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Cheap Talk in the Game of Chicken: An Experimental Investigation.

A thesis presented in partial fulfilment of requirements for the degree of

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Abstract

Following the suggestion that cheap talk can help players to coordinate on Nash equilibria in Chicken, an experimental test was undertaken to test this claim. In pairs, participants (n=180) played an endowment version of Chicken involving either no communication, one-way communication, or two-way communication. Participants were each given a sum of money which they could either Invest or Not Invest. Based on both participants’ decisions, the initial amount of money could be increased or decreased. Although cheap talk did not significantly increase the proportion of equilibria outcomes, one-way and two-way cheap talk influenced participants’ behaviour in opposing ways. In the one-way condition, senders used their messages to take charge of the game while two-way communication elicited greater cooperativeness between participants. These findings support the idea that two messages can create a focal point even when they do not constitute a Nash equilibrium. Explanations for these findings, the applicability of level-k model predictions, and also practical applications of this research are discussed.
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# Table of Contents

Abstract i  
Acknowledgements ii  
Table of Contents iii  
List of Tables iv  
List of Figures v  

1 Introduction 1  

2 Literature Review 4  
   2.1 Cheap talk: An Overview 4  
   2.2 Cheap Talk and Game Structure 6  
   2.3 Cheap Talk in Chicken 11  
   2.4 Predicted Impact of Cheap Talk in Chicken 13  

3 Method 18  
   3.1 Methodology 18  
   3.2 Design 20  
   3.3 Procedure 25  
   3.4 Measures 26  
   3.5 Participants 27  
   3.6 Ethical Approval 27  

4 Results 28  
   4.1 Preliminary Analysis 28  
   4.2 Comparing Communication Structures 28  
   4.3 Probit Regressions 33  

5 Discussion 41  
   5.1 Comparison with Previous Research 41  
   5.2 Outcomes across Communication Structures 42  
   5.3 Messages, Decisions, and Gender 48  
   5.4 Level-k model Analysis 51  
   5.5 Practical Applications 53  


5.5.1 Case Study: The Greek-Eurozone Chicken game | 55
5.6 Limitations | 58
5.7 Future Research | 59

6 Conclusion | 60

References | 62

Appendix A: Participant Information Sheet | 72
Appendix B: Experimental Instructions | 75
Appendix C: Results Sheet Example | 77
Appendix D: MUHEC Ethical Approval | 79
Appendix E: Logit Model Output | 79

List of Tables

2.1 Action profiles in Chicken as suggested by EÖ | 17
4.1 Decision proportions vs. MSE predictions | 29
4.2 Proportion of outcomes across conditions | 29
4.3 Proportion of decisions across conditions | 30
4.4 Proportion of messages across conditions | 31
4.5 Average payoffs for participants across conditions | 31
4.6 Proportion of decisions and messages by gender across conditions | 32
4.7 Proportion of honest messages by gender | 33
4.8 Probit model 1: Impact of communication on participants’ decisions | 35
4.9 Probit model 2: One-way vs. Two-way com. on participants’ decisions | 38
4.10 Probit model 3: Messages in the one-way condition | 39
4.11 Probit model 4: Messages in the two-way condition | 40
5.1 Proportion of equilibria outcomes compared to DF (2002) | 42
5.2 Proportion of Not Invest decisions compared to DF (2002) | 42
A.1 Logit model 1: Impact of communication on participants’ decisions | 79
A.2 Logit model 2: One-way vs. Two-way com. on participants’ decisions | 79
A.3 Logit model 3: Messages in the one-way condition | 79
A.4 Logit model 4: Messages in the two-way condition | 80
List of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Typical Game of Chicken where (T&gt;R&gt;S&gt;P)</td>
<td>2</td>
</tr>
<tr>
<td>2.1</td>
<td>The Battle of the Sexes and Stag Hunt games</td>
<td>5</td>
</tr>
<tr>
<td>2.2</td>
<td>The Chicken and the PD games</td>
<td>7</td>
</tr>
<tr>
<td>2.3</td>
<td>Variants of the Stag Hunt game played in Clark et al. (2001)</td>
<td>11</td>
</tr>
<tr>
<td>2.4</td>
<td>Chicken games played in the experiments of SS (1972) and DF (2002)</td>
<td>13</td>
</tr>
<tr>
<td>3.1</td>
<td>Chicken game used in Bornstein et al. (1997)</td>
<td>20</td>
</tr>
<tr>
<td>3.2</td>
<td>Chicken game used in this experiment ($NZ$)</td>
<td>21</td>
</tr>
<tr>
<td>5.1</td>
<td>Extensive form of Chicken used in this experiment</td>
<td>44</td>
</tr>
<tr>
<td>5.2</td>
<td>Chicken game between Greece and the Troika</td>
<td>56</td>
</tr>
</tbody>
</table>