

ABSTRACT:

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Communication and Strategic Risk in the In(de)initely Repeated Prisoner's Dilemma

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There is an extensive research on the determinants of cooperation in infinitely repeated games. A key insight from this research is that the rate of cooperation increases in the robustness of cooperation to strategic risk. All the research so far, however, has the limitation that people cannot communicate. This paper sheds light on how strategic risk affects cooperation if people can communicate. To achieve this aim, we review the theory and conduct an experiment. The experiment reveals that (1) the rate of cooperation increases in the robustness of cooperation to strategic risk if people can and cannot communicate, (2) the theory does not capture the cooperation enhancing effect of communication possibilities and (3) beliefs are a mediator by which strategic risk and communication possibilities affect cooperation.