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

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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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