

CISEPS Seminar

Aggregate Information and the Centipede Game: a Theoretical and Experimental Study

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Abstract

Theoretical models often neglect the importance of ex-post feedback for equilibrium behavior in games. We test for this importance in a set of new experiments of the centipede game with feedback about aggregate behavior in each round. To make formal predictions, we develop a simple model that applies the framework of Dekel, Fudenberg, and Levine (2004). Unlike many popular models, our model, which combines self-confirming equilibrium with non-selfish payoffs, predicts that aggregate feedback has equilibrium effects. Our subjects exhibit Nash behavior more often than subjects in previous experiments, and aggregate feedback causes even stronger convergence to Nash equilibrium. However, after slightly changing the payoff structure of the experimental game, the treatment effects of aggregate information often shift in the opposite direction. From the policy point of view, the experimental results show that whether aggregate information generates more trust and higher social payoffs depends on the details of the game.

CISEPS

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