

Persuasive Selection in Signaling Games

Abstract

This paper introduces a novel criterion, persuasiveness, to select equilibria in signaling games. In response to the Stiglitz critique, persuasiveness focuses on the comparison across equilibria. An equilibrium is more persuasive than an alternative if the set of types of the sender who prefer the alternative would sequentially deviate to the former once other types have done so—that is, if an unraveling occurs. Persuasiveness has strong selective power: it uniquely selects an equilibrium outcome in signaling games à la Spence (1973). More generally, persuasiveness refines predictions beyond existing selection criteria. Notably, it can also select equilibria in cheap-talk games, where standard equilibrium refinements for signaling games have no selective power.