

How Does Communication Affect Beliefs?*

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Abstract

This paper experimentally studies unilateral communication of intentions in nine different two-player one-shot normal form games. We estimate that about half the subjects hold equilibrium beliefs. Most of the subjects holding non-equilibrium beliefs conform to the cognitive hierarchy model, but some are better described as sensible, as defined by Farrell (1988). Because of cognitive hierarchy types, communication matters in dominance solvable games, and there is scope for deception both with common and conflicting interests. In games with common interests, the presence of equilibrium types strengthens the impact of communication on coordination. On the methodological side, we propose procedures to eliminate confounds generated by heterogeneous social preferences.

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