Making Peace: Cheap Talk and Mediation

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- When and how does costless or "cheap" talk resolve uncertainty?

Review

Uncertainty in crises can lead to conflict

- Deterrence Model $\rightarrow$ Uncertainty about resolve
- Spiral Model $\rightarrow$ Uncertainty about intentions

Can cheap talk help resolve this uncertainty?

Signaling

To convince others that you have an advantage- strength, intelligence, wealth- you must do something you could not do without it

Cheap talk is a signal that *anyone* can mimic

When can cheap talk ever reveal information?

Cheap Talk

Two views on cheap talk
- No incentive to tell the truth
- Communication leads to preferred equilibria

Both of these views are wrong (at least according to Farrell and Rabin)

Example

Example # 1- Sally and Rayco

	Demanding	*Undemanding*
High	$(2, 1)$	$(0, 0)$
Low	$(0, 0)$	$(1, 3)$

Example # 2- Sally and Rayco

	Demanding	*Undemanding*
High	$(2, 1)$	$(0, 0)$
Low	$(2, 0)$	$(1, 3)$

Cheap Talk

Three Principles

- Sometimes there is no incentive to lie, and cheap talk will fully convey private information
- If there is too strong an incentive to lie, cheap talk becomes meaningless.
- Even if there is some limited incentive to lie, cheap talk can convey some meaning in equilibrium.

The ability of cheap talk to convey information depends on the relative alignment of preferences

"Babbling" Equilibria

Commonly rationality is assumed to mean cheap talk should be ignored

Actors assume that words have meaning, even if it is not their literal meaning

Cheap Talk and Coordination

Example # 3- Susan and Roberto

Eatery	1	2	3	Empire
1	$(3,3)$	$(0,0)$	$(0,0)$	$(0,-2)$
2	$(0,0)$	$(3,3)$	$((0,0)$	$(0,-2)$
3	$(0,0)$	$(0,0)$	$(3,3)$	$(0,-2)$
Empire	$(-2,0)$	$(-2,0)$	$(-2,0)$	$(1,1)$

Cheap Talk and Conflict

Prisoner's Dilemma?

	Cooperate	Defect
Cooperate	$(4, 4)$	$(5, 1)$
Defect	$(5, 1)$	$(2, 2)$

Cheap Talk and Conflict

Stag Hunt?

	Stag	Rabbits
Stag	$(9, 9)$	$(0, 8)$
Rabbits	$(8, 0)$	$(7, 7)$

Cheap Talk and Conflict

Battle of the Sexes?

	Opera	Fight
Opera	$(2, 1)$	$(0, 0)$
Fight	$(0, 0)$	$(1, 2)$

Farrell and Rabin: Final Comments

Three Rejected Statements

- A Nash equilibrium will be played
- An efficient outcome will emerge
- All information will be shared- or even as much is consistent with incentives

Cheap talk often improves outcomes, but does not reliably lead to an optimal outcome

Cheap Talk and Empirics

Verbal communication only works if credibility is established through the use of force (Sartori 2005)

Civil war negotiations are more likely to fail when costless signals are used (Thyne 2006)

Cheap Talk and Experiments

In a lab experiment by Tingley and Walter (2011):

- Individuals often choose to engage in cheap talk
- Targets were more likely to back down receiving a costless threat
- Senders were more likely to act on those threats

What gives?

Cheap Talk and Mediation

A mediator can learn player types and promise to reveal only part of the information

But what makes a mediator believed?