate new information (see Bower & Cirilo, 1985; Dimaggio, 1997; Narvaez & Bock, 2002, for a more detailed discussion on schemas). Once schemas are formed, they operate constantly in the brain and are activated by stimuli that resemble the stimuli that were present when the schema was first created (Higgins & Chaires, 1980; also see Narvaez, & Bock, 2002). Experimental evidence also shows the brain re-applies existing schema to explain a new experience (Heider & Simmel, 1944). Although people may feel they are experiencing novelty every day, the novelty is perceived and interpreted by existing schemas without consciously being processed by the brain (Wegner & Wheathey, 1999).

EVIDENCE OF MAKING BETTER DECISIONS WITH CONTEXT

Just as a schema can be activated through the same or a similar stimulus encountered in previous experiences, making decisions in a context allows us to effectively resolve problems without starting from scratch every time. For example, experimentation on the Wason selection task testing deductive reasoning finds only 5 % of the participants are able to solve the context-free problem correctly (Johnson-Laird & Wason, 1970). A drastic increase in correct answers is reported in versions involving a social exchange to detect cheaters (e.g., Cosmides, 1989; Cosmides et al., 2010; Sugiyama et al., 2002) or described as a drinking age problem (Griggs & Cox, 1982). These findings suggest that in some instances context aids understanding of the task and reduces confusion among participants.

Both content (e.g., drinks and age) and the context or scenario (e.g., policeman checking patrons' age in a bar), within which this content is relevant are necessary to facilitate an increase in accurate responses (Pollard & Evans, 1987). Our experiment is able to verify whether context is a stronger contributor to people's performance than content, by observing the marginal effect caused by providing additional informational content on the top of framing. There are two other major differences between our experiment and that of Pollard and Evans. First, Pollard and Evans employ a reasoning task while our experiment employs a sequential search task. Second, in Pollard and Evans the participants are not incentivized for their performance, whereas the decisions in our experiment have monetary consequences.[6] Economic experiments also demonstrate that context affects incentivized behavior. Alekseev et al. (2017) survey the literature and conclude that context often but not invariably improves performance with the improvement being more likely if the task requires sophisticated reasoning. (While the survey did not contain any secretary problem studies, the task seems to qualify as requiring sophisticated reasoning.)

Our contribution to this line of research stems from varying the amount of information provided within a context. The aforementioned study by Thunström et al. (2016) suggests that people endogenously seek information which in turn alters their behavior. A richer descriptive information might potentially be more effective in activating the appropriate schema and facilitating better quality decisions. Thus, apart from extending the analysis of context effects to the area of sequential search, our study addresses a previously unexplored link between the amount of information necessary to generate the context effect. In what follows, we experimentally identify whether framing itself is capable of improving search decisions or whether a richer description of the environment aids people to extend their search closer to the optimal level.[7]

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[6] It is important to note that not all contexts have a positive effect on performance and learning. For example, embedding the Wason selection task in the contexts of city transportation, and stamps on letters did not improve accuracy (Griggs & Cox, 1982). Cooper, Kagel, Lo and Gu (1999) suggest that for the context to facilitate understanding and learning, the context needs to be relevant to the task and familiar to the participants (e.g., college students may be more familiar with the drink and age context than the letter and stamp context).

[7] Naturally, we also verify whether the change in behavior, if any, is an improvement or deterioration of the quality of decisions.

3. EXPERIMENTAL DESIGN AND TESTABLE HYPOTHESES

We designed an experiment to analyze the effect of context on sequential search activity in the secretary problem in which the participants earn payoffs based on the offers they accept.[8] In particular, we identify whether framing of sequential search as selling houses results in different behavior than when the search is described in a context-free manner and whether a richer descriptive content is required to generate the context effect. An important feature of our experiment is employing a context that likely only few if any of our participants (due to their age) had experience with. The experiment therefore presents a conservative test of our hypotheses. If we observe that a context that has never been experienced can still improve decisions, employing a context that one has direct experience with is likely to yield even a stronger effect.

The experiment consists of three treatments implemented in an across-subject design: *No Frame, House Frame,* and *House Frame with Info*. There is no monetary search cost. The offers are presented in experimental currency units with the exchange rate of 1000 ECU = 1 NZD, announced at the beginning of the experiment. The experiment, programmed and conducted with zTree software (Fischbacher, 2007), consists of 2 practice rounds and 10 cumulatively paid rounds. In each round, there are 20 available offers, distribution of which is unknown to participants. The offers are identical across the three treatments (see Table 1 for details). Each sequence of offers, including those in the practice rounds, was generated in MS Excel by randomly sampling from an interval of the average house price (in thousands of NZD) in a different Christchurch suburb plus/minus the standard deviation for that suburb.[9] The house transactions took place in October 2014. The transaction information was obtained from the Quotable Value Ltd. database (qv.co.nz).

The participants in the *No Frame* treatment receive neutrally-framed instructions about their task; there is no mention of a house, its description, or any additional information. In the *House Frame* treatment, the task is framed as selling houses, but no additional information about houses is provided. Finally, the *House Frame with Info* treatment employs identical instructions to the *House Frame* one with an added statement that the participant will be given a brief description of the house. During the decision-making stage the computer screen displays a description of a house, consisting of the floor area, the number of bedrooms, suburb and year the house was built in, prior to presenting a price offer. Each round features a different house description. The house descriptions were also obtained from

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[8] In contrast to the classical secretary problem (see Ferguson, 1989 for a discussion), which assumes people derive utility only from the optimal choice (i.e., the highest offer), our experiment allows the participants to earn money also from sub-optimal choices (see Bearden, Rapoport, & Murphy, 2006 for more details). That is, participants earn money in the experiment based on the actual value of the offer they accept, instead of zero payoffs when anything other than the highest offer is selected.

[9] Randbetween (lowerlimit, upperlimit).

the Quotable Value database. The full instructions for all treatments are provided in Appendix A.

Table 1. Price offer sequences implemented in the experiment

Round \ Variable	Sequence optimal		Predicted optimal		Min.	Average offer	SD
	Position	Offer	Position	Offer			
1	8	848	8	848	276	509.6	165.4
2	10	875	8	818	2	469.15	284.4
3	10	708	10	708	207	437.6	147.2
4	20	733	20	733	267	518.5	145.5
5	13	578	10	484	186	331.15	114.4
6	10	1574	9	1400	89	714.25	447.4
7	19	581	19	581	197	369.2	128.1
8	3	966	20	541	250	636.4	234.4
9	14	1740	12	1264	105	756.4	396.2
10	4	625	20	553	250	440.4	101.3
Average	11.1	922.8	13.6	793.0	183	518.3	216.4

Notes: Sequence optimal position = the position with the highest offer in the implemented sequence, see Appendix B for details; Sequence optimal offer = the highest offer value in each round; Predicted optimal position = the stopping position predicted by the optimal decision rule (the decision rule which yields the highest earning), see Appendix C for details; Predicted optimal offer = the offer at the position predicted by the optimal decision rule, see Appendix C for details. Min. = the lowest offer in each round. Average offer = the average offer in the implemented sequence for each round. SD = the standard deviation of 20 price offers in each round.

We compare the participants' decisions based on the stopping position and their accepted offers. We assume that the participants are risk-neutral decision-makers who aim to maximize their expected payoffs. The first hypothesis, formulated with reference to experiments on the Wason selection task, is that people make better decisions when presented with a context than without. Theoretically, this would be because having a context allows one to better assess the situation (and access existing schema constructed from a similar experience), for example, selling an object in everyday life. According to previous psychology research, when no context is available, a person might experience difficulty in determining what schema to apply and the chance of applying an inappropriate schema is increased. Assuming we replicate early stopping behavior in our experimental set up, we expect the *House Frame* and *House Frame with Info* treatments to produce longer search and higher accepted offers (and given that there is not monetary search cost also total earnings) than the *No Frame* treatment.[10]

Hypothesis 1: People search longer and accept higher offers when decisions are framed as selling houses (both with and without additional information) than when they are framed neutrally.

It is possible that having a comprehensive description of the house – for example, floor area, number of bedrooms, the year the house was built – is also critical in activating a useful schema, yielding a stronger context effect. We therefore expect participants to search longer and their accepted offers to be higher in the *House Frame with Info* treatment than in the *House Frame*.

Hypothesis 2: People search longer and accept higher offers when decisions are framed as selling houses and more content-relevant information is available than when there is no such information.

At the same time, we recognize that having to process additional information in the *House Frame with Info* treatment could be distracting to participants and might result in more noise.

Procedures and Participants

The experiment was conducted at the University of Canterbury in Christchurch, New Zealand. The payoff protocol was single-blind, meaning that the experimenter was able to match participant decisions to their identity. The participants were recruited via ORSEE (Greiner, 2015). After arriving at the lab, the participants were randomly assigned to a cubicle and read the instructions at their own pace. Any questions were answered in private. A total of 137 students participated in the experiment: 46 in the *No Frame* treatment, 43 in *House Frame*, and 48 in *House Frame with Info*. A session lasted on average 45 minutes and the participants earned NZD 12.10 on average.

[10] Our hypotheses rely on the implicit simplifying assumption that there are no unobserved search costs, such as the time search cost or processing cost. In reality, search is costly and a higher accepted offer from longer search may not necessarily result in a higher net payoff. See Hsiao, Kemp, Servátka & Ward (2019) for evidence of how time search cost influences the length of search and overall payoffs.

4. SIMULATION

What is the optimal decision rule for a payoff-maximizing risk-neutral decision-maker in our variation of the secretary problem? Since the distribution of offers in our experiment is unknown to participants, we conduct a simulation that allows to evaluate the performance of different decision rules. Each simulation compares the payoffs resulting from 20 different decision rules (as there was a maximum of 20 offers; each decision rule prescribes how many offers to reject in order to learn about the distribution, followed by accepting the next highest offer), which contain all possible stopping positions (i.e., an individual stops the search by accepting the n^{th} offer in a given sequence; where $1 \leq n \leq 20$). Each simulation iteration generates a set of 20 random offers in the same way as the actual offers used in the experiment were generated. Once a set of offers has been generated, the offers are (implicitly) ordered from the highest to lowest and assigned a rank within this particular order. These offer values and the rank for each offer are recorded to test the performance of each decision rule. The simulation runs separately for each round with 1.2 million iterations.

We compare the performance of all 20 possible decision rules using both the average payoffs (in ECUs) they yield (calculated in the simulation as the average accepted offer prescribed by the decision rule) and the frequency of each decision rule finding the optimal offer (in %). The average payoff statistic indicates which decision rule yields the highest payoff. The optimal offer frequency statistic shows which decision rule finds the optimal price offer most frequently.

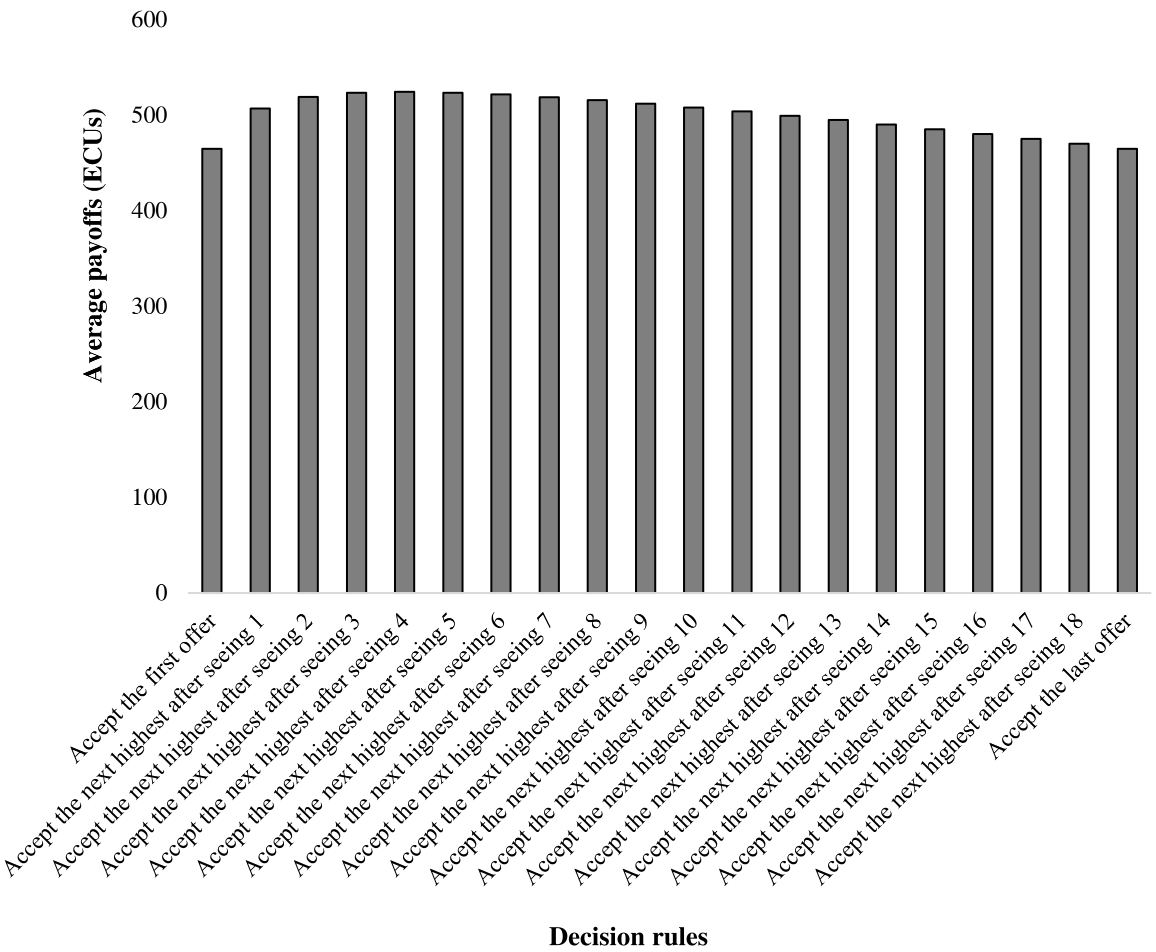

Figure 1. **The average payoff for all decision rules**

According to the simulation, the decision rule to “Accept the next highest offer after seeing 4 offers” yields the highest average payoff of 524.3 ECUs (see Figure 1). The decision rule “Accept the next highest offer after seeing 7 offers” finds the most optimal offers as presented in Figure 2, just as the optimal decision rule of the classical version of the secretary problem (20/e = 7.4 offers). However, the decision rule “Accept the next highest offer after seeing 7 offers” yields only 518.9 ECUs on average. The simulation thus indicates that, when any accepted offer generates a positive payoff (as opposed to only the best one as in the classical secretary problem) and the goal is to maximize the payoff, it might be better to stop the search sooner (i.e., accept an earlier offer) than prescribed by the solution to the classical secretary problem.[11]

[11] If one were to implement only one decision rule to sell all 10 houses, the decision rule "Accept the next highest offer after seeing 7 offers" has the highest average accepted offer and “Accept the next highest offer after seeing 9 offers" finds the most optimal offers in the sequences used in our experiment (see Appendix C).

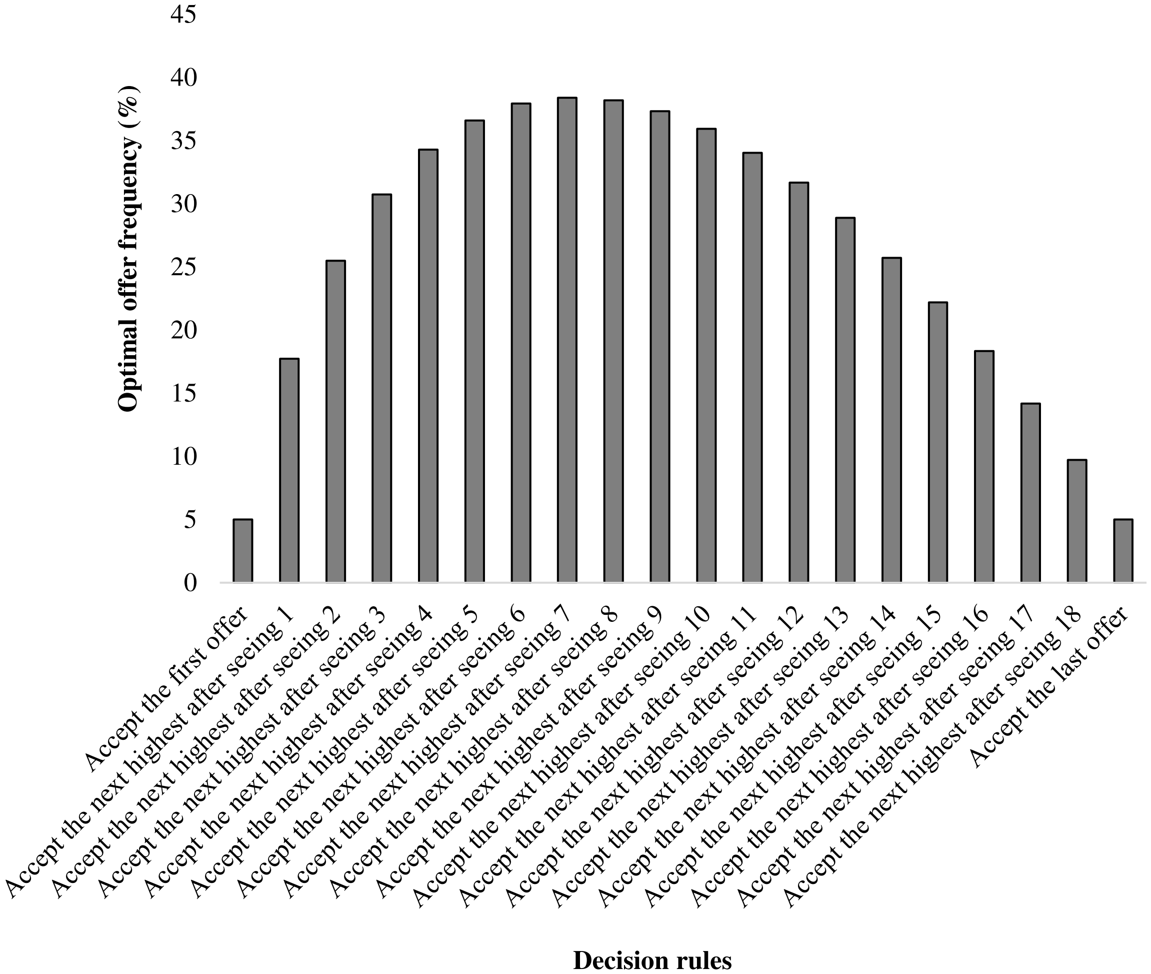

***Figure 2.* The frequency of finding the optimal offer for all decision rules**

5. RESULTS

First, we describe the summary statistics and test our hypotheses. Then, we examine whether there is a repetition effect found in any of the treatments, namely whether decisions in the latter rounds differ from those in the earlier rounds.

There are two dependent variables: the amount of search, i.e. the position in the sequence where the participant stops searching and accepts the offer (henceforth *stopping position*), and the *accepted offer* in ECUs. (Recall that there is no search cost and hence the acceptance of a higher offer results in higher total earnings.) The summary statistics relating to these two dependent variables are presented in Table 2.

Table 2. Summary statistics

	Stopping position		Accepted offers	
	Average	SD	Average	SD
No Frame	9.8	3.6	688.0	75.0
House Frame	11.2	2.8	727.0	36.1
House Frame with Info	11.6	2.8	733.9	58.1
Sequence optimal*	11.1		922.8	
Predicted optimal**	13.6		793.0	

*Sequence optimal refers to the actual optimal position/offer from the sequences implemented in the experiment.

** The predicted result from applying the optimal decision rule to the sequences implemented in the experiment (see Appendix C for more detail). This serves as a benchmark only, not for a direct comparison to participants' decisions.

Notes: SD presents the standard deviation.

STOPPING POSITION

The participants searched less in the *No Frame* treatment and on average stopped their search 1.3 positions prior to the sequence optimal position (11.1), which is a position with the highest price offer in the implemented sequence. In contrast, the average stopping positions in the *House Frame* and *House Frame with Info* treatments are respectively 0.1 and 0.5 positions higher than the sequence optimal position. (Table 2 panel A). The OLS regression models regressing the stopping position on whether the participant was subjected to framing (Framing = 1 in both *House Frame* and *House Frame with Info* and 0 in *No Frame*) and on the interaction term of Framing*Information (Information = 1 in the *House Frame with Info* and 0 otherwise) are presented in Panel A of Table 3. Models (1) and (2) confirm that framing significantly increased the amount of search whereas providing information on top of framing had no significant effect on search length. Model (2) with added demographic variables finds that search decreases with age and being a female. All models have errors clustered at the individual level.

Result 1: The house-selling frame (with or without information) leads to more search than no frame. The house-description information has no additional effect on the amount of search when the task is framed as selling houses.

Table 3. OLS regression analysis of the stopping position and accepted offers

Panel A. Stopping position

Independent variable	(1) Coefficient (St. Error)	(2) Coefficient (St. Error)	(3) Coefficient (St. Error)	(4) Coefficient (St. Error)
Framing	1.42**	1.42**	1.42	1.42**
	(0.67)	(0.65)	(0.67)**	(0.65)
Framing*Info	0.34	0.23	0.34	0.23
	(0.58)	(0.56)	(0.58)	(0.56)
Gender		− 1.08**		− 1.08**
		(0.50)		(0.50)
Age		− 0.61*		− 0.61*
		(0.32)		(0.32)
Round			0.05	0.05
			(0.05)	(0.05)
Constant	9.8	11.38***	9.52***	11.08***
	(0.52)	(0.77)	(0.65)	(0.86)
N	137	137	137	137
R^2	0.012**	0.021***	0.012*	0.021***

Panel B. Accepted offers (ECUs)

Independent variable	(1) Coefficient (St. Error)	(2) Coefficient (St. Error)	(3) Coefficient (St. Error)	(4) Coefficient (St. Error)
Framing	38.92***	37.89***	38.92***	37.89***
	(12.27)	(11.66)	(12.28)	(11.66)
Framing*Info	6.93	8.00	6.93	8.00
	(9.97)	(9.74)	(9.97)	(9.74)
Gender		− 17.62*		− 17.62*
		(9.37)		(9.37)
Age		− 2.68		− 2.68
		(6.57)		(6.57)
Round			7.27***	7.27***
			(0.90)	(0.90)
Constant	688.03***	701.65***	648.04***	661.66***
	(10.99)	(14.87)	(12.18)	(15.56)
N	137	137	137	137

R^2	0.009***	0.011***	0.019***	0.021***

Notes: Framing = 0 for *No Frame*, Framing = 1 for *House Frame* and *House Frame with Info*. The interaction term Framing*Information picks up the effect of providing information. Gender = 0 for male, and female =1. Age coded as a categorical variable, 18-19=0, 20-29=1, 30-39=2, 40-49=3, 50-59=4. Standard errors clustered at the individual level across all models. *, **, and *** indicate significance at the 10%, 5%, and 1%-level, respectively.

ACCEPTED OFFERS

The OLS regression models regressing the accepted offers on whether the participant was subjected to framing and the interaction term of Framing*Information are presented in Panel B of Table 3. Models (1) and (2) confirm that framing significantly increased the earnings whereas providing information on top of framing had no significant effect. Model (2) with added demographic variables finds a weak negative effect of being a female on the accepted offers whereas age has no effect.[12]

Result 2: The house-selling frame (with or without information) leads to higher accepted offers than no frame. The house-description information has no additional effect on the accepted offers when the task is framed as selling houses.

REPETITION EFFECT

To examine whether the performance of participants improves with experience, we add a variable Round in the OLS regression models (3) and (4), presented in Table 3. We find a significant positive trend in the accepted offers, but do not find any trend in the amount of search over the course of the experimental session. Such specification, however, assumes that the trend between all periods remains identical throughout the session. Since the impact of experience on the amount of search might vary over time (and across treatments), we also contrast participants' stopping positions in the first half of the session (rounds 1 – 5) with stopping positions in the second half of the session (rounds 6 – 10). We conduct the same analysis also for the accepted offers.

Table 4 presents results of regressing the stopping position (Panel A) and accepted offers (Panel B) on Framing and the interaction term of Framing*Information, split into session halves. For the accepted offers we observe that Framing is significant in both halves, albeit in the first half only at the 5% significance level. For the stopping position we observe

[12] Pearson correlation analysis examining the relationship between the average stopping positions, accepted offers, and the optimal offer frequency is presented in Appendix D.

that Framing is significant only in the second half of the session with the interaction term also being weakly significant in the second half. This result is driven by the fact that the amount of search is not significantly different across any of the three treatments in the first half of the session (see Figure 3) whereas in the second half the participants in the *No Frame* treatment search less, contrary to our prior that the context effect will cause the participants to search longer from the very beginning of the session.

Table 4: OLS regression analysis of the stopping position and accepted offers split into the session halves

Panel A. Stopping position

Independent variable	First Half (Round 1 – 5)	Second Half (Round 6 – 10)
	Coefficient	Coefficient
	(Standard Error)	(Standard Error)
Framing	1.23	1.62***
	(0.90)	(0.55)
Framing*Info	− 0.44	1.12*
	(0.69)	(0.62)
Constant	11.24***	8.39***
	(0.72)	(0.37)
N	137	137
R^2	0.006	0.024***

Panel B. Accepted offers (ECUs)

Independent variable	First Half (Round 1-5)	Second Half (Round 6-10)
	Coefficient	Coefficient
	(Standard Error)	(Standard Error)
Framing	29.55**	48.30***
	(11.41)	(15.78)
Framing*Info	4.97	8.90
	(8.29)	(15.62)
Constant	634.02***	742.03***
	(10.41)	(12.58)
N	137	137
R^2	0.013**	0.010***

Notes: Framing = 0 for *No Frame*, Framing = 1 for *House Frame* and *House Frame with Info*. The interaction term Framing*Information picks up the effect of providing information. Standard errors clustered at the individual level. *, **, and *** indicate significance at the 10%, 5%, and 1%-level, respectively.

We note that the comparison between the session halves may also be influenced by the actual sequence optimal position (recall that there are five sequence optimal positions in each session half). The results show that participants in the *No Frame* treatment searched less (on average by 1.0 position) than the sequence optimal position in the first half and were even further away (on average by 1.6 positions less) from the sequence optimal position in the second half of the session.[13] As shown in Figure 3, participants in the *House Frame* and *House Frame with Info* treatments stopped their search closer to the sequence optimal position than in the *No Frame* treatment in both the first and second halves of the session, providing further evidence that framing improves the quality of search decisions.

Result 3: The house-selling frame (with or without information) leads to more search than no frame in the latter rounds. The house-description information weakly increases the amount of search in the second half of the session when the task is framed as selling-houses.

Result 4: The house-selling frame (with or without information) leads to higher accepted offers than no frame in the latter rounds. The house-description information has no effect on accepted offers in the entire session when the task is framed as selling houses.

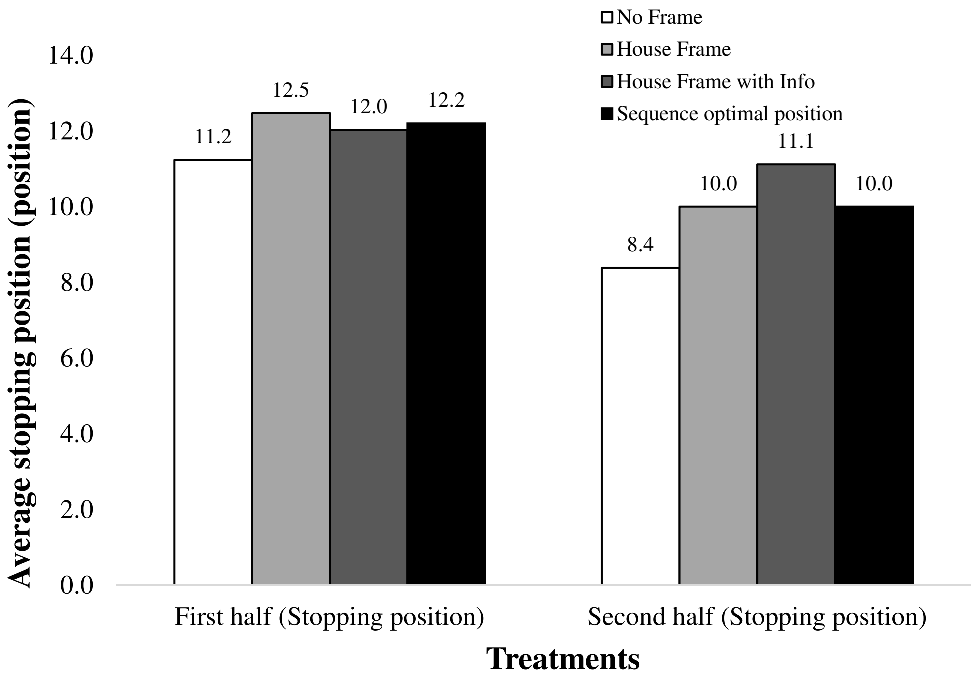

***Figure 3*. The average stopping position (averaged across participants) in the first half of the session (rounds 1 – 5) and the second half of the session (rounds 6 – 10)**

[13] The sequence optimal position in the first half was 12.2 and in the second half 10.0.

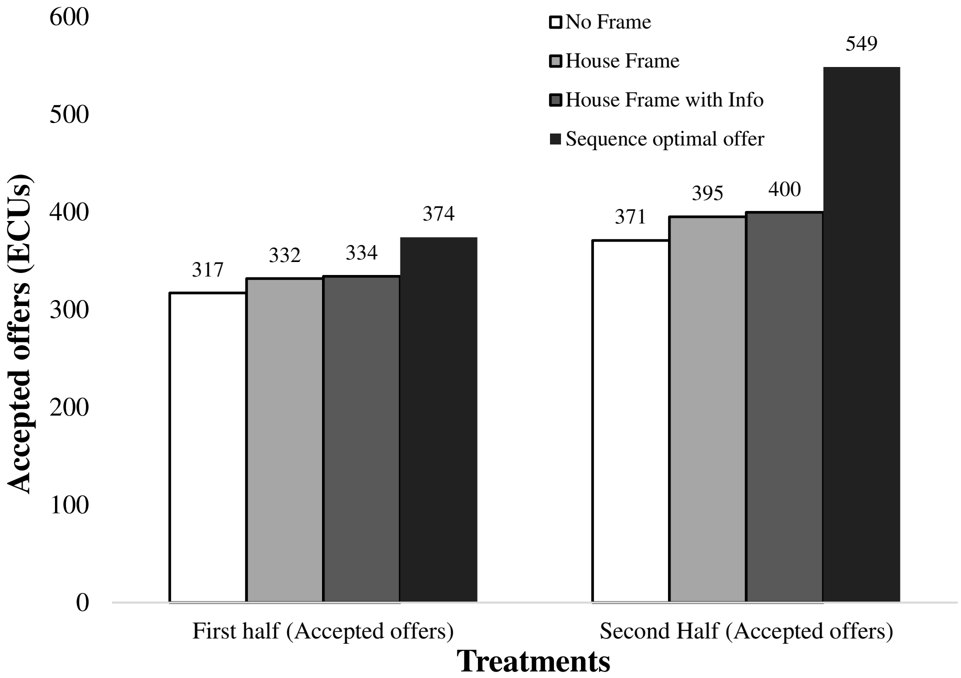

***Figure 4*. The average accepted offers (averaged across participants) in the first half (rounds 1 – 5) and second half of the session (rounds 6 – 10)**

6. DISCUSSION

This study extends the empirical analysis of context effects to the domain of sequential search where the implemented task was framed as selling houses. We further contribute to the literature by exploring the link between the amount of information necessary to generate the context effect. Using a conservative experimental design, we show that even a context which only few of our participants were likely to have had past experience with can result in improved decisions.

The experiment confirms the hypothesis that the participants search longer and accept higher offers when framing is introduced as an experimental manipulation (Hypothesis 1). This result is consistent with the conjecture that having a context can activate existing schemas that enhance decision-making ability, as previously found in reasoning task experiments. At the same time, we do not find an effect of providing additional context-specific information on participants' decisions; framing itself appears to be sufficient to generate the context effect (Hypothesis 2).

The underlying cause of the *No Frame* treatment featuring less search than the *House Frame and House Frame with Info* treatments in the latter rounds might be a quicker loss of attention. Schema literature finds several mechanisms by which schemas influence attention, facilitate the interpretation of information, and drive decision-making processes (e.g., Huff, 1982; Thomas, Clark & Gioia, 1993). Relatedly to our research question, schemas filter task-relevant information that the decision-makers pay attention to (e.g., Nadkarni & Narayanan, 2007) and enable decision-makers to postulate causal-effect associations (such as "when I want to sell a house, I first need to figure out what *a good* price to sell is") when presented with information (e.g., Tversky & Kahneman, 1977). Research on schema shows that sense-making processes are essential to people's performance and behavior in general (e.g., Ford, 1985; Nystrom & Starbuck, 1984). Once people are able to interpret (make sense of) the task, making decisions often involves the integration of information from multiple texts within the task. Previous research demonstrates that relevant information from a prior text is spontaneously activated when the target text is read, thereby enabling integration between different texts (Beker, Jolles, Lorch, & Broek, 2016). This suggests that people in the *House Frame* and *House Frame with Information* treatments may be able to integrate relevant information (i.e., selling houses) when the target text (i.e., price offers) is presented. The interpretation and integration of the information may then facilitate the decision-making process in the secretary problem where the task requires cognitive effort to perform, and ensuing search behavior. People in the *House Frame* and *House Frame with Information* treatments may, therefore, be less likely to lose their attention than in the *No Frame* treatment. At the same time, we would like to point out that this above explanation is ex-post and that not enough is known about how schema activation is demonstrated in sequential search behavior.

Previous research finds that people search more when less information is available (see e.g. Palley & Kremer, 2014 for evidence when the distribution of offers is known). However, this is not what we find in our data. There are at least two potential underlying causes for observing less search in a context-free setting. First, without a context, system one is unable to effectively associate a new experience with existing knowledge and strategies that the decision-maker has obtained from past experiences in a similar situation. This means that our participants might be forming their search strategy through trial and error, which is supported by higher standard deviations in the *No Frame* treatment. Second, it is possible that, without context, people are applying an inappropriate schema, an explanation potentially relevant from the methodological perspective as a large fraction of economics experiments is conducted without framing and in a context-free setting. It is not entirely clear whether participants always apply their own framing in such situations (Thunström et al., 2016 provide evidence for the dictator game), which could potentially lead to a loss of control over the data generating process. Whether people indeed apply their preferred framing to context-free tasks and whether the frequency of own-framing adoption interacts with certain design features, such as the complexity of the task, clearly deserves further investigation as it has fundamental methodological implications.

It is important to keep in mind the limitations of our study. Our experiment adopts a house-selling context to explore schema activation, a mechanism hypothesized to trigger the context effect, but not explicitly tested for in behavioral sciences. Instead, the evidence for schema activation is (often) indirect; whenever one observes the context effect, it is assumed that a schema has been activated. Furthermore, as there is no general theory explaining the effect of context on decision-making, it is unknown what type of framing one should use to achieve a particular outcome, for example, to improve people's decisions to obtain higher earnings. From that perspective, the results of a house-selling frame may not generalize to other contexts, such as to the context of buying houses, or selling or buying cars. While the issues of whether context and framing effects carry over from one environment to another or whether they are task specific are outside the scope of our research question, we view them as promising future areas of research.

To conclude, our research adds to the existing literature on the importance of context in decision-making (e.g. Alekseev et al. 2017). Our results extend the range of tasks requiring sophisticated reasoning, performance in which is improved by adding context, to include the secretary problem. Our results also show that once context is established, providing additional information in order to strengthen it does not appear to be critical.

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APPENDIX A

GENERAL INSTRUCTIONS [same for all treatments]

Overview

You are about to participate in a decision-making experiment. If you follow these instructions carefully you may earn a considerable amount of money which will be paid to you in cash at the end of the experiment. If you have a question at any time, please raise your hand and the experimenter will approach you and answer your question in private. We ask that you not to talk otherwise during the experiment. Also, please turn off your cell-phone and do not use the computer for any other purpose than your participation in the experiment requires. If you break these rules, we will have to exclude you from the experiment and from all payments.

INSTRUCTIONS FOR THE NO FRAME TREATMENT

INSTRUCTIONS

You will participate in 10 rounds. In each round, you will be asked to decide whether to accept or reject a number. The numbers are randomly generated by the computer and available one at a time. Once a number is presented, you can either accept or reject it. If you accept the number, you receive the amount represented by the number (in experimental currency units, as will be explained below). All decisions are final. If you reject the number, the number will disappear; you cannot go back to the previously rejected number. In total there are 20 numbers available; if you have not accepted a number prior to the 20th number, you will be *forced to accept* the 20th (i.e. the final) number. *Therefore, make your decisions carefully.*

There is no time limit on how long the numbers will be available for, so take as long as you need to evaluate each number.

Practice rounds

There will be two practice rounds. These practice rounds are there to help you become familiar with the software. You will not be paid for the decisions you make in these two practice rounds.

How payoffs are determined

The payoffs will be denoted in experimental currency units (ECUs).

1000 ECUs = 1 NZD

Your ECUs will be converted into NZD at this rate, and you will be paid in NZD when you leave the lab. The more ECUs you earn, the more NZD you earn.

Your payoffs are determined as follows:

Total ECUs you earn

=

Accepted number for Round 1 + Accepted number for Round 2 + ….+ Accepted number for Round 10

Example: Suppose you accepted the number 450 for Round 1, 260 for Round 2, 380 for Round 3….., 658 for Round 10. The total amount of ECUs you earn is 450+260+380+…. +658.

Do you have any questions?

You are now ready to begin the experiment. First, we will conduct two practice rounds, with no money payoffs. Then, you will make decisions in 10 rounds with money payoffs.

INSTRUCTIONS FOR THE HOUSE FRAME TREATMENT

INSTRUCTIONS

You will participate in 10 scenarios, in which you will be selling houses. In each scenario, you will be asked to decide whether to accept or reject a price offer for a particular house. You will be given a series of price offers for each scenario. The price offers are randomly generated by the computer and available one at a time. Once a price offer is presented, you can either accept or reject it. If you accept the price offer, the house will be sold at the price you accepted. All sales are final. If you reject the price offer, the offer will disappear; you cannot go back to the previously rejected offer. In total there are 20 price offers available for each house; if you have not accepted an offer prior to the 20th offer, you will be *forced to accept* the 20th (i.e. the final) offer. *Therefore, make your decisions carefully.*

There is no time limit on how long the price offers will be available for, so take as long as you need to evaluate each offer.

Practice scenarios

There will be two practice scenarios. These practice scenarios are there to help you become familiar with the software. You will not be paid for the decisions you make in these two practice scenarios.

How payoffs are determined

The payoffs will be denoted in experimental currency units (ECUs).

1000 ECUs = 1 NZD

Your ECUs will be converted into NZD at this rate, and you will be paid in NZD when you leave the lab. The more ECUs you earn, the more NZD you earn.

Your payoffs are determined as follows:

<u>Total ECUs you earn</u>

=

<u>Accepted price offer for House 1 + Accepted price offer for House 2 + ….+ Accepted price offer for House 10</u>

Example: Suppose you accepted the price offer 450 for House 1, 260 for House 2, 380 for House 3,…, 658 for House 10. The total amount of ECUs you earn is 450+260+380+…. +658.

Do you have any questions?

You are now ready to begin the experiment. First, we will conduct two practice scenarios, with no money payoffs. Then, you will make decisions in 10 scenarios with money payoffs.

INSTRUCTIONS FOR THE HOUSE FRAME WITH INFO TREATMENT

INSTRUCTIONS

You will participate in 10 scenarios, in which you will be selling houses. In each scenario, you will be asked to decide whether to accept or reject a price offer for a particular house. You will be given a brief description of the house that will be followed by a series of price offers. The price offers are randomly generated by the computer and available one at a time. Once a price offer is presented, you can either accept or reject it. If you accept the price offer, the house will be sold at the price you accepted. All sales are final. If you reject the price offer, the offer will disappear; you cannot go back to the previously rejected offer. In total there are 20 price offers available for each house; if you have not accepted an offer prior to the 20^{th} offer, you will be *forced to accept* the 20^{th} (i.e. the final) offer. *Therefore, make your decisions carefully.*

There is no time limit on how long the price offers will be available for, so take as long as you need to evaluate each offer.

Practice scenarios

There will be two practice scenarios. These practice scenarios are there to help you become familiar with the software. You will not be paid for the decisions you make in these two practice scenarios.

How payoffs are determined

The payoffs will be denoted in experimental currency units (ECUs).

1000 ECUs = 1 NZD

Your ECUs will be converted into NZD at this rate, and you will be paid in NZD when you leave the lab. The more ECUs you earn, the more NZD you earn.

Your payoffs are determined as follows:

Total ECUs you earn

=

Accepted price offer for House 1 + Accepted price offer for House 2 + ….+ Accepted price offer for House 10

Example: Suppose you accepted the price offer 450 for House 1, 260 for House 2, 380 for House 3,…, 658 for House 10. The total amount of ECUs you earn is 450+260+380+…. +658.

Do you have any questions?

You are now ready to begin the experiment. First, we will conduct two practice scenarios, with no money payoffs. Then, you will make decisions in 10 scenarios with money payoffs.

APPENDIX B.

Table 4. The actual price offers sequences used in the experiment

Offer \ Round	1	2	3	4	5	6	7	8	9	10
1	388	739	310	420	292	494	522	252	789	341
2	488	803	290	637	264	225	252	709	829	459
3	683	221	637	727	344	272	562	966	996	453
4	321	729	372	561	266	994	255	885	241	625
5	625	159	619	643	396	602	370	737	799	504
6	744	150	207	663	445	987	292	449	722	387
7	279	299	455	568	266	523	533	910	1088	250
8	848	818	400	636	241	683	237	250	876	308
9	276	585	251	422	370	1400	262	933	503	492
10	678	875	708	336	484	1574	343	491	650	455
11	408	130	452	414	264	1413	220	450	890	353
12	435	795	516	479	186	184	460	394	1264	588
13	679	481	420	332	578	1081	294	899	645	438
14	465	2	607	494	244	558	535	372	1740	408
15	393	525	410	546	189	273	297	505	1179	481
16	397	429	324	724	565	1182	452	608	250	467
17	588	62	214	411	271	305	284	827	840	418
18	358	459	480	267	235	661	436	712	272	273
19	644	748	463	357	350	785	581	838	449	554
20	495	374	617	733	373	89	197	541	105	553

APPENDIX C.

Table 5. Summary of predicted results for the average accepted offers, optimal offer frequency, and average stopping position after applying different decision rules to the sequences used in the experiment.

Decision rule \ Variable	Average accepted offers (ECUs)	Optimal offer frequency (%)	Average stopping position
Accept the first offer	454.7	0	1
Accept the next highest after seeing 1	662.9	0	2.6
Accept the next highest after seeing 2	735.2	20	3.7
Accept the next highest after seeing 3	722.8	40	10.3
Accept the next highest after seeing 4	756.2	30	12.4
Accept the next highest after seeing 5	761.1	30	12.5
Accept the next highest after seeing 6	775.4	40	13.1
Accept the next highest after seeing 7	793.0	40	13.6
Accept the next highest after seeing 8	763.4	40	15
Accept the next highest after seeing 9	780.8	50	15.1
Accept the next highest after seeing 10	582.5	30	18.4
Accept the next highest after seeing 11	582.5	30	18.4
Accept the next highest after seeing 12	630.1	40	18.6
Accept the next highest after seeing 13	609.6	30	19.3
Accept the next highest after seeing 14	446.1	20	19.9
Accept the next highest after seeing 15	446.1	20	19.9
Accept the next highest after seeing 16	446.1	20	19.9
Accept the next highest after seeing 17	446.1	20	19.9
Accept the next highest after seeing 18	446.1	20	19.9
Accept the last offer	407.7	10	20

Notes: The average accepted offer (in ECUs) is obtained by averaging the 10 price offers prescribed by a given decision rule. The optimal offer frequency is obtained by adding the number of rounds in which each decision rule finds the optimal offer (out of 10 rounds). The average stopping position is obtained by averaging the final stopping position (i.e. the offer accepted) across 10 rounds.

APPENDIX *D.*

PEARSON CORRELATION ANALYSIS

We use Pearson correlation analysis to examine the relationship between the average stopping positions, the accepted offers, and the optimal offer frequency. The average stopping position is obtained by averaging the 10 actual stopping position for each participant. The average accepted offer is calculated for each participant by averaging the 10 offers she accepted. The optimal offer frequency shows the total number of rounds in which the participants find the optimal offer (out of 10 rounds).

Unsurprisingly, we find a positive significant correlation between the frequency in which the optimal offer is accepted and the accepted offers for all three treatments $(r = 0.57$, $p < 0.001$). This is expected because the optimal offer is the highest offer in each round. Accepting the optimal offer in more rounds will therefore result in a higher average accepted offer. There is a large positive and significant correlation between the length of search and the size of the accepted offer ($r = 0.61$, $p < 0.001$), as well as the frequency of accepted optimal offers ($r = 0.24$, $p = 0.005$). The longer the participants search, the more often they accept the optimal offers. Also, the longer the participants search, the higher are their accepted offers. However, an individual correlation analysis for each treatment shows that the correlation between the search length and the size of the accepted offer is statistically significant only for the *No Frame* and *House Frame with Info* treatments (*No Frame*, $r = 0.77$, $p < 0.001$; *House Frame with Info,* $r = 0.56$, $p < 0.001$, respectively), while for the *House Frame* treatment the correlation is not statistically significant ($r = 0.12$, $p = 0.40$). Only in the *No Frame* treatment is there a significant correlation between the length of search and the frequency of accepted optimal offers ($r = 0.54$, $p < 0.001$); the same correlations in the *House Frame* ($r = -0.02$, $p = 0.88$) and *House Frame with Info* ($r = 0.02$, $p = 0.90$) treatments are not statistically significant.