Implementation of Communication Equilibria by Correlated Cheap Talk: the Two-Player Case[*]

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Abstract

We show that essentially every communication equilibrium of any finite Bayesian game with two players can be implemented as a strategic form correlated equilibrium of an extended game, in which before choosing actions as in the Bayesian game, the players engage in a possibly infinitely long (but in equilibrium almost surely finite), direct, cheap talk.

Keywords: Bayesian game, cheap talk, communication equilibrium, correlated equilibrium, pre-play communication.

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