

When Does Communication Improve Coordination?

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We study costless pre-play communication of intentions among inexperienced players. Using the level-k model of strategic thinking to describe players' beliefs, we fully characterize the effects of pre-play communication in symmetric 2×2 games. One-way communication weakly increases coordination on Nash equilibrium outcomes, although average payoffs sometimes decrease. Two-way communication further improves payoffs in some games, but is detrimental in others. Moving beyond the class of symmetric 2×2 games, we find that communication facilitates coordination in common interest games with positive spillovers and strategic complementarities, but there are also games in which any type of communication hampers coordination.

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