Payoff Information and Learning in Signaling Games∗

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Abstract
We show how to add the assumption that players know their opponents’ payoff functions to the theory of learning in games, and use it to derive restrictions on signaling-game play in the spirit of divine equilibrium. In our learning model, agents are born into player roles and play the game against a random opponent each period. Inexperienced agents are uncertain about the prevailing distribution of opponents’ play, and update their beliefs based on their observations. Long-lived and patient senders experiment with every signal that they think might yield an improvement over their myopically best play. We show that divine equilibrium (Banks and Sobel, 1987) is nested between “rationality-compatible” equilibrium, which corresponds to an upper bound on the set of possible learning outcomes, and “uniform rationality-compatible” equilibrium, which provides a lower bound.

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1 Introduction

Signaling games typically have many perfect Bayesian equilibria, because Bayes rule does not pin down the receiver’s off-path beliefs about the sender’s type. Different off-path beliefs for the receiver can justify different off-path receiver behavior, which in turn sustain equilibria with a variety of on-path outcomes. For this reason, applied work using signaling games typically invokes some equilibrium refinement to obtain a smaller and (hopefully) more accurate subset of predictions.

However, most refinements impose restrictions on the equilibrium beliefs without any reference to the process that might lead to equilibrium. Our earlier paper Fudenberg and He (2018) provided a learning-theoretic foundation for the compatibility criterion (CC), based on the idea that “out of equilibrium” signals are not zero-probability events during learning, but instead arise as rare but positive-probability experiments by inexperienced patient senders trying to learn how the receivers respond to different signals. Unlike the classic refinement literature, we did not assume that agents know their opponents’ payoff functions. This paper discusses how ex-ante payoff information influences learning dynamics and learning outcomes, showing that the additional equilibrium restrictions that follow from this prior knowledge nest the divine equilibrium of (Banks and Sobel, 1987). In addition, we provide the first general sufficient condition for an outcome to emerge as the result of patient Bayesian learning in settings where the relative probabilities of different off-path experiments matter.

In our learning model, agents repeatedly play the same signaling game against random opponents each period. Agents are Bayesians who believe they face a fixed but unknown distribution of the opposing players’ strategies. Importantly, the senders hold independent beliefs about how receivers respond to different signals, so they cannot use response to one signal to infer anything about the distribution of responses to a different signal. This introduces an exploration-exploitation trade-off, as each sender only observes the response
to the one signal she sends each period. Long-lived and patient senders will therefore experiment with every signal that they think might yield a substantially higher payoff than the myopically best play. The key to our results is that different types of senders have different incentives for experimenting with various signals, so that some of the sender types will send certain signals more often than others do. Consequently, even though long-lived senders only experiment for a vanishingly small fraction of their lifetimes, the play of the long-lived receivers will be a best response to beliefs about the senders types that reflects this difference in experimentation probabilities.

Of course, the senders’ experimentation incentives depend on their prior beliefs about which receiver responses are plausible after each signal. In Fudenberg and He (2018), we assumed that learners are ignorant of others’ utility functions, and that the senders’ beliefs assign positive probability to the receivers playing actions that are not best responses to any belief about the sender’s type. In this paper, we instead assume that the players’ prior beliefs encode knowledge of their opponents’ payoff functions, so in particular the senders all assign zero probability to the event that the receivers use conditionally dominated strategies. Inexperienced senders with full-support beliefs about the receivers’ play may experiment with a signal in the hopes that the receivers respond with a certain favorable action, not knowing that this action will never be played as it is not a best response to any receiver belief. With payoff information, even very patient senders will never undertake such experiments. Conversely, receivers know that no sender type would ever want to play a signal that does not best respond to any receiver strategy, because no possible response by the receiver would make playing that signal worthwhile. For this reason, the receivers’ beliefs after each signal assign probability zero to the types for whom that signal is dominated.

Priors with payoff information lead to additional restrictions on different types’ comparative experimentation frequencies, which can generate stronger restrictions on the receiver’s beliefs in some games. For instance, Example 2 considers a modified version of Cho and Kreps (1987)’s beer-quiche game that adds a new receiver response, **Charity**. **Charity** is costly for the receiver, and only benefits the weak type. A rational receiver will never choose **Charity**,
and we show that when priors encode payoff information, the senders’ learning problem are the same as in the unmodified beer-quiche game, with strong type experimenting with Beer more than the weak type. This comparison can be reversed when the senders do not know the receivers’ payoff functions.

In some other games, payoff information expands the set of long-run learning outcomes for patient and long-lived learners. Example 3 shows a signaling game where no type with payoff information ever experiments with a certain signal, so the receivers’ belief and behavior after this signal are arbitrarily determined from their prior beliefs. On the other hand, when senders are ignorant of the receivers’ payoff functions, one sender type will experiment much more frequently with this signal than the other type, leading to a refinement of the receivers’ off-path belief after the signal.

In general, for learners starting with these priors with restricted supports, Theorem 1 shows that every patient learning outcome is consistent with “rational compatibility,” while Theorem 2 shows that every equilibrium satisfying a uniform version of rational compatibility and some strictness assumptions can arise as a patient learning outcome. As we show in Section 3 these belief restrictions resemble those imposed by divine equilibrium (Banks and Sobel, 1987): Every divine equilibrium is also consistent with rational compatibility and that every equilibrium satisfying the uniform version of rational compatibility is universally divine.

### 1.1 Related Literature

This paper is most closely related to the work of Fudenberg and Levine (1993), Fudenberg and Levine (2006), and Fudenberg and He (2018) on patient learning by Bayesian agents who believe they face a steady-state distribution of play. Except for the support of the agents’ priors, our learning model is exactly the same as that of Fudenberg and He (2018), and the proof of Theorem 1 follows the lines of our results there. Theorem 2 is the main technical innovation. It establishes provides a sufficient condition for an equilibrium to be patiently stable, which means that it is the limit of play in a society of Bayesian agents as these agents become patient and long lived, for some non-doctrinaire prior
beliefs. The proof of this sufficient condition for patient stability constructs a suitable prior and analyzes the corresponding patiently stable profiles. The only other constructive sufficient condition\textsuperscript{1} for strategy profiles to be patiently stable is Theorem 5.5 of Fudenberg and Levine (2006), which only applies to a subclass of perfect-information games. In such games the relative probabilities of various off-path actions do not matter, because each off-path experiment is perfectly revealed when it occurs. Indeed, the central lemma leading to Theorem 2 constructs a prior belief to ensure that the receivers correctly learn the relative frequencies that different types undertake various off-path experiments. This lemma deals with an issue specific to signaling games, and is not implied by any result in Fudenberg and Levine (2006). Our paper is also related to other models of Bayesian non-equilibrium learning, such as Kalai and Lehrer (1993) and Esponda and Pouzo (2016), and to the equilibrium concepts of the Intuitive Criterion (Cho and Kreps, 1987) and divine equilibrium (Banks and Sobel, 1987). One other contribution of this work relative to Fudenberg and He (2018) is that we compare our learning-based equilibrium refinements with these equilibrium refinements, both of which implicitly assume that players are certain of the payoff functions of their opponents.

\section{Two Equilibrium Refinements for Signaling Games}

\subsection{Signaling Game Notation}

A \textit{signaling game} has two players, a sender ("she," player 1) and a receiver ("he," player 2). At the start of the game, the sender learns her type $\theta \in \Theta$, but the receiver only knows the sender’s type distribution\textsuperscript{2} $\lambda \in \Delta(\Theta)$. Next, the sender chooses a signal $s \in S$. The receiver observes $s$ and chooses an action $a \in A$ in response. We assume that $\Theta, S, A$ are finite and that $\lambda(\theta) > 0$

\textsuperscript{1}"Constructive," as opposed to proofs that rule out all but one equilibrium using necessary conditions and then appeal to an existence theorem for patiently stable steady states. Constructive sufficient conditions allow us to characterize learning outcomes more precisely in games where multiple equilibria satisfy the necessary conditions, such as Example 1.

\textsuperscript{2}The notation $\Delta(X)$ means the set of all probability distribution on $X$.  

4
for all $\theta$.

The players’ payoffs depend on the triple $(\theta, s, a)$. Let $u_1 : \Theta \times S \times A \to \mathbb{R}$ and $u_2 : \Theta \times S \times A \to \mathbb{R}$ denote the utility functions of the sender and the receiver, respectively.

For $P \subseteq \Delta(\Theta)$, we have

$$\text{BR}(P, s) := \bigcup_{p \in P} \left( \arg \max_{a \in A} \mathbb{E}_{\theta \sim p}[u_2(\theta, s, a)] \right)$$

as the set of best responses to $s$ supported by some belief in $P$. Letting $P = \Delta(\Theta)$, the set $A_s^{\text{BR}} := \text{BR}(\Delta(\Theta), s) \subseteq A$ contains the receiver actions that best respond to some belief about the sender’s type after $s$. We say that action in $A_s^{\text{BR}}$ are conditionally undominated after signal $s$, and that actions in $A \setminus A_s^{\text{BR}}$ are conditionally dominated after signal $s$. We denote by $\Pi_2 := \times_{s \in S} \Delta(A_s^{\text{BR}})$ the rational receiver strategies; these are the strategies that assign probability 0 to conditionally dominated actions.³ The rational receiver strategies form a subset of $\Pi_2 := \times_{s \in S} \Delta(A)$, the set of all receiver strategies.

A sender strategy $\pi_1 = (\pi_1(\cdot | \theta))_{\theta \in \Theta} \in \Pi_1$ specifies a distribution on $S$ for each type, $\pi(\cdot | \theta) \in \Delta(S)$. For a given $\pi_1$, signal $s$ is off the path of play if it has probability 0, i.e. $\pi_1(s | \theta) = 0$ for all $\theta$. Let

$$S_\theta := \bigcup_{\pi_2 \in \Pi_2} \left( \arg \max_{s \in S} u_1(\theta, s, \pi_2(\cdot | s)) \right).$$

be the set of signals that best respond to some (not necessarily rational) receiver strategy for type $\theta$. Signals in $S \setminus S_\theta$ are dominated for type $\theta$, and $\Pi_1^* := \times_{\theta \in \Theta} \Delta(S_\theta)$ denotes the rational sender strategies where no type ever sends a dominated signal. We also write $\Theta_s$ for the types $\theta$ for whom $s \in S$ is not dominated.

³Throughout we adopt the terminology “strategies” to mean behavior strategies, not mixed strategies.
2.2 Rationality-Compatible Equilibria

We now introduce rationality-compatible equilibrium (RCE) and uniform rationality-compatible equilibrium (uRCE), two refinements of Nash equilibrium in signaling games.

In Section 4, we develop a steady-state learning model where populations of senders and receivers, initially uncertain as to the aggregate play of the opponent population, undergo random anonymous matching each period to play the signaling game. We study the steady states when agents are patient and long lived, which we term “patiently stable.” Under some strictness assumptions, we show that only RCE can be patiently stable (Theorem 1) and that every uRCE is path-equivalent to a patiently stable profile (Theorem 2). Thus we provide a learning foundation for these solution concepts.

Our learning foundation will assume that agents know others’ utility functions and know that others are rational in the sense of playing strategies that maximize the corresponding expected utilities. We will not however iteratively assume higher orders of payoff knowledge and rationality, so that we model “rationality” as opposed to “rationalizability.”

In the learning model, this implies senders’ uncertainty about receivers’ play is always supported on $\Pi^*\times_2$ instead of $\Pi_2$, and similarly receivers’ uncertainty about senders’ play is supported on $\Pi^*_1$ instead of $\Pi_1$. In Section 2.3, we discuss heuristically how our solution concepts capture some of the ways in which payoff information affects learning outcomes. This discussion will later be formalized in the context of the learning model we develop in Section 4.

**Definition 1.** Signal $s$ is more rationally-compatible with $\theta'$ than $\theta''$, written as $\theta' \succ_s \theta''$, if for every $\pi_2 \in \Pi^*_2$ such that

$$u_1(\theta'', s, \pi_2(\cdot|s)) \geq \max_{s' \neq s} u_1(\theta'', s', \pi_2(\cdot|s')),$$

It is straightforward to extend our results to priors that reflect higher-order knowledge of the rationality and payoff functions of the other player. The resulting equilibrium refinement always exists, and like RCE is implied by universal divinity. We do not include it here both because we are unaware of any interesting examples where the additional power has bite, and because we are skeptical about the hypothesis of iterated rationality.
we have
\[ u_1(\theta', s, \pi_2(\cdot|s)) > \max_{s' \neq s} u_1(\theta', s', \pi_2(\cdot|s')). \]

In words, \( \theta' \succcurlyeq_s \theta'' \) means whenever \( s \) is a weak best response for \( \theta'' \) against some rational receiver behavior strategy \( \pi_2 \), it is a strict best response for \( \theta' \) against \( \pi_2 \).

The next proposition shows that \( \succcurlyeq_s \) is transitive and “almost” asymmetric. A signal \( s \) is *rationally strictly dominant* for \( \theta \) if it is a strict best response against any rational receiver strategy, \( \pi_2 \in \Pi_s^\bullet \). A signal \( s \) is *rationally strictly dominated* for \( \theta \) if it is not a weak best response against any rational receiver strategy.

**Proposition 1.** We have

1. \( \succcurlyeq_{s'} \) is transitive.

2. Except when \( s' \) is either rationally strictly dominant for both \( \theta' \) and \( \theta'' \) or rationally strictly dominated for both \( \theta' \) and \( \theta'' \), \( \theta' \succcurlyeq_{s'} \theta'' \) implies \( \theta'' \nless_{s'} \theta' \).

The Appendix provides proofs for all of our results except where otherwise noted.

We require two auxiliary definitions before defining RCE.

**Definition 2.** For any two types \( \theta', \theta'' \), let \( P_{\theta' \circ \theta''} \) be the set of beliefs where the odds ratio of \( \theta' \) to \( \theta'' \) exceeds their prior odds ratio, that is\(^5\)

\[ P_{\theta' \circ \theta''} := \left\{ p \in \Delta(\Theta) : \frac{p(\theta'')}{p(\theta')} \leq \frac{\lambda(\theta'')}{\lambda(\theta')} \right\}. \tag{1} \]

Note that if \( \pi_1(s|\theta') \geq \pi_1(s|\theta''), \pi_1(s|\theta') > 0 \), and the receiver updates beliefs using \( \pi_1 \), then the receiver’s posterior belief about the sender’s type after observing \( s \) falls in the set \( P_{\theta' \circ \theta''} \). In particular, in any Bayesian Nash equilibrium, the receiver’s on-path belief falls in \( P_{\theta' \circ \theta''} \) after any on-path signal \( s \) with \( \theta' \succcurlyeq_s \theta'' \).

\(^5\)With the convention \( \frac{0}{0} := 0 \).
We now introduce some additional definitions to let us investigate the implications of the agents’ knowledge of their opponent’s payoff function. For a strategy profile $\pi^*$, let $E_{\pi^*}[u_1 \mid \theta]$ denote type $\theta$’s expected payoff under $\pi^*$.

**Definition 3.** For any strategy profile $\pi^*$, let

$$\tilde{J}(s, \pi^*) := \left\{ \theta \in \Theta : \max_{a \in A^R_{BR}} u_1(\theta, s, a) \geq E_{\pi^*}[u_1 \mid \theta] \right\}.$$ 

This is the set of types for which *some* best response to signal $s$ is at least as good as their payoff under $\pi^*$. For all other types, the signal $s$ is equilibrium dominated in the sense of Cho and Kreps (1987).

**Definition 4.** The set of rationality-compatible beliefs for the receiver at strategy profile $\pi^*$, $(\tilde{P}(s, \pi^*))_s$, is defined as follows:

$$\tilde{P}(s, \pi^*) := \begin{cases} \Delta(\tilde{J}(s, \pi^*)) \cap \left( \bigwedge_{(\theta', \theta'') \text{ s.t. } \theta' \succ s \theta''} P_{\theta' \succ s \theta''} \right) & \text{if } \tilde{J}(s, \pi^*) \neq \emptyset \\ \Delta(\Theta_s) & \text{if } \tilde{J}(s, \pi^*) = \emptyset. \end{cases}$$

The main idea behind the rationality-compatible beliefs is that the receiver’s posterior likelihood ratio for types $\theta'$ and $\theta''$ dominates the prior likelihood ratio whenever $\theta' \succ s \theta''$. A second feature involves equilibrium dominance. Note that $\tilde{P}$ assigns probability 0 to equilibrium-dominated types; this is similar to the belief restriction of the Intuitive Criterion. Note that this definition imposes no belief restrictions based on $\theta' \succ s \theta''$ when $s$ is equilibrium dominated for every type. As we illustrate in Example 3, the receiver need not learn the rational compatibility relation when equilibrium dominance leads to steady states where no type ever experimenting with a certain signal.

**Definition 5.** Strategy profile $\pi^*$ is a rationality-compatible equilibrium (RCE) if it is a Nash equilibrium and $\pi^*_2(\cdot \mid s) \in \Delta(\text{BR}(\tilde{P}(s, \pi^*), s))$ for every $s$.

Theorem 1 shows that RCE is a necessary condition for a strategy profile where receivers have strict preferences after each on-path signal to be
patiently stable. Intuitively, this result holds because the optimal experimentation behavior of the senders respects the compatibility order, and because, since players eventually learn the equilibrium path, types will not experiment much with signals that are equilibrium dominated. As we show in Section 3, RCE rules out the implausible equilibria in a number of games, but is weaker than some past signaling game refinements in the literature. However, RCE is only a necessary condition for patient stability, which leaves open the question of whether patient learning has additional implication. For this reason, we now define uRCE, a subset of RCE (up to path-equivalence). As we show below, uRCE is a sufficient condition for patient stability, thus providing a bound on its implications.

**Definition 6.** The set of uniformly rationality-compatible beliefs for the receiver is \( \hat{P}(s) \) where

\[
\hat{P}(s) := \Delta(\Theta_s) \cap \left( \bigcap_{\theta' \theta''} \bigcap_{\text{s.t. } \theta' \gtrless \theta''} P_{\theta' > \theta''} \right).
\]

Note that \( \hat{P}(s) \) makes no reference to a particular strategy profile, unlike \( \hat{P}(s, \pi^*) \). Since \( \Delta(\Theta_s) \) contains types for whom \( s \) is undominated and \( J(s, \pi^*) \) contains types for whom \( s \) is equilibrium-undominated (relative to the profile \( \pi^* \)), we have \( \hat{P}(s, \pi^*) \subseteq \hat{P}(s) \) whenever \( J(s, \pi^*) \neq \emptyset \).

**Definition 7.** A Nash equilibrium strategy profile \( \pi^* \) is called a uniform rationality-compatible equilibrium (uRCE) if for all \( \theta \), all off-path signals \( s \) and all \( a \in \text{BR}(\hat{P}(s), s) \), we have \( \mathbb{E}_{\pi^*}[u_1 | \theta] \geq u_1(\theta, s, a) \).

The “uniformity” in uniform RCE comes from the requirement that every best response to every belief in \( \hat{P}(s) \) deters every type from deviating to the off-path \( s \). By contrast, a RCE is a Nash equilibrium where some best response to \( \hat{P}(s, \pi^*) \) deters every type from deviating to \( s \).

**Proposition 2.** Every uRCE is path-equivalent to an RCE.
2.3 Examples

The following example illustrates that uRCE is a strict subset of RCE in some games.

Example 1. Suppose a worker has either high ability ($\theta_H$) or low ability ($\theta_L$). She chooses between three levels of higher education: None (N), College (C), or Ph.D. (D). An employer observes the worker’s education level and pays a wage, $a \in \{\text{low, med, high}\}$. The worker’s utility function is separable between wage and (ability, education) pair, with $u_1(\theta, s, a) = z(a) + v(\theta, s)$ where $z(\text{low}) = 0, z(\text{med}) = 6, z(\text{high}) = 9$ and $v(\theta_H, N) = 0, v(\theta_L, N) = 0, v(\theta_H, C) = 2, v(\theta_L, C) = 1, v(\theta_H, D) = -2, v(\theta_L, D) = -4$. (With this payoff function, going to college has a consumption value while getting a Ph.D. is costly.) The employer’s payoffs reflect a desire to pay a wage corresponding to the worker’s ability and increased productivity with education, given in the tables below.

<table>
<thead>
<tr>
<th>N</th>
<th>low</th>
<th>med</th>
<th>high</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\theta_H$</td>
<td>0,-2</td>
<td>6,0</td>
<td>9,1</td>
</tr>
<tr>
<td>$\theta_L$</td>
<td>0,1</td>
<td>6,0</td>
<td>9,-2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C</th>
<th>low</th>
<th>med</th>
<th>high</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\theta_H$</td>
<td>2,-1</td>
<td>8,1</td>
<td>11,2</td>
</tr>
<tr>
<td>$\theta_L$</td>
<td>1,2</td>
<td>7,1</td>
<td>10,-1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D</th>
<th>low</th>
<th>med</th>
<th>high</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\theta_H$</td>
<td>-2,0</td>
<td>4,2</td>
<td>7,3</td>
</tr>
<tr>
<td>$\theta_L$</td>
<td>-4,3</td>
<td>2,2</td>
<td>5,0</td>
</tr>
</tbody>
</table>

No education level is dominated for either type and no wage is conditionally dominated after any signal. Since $v(\theta_H, \cdot) - v(\theta_L, \cdot)$ is maximized at D, it is simple to verify that $\theta_H \succeq_D \theta_L$. Similarly, $\theta_L \succeq_N \theta_H$. There is no compatibility relation at signal C.

When the prior is $\lambda(\theta_H) = 0.5$, the strategy profile where the employer always pays a medium wage and both types of worker choose C is a uRCE. This is because $\hat{P}(N)$ contains only those beliefs with $p(\theta_H) \leq 0.5$, so $\text{BR}(\hat{P}(N), N) = \{\text{low, med}\}$. Both of these wages deter every type from deviating to N. At the same time, no type wants to deviate to D, even if she gets paid the best wage.

On the other hand, the equilibrium $\pi^*$ where the employer pays low wages for N and C, a medium wage for D, and both types choose D is an RCE.
but not a uRCE. The belief that puts probability 1 on the worker being $\theta_L$ belongs to $\tilde{P}(N, \pi^*)$ and $\tilde{P}(C, \pi^*)$ and induces the employer to choose low wage. However, medium salary is a best response to $\lambda \in \hat{P}(N)$ and medium wage would tempt type $\theta_L$ to deviate to $N$. ♦

In the learning model of Fudenberg and He (2018), agents do not know others’ utility functions and have full-support prior beliefs about others’ play. That paper’s compatibility criterion (CC) is based on a family of binary relations on types (one for each signal $s$) that are less complete than the rational compatibility relations, because the condition that “whenever $s$ is a weak best response for $\theta''$, it is also a strict best response for $\theta''$” is required to hold for all $\pi_2 \in \Pi_2$ instead of only for $\pi_2 \in \Pi_2^*$. Hence, RCE is always at least as restrictive as the CC. Moreover, RCE can eliminate some equilibria that pass the CC.

Example 2. Consider a modification of the beer-quiche game where the receiver has a new action, Charity. After $Q$, Charity has the same effect as Not Fight. After $B$, Charity is conditionally dominated for on the receiver, and provides a large utility gain for the weak type.

A compatibility relation based on all $\pi_2 \in \Pi_2$ no longer ranks the two types after signal $B$. If $\pi_2(\text{Charity} \mid B) = \pi_2(\text{Charity} \mid Q) = 1$, then $\theta_{\text{weak}}$ finds $B$ optimal but $\theta_{\text{strong}}$ does not. So, the quiche-pooling equilibrium (where
every type plays Q, receiver plays Not Fight after Q, Fight after B) in this modified game satisfies the CC. However, Charity is conditionally dominated for the receiver after B. We may verify that the rational compatibility relation still ranks $\theta_{\text{strong}} \succsim_b \theta_{\text{weak}}$ and that RCE continues to rule out the quiche-pooling equilibrium.

From the viewpoint of a learning model, if the senders know that the receivers never play the conditionally dominated Charity after signal B, then the situation is as in the original beer-quiche game without this action. In this original game, since $\theta_{\text{strong}}$ always gets 1 more utility than $\theta_{\text{weak}}$ after B regardless of the play of the receiver, and vice versa for $\theta_{\text{weak}}$ after Q; it is intuitive that $\theta_{\text{strong}}$ should experiment more frequently with B than $\theta_{\text{weak}}$ does. Indeed, belief restrictions of the form $P_{\theta' \succsim_s \theta''}$ when $\theta' \succsim_s \theta''$, central to both RCE and uRCE, reflect this intuition. But this story breaks down if senders do not know receivers’ payoffs and thus suspect that Charity might be used after B. As we will show in Section 6.2, against some fixed distribution of the receiver population’s play and without payoff information, $\theta_{\text{weak}}$ learners experiment more with B than $\theta_{\text{strong}}$ learners do, in the hopes of confirming that receivers actually play Charity after B with substantial probability.

While the previous example shows payoff information may lead to more refined learning predictions, the next one cautions that payoff information may also expand the set of learning outcomes.

**Example 3.** Consider a game with two sender types, $\theta_1$ and $\theta_2$, equally likely, and two possible signals, L or R. Payoffs are given in the tables below.

<table>
<thead>
<tr>
<th>signal: L</th>
<th>action: $a_1$</th>
<th>action: $a_2$</th>
<th>action: $a_3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>type: $\theta_1$</td>
<td>-2, 0</td>
<td>2, 2</td>
<td>2, 1</td>
</tr>
<tr>
<td>type: $\theta_2$</td>
<td>-2, 1</td>
<td>2, 0</td>
<td>2, -1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>signal: R</th>
<th>action: $a_1$</th>
<th>action: $a_2$</th>
<th>action: $a_3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>type: $\theta_1$</td>
<td>5, -1</td>
<td>-3, 2</td>
<td>-4, 0</td>
</tr>
<tr>
<td>type: $\theta_2$</td>
<td>-2, -1</td>
<td>1, 0</td>
<td>0, 1</td>
</tr>
</tbody>
</table>

Action $a_1$ is conditionally dominated for the receiver after signal R. It is easy to see that in every perfect Bayesian equilibrium $\pi^*$, we must have $\pi_1^*|L|$
\( \theta_1 = \pi_1^*(L \mid \theta_2) = 1, \pi_2^*(a_2 \mid L) = 1 \), and that \( \pi_2^*(\cdot \mid R) \) must be supported on \( A_{RB}^R = \{a_2, a_3\} \). This means the off-path signal \( R \) is equilibrium dominated for every type in \( \pi^* \), i.e. \( J(R, \pi^*) = \emptyset \). So, \( \tilde{P}(R, \pi^*) = \Delta(\Theta_R) = \Delta(\Theta) \) and RCE permits the receiver to play either \( a_2 \) or \( a_3 \) after \( R \). (This is despite the fact that \( \theta_2 \) is more rationally compatible with \( R \) than \( \theta_1 \) is. As we discussed after Definition 4, RCE does not restrict the receiver’s belief based on rational type compatibility after an off-path signal that is equilibrium dominated for every type.)

We will show in Section 6.2 that when learners have payoff information, there is a patiently stable state where the receivers play \( a_2 \) after \( R \) and another patiently stable state where the receivers respond to \( R \) with \( a_3 \). However, we will also show that without payoff information, patient stability requires that the receivers play \( a_2 \) after \( R \). This is because patient but inexperienced \( \theta_1 \)’s without payoff information find it plausible that receivers choose \( a_1 \) after \( R \), so they will experiment much more frequently with the off-path signal \( R \) than \( \theta_2 \)’s, for whom every possible response to \( R \) leads to worse payoffs than their equilibrium payoff of 2. As a result, receivers learn that \( R \)-senders have type \( \theta_1 \) so they respond with \( a_2 \). On the other hand, when senders know ex-ante that receivers will never choose \( a_1 \) after \( R \), for some priors there are steady states where no one ever experiments with \( R \). When this happens, the receivers’ belief about the likelihood ratio of the types following the off-path \( R \) is governed by their prior beliefs, which may be arbitrary and thus support a richer class of learning outcomes.

3 Comparison to Other Equilibrium Refinements

This section compares RCE to other equilibrium refinement concepts in the literature.
3.1 Iterated dominance

We first relate RCE to a form of iterated dominance in the ex-ante strategic form of the game, where the sender chooses $\pi_1$, a signal as function of her type. We show that every sender strategy that specifies playing signal $s$ as a less compatible type $\theta''$ but not as a more compatible type $\theta'$ will be removed by iterated deletion. The idea is that such a strategy is never a weak best response to any receiver strategy in $\Pi^*_2$: if the less compatible $\theta''$ does not have a profitable deviation, then the more compatible type strictly prefers deviating to $s$.

**Proposition 3.** Suppose $\theta' \succsim_s \theta''$. Then any ex-ante strategy of the sender $\pi_1$ with $\pi_1(s|\theta'') > 0$ but $\pi_1(s|\theta') < 1$ is removed by strict dominance once the receiver is restricted to using strategies in $\Pi^*_2$.

3.2 The Intuitive Criterion

We next relate RCE to the Intuitive Criterion.

**Proposition 4.** Every RCE satisfies the Intuitive Criterion.

The next example shows that the set of RCE is strictly smaller than the set of equilibria that pass the Intuitive Criterion. The idea is that the Intuitive Criterion does not impose any restriction on the relative likelihood of two types after a signal that is not equilibrium dominated for either of them, but RCE can.

**Example 4.** Consider a signaling game where the prior probabilities of the two types are $\lambda(\theta_1) = 3/4$ and $\lambda(\theta_2) = 1/4$, and the payoffs are:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>type: $\theta'$</td>
<td>4, 1</td>
<td>0, 0</td>
<td>type: $\theta'$</td>
<td>7, 1</td>
<td>3, 0</td>
</tr>
<tr>
<td>type: $\theta''$</td>
<td>6, 0</td>
<td>2, 1</td>
<td>type: $\theta''$</td>
<td>7, 0</td>
<td>3, 1</td>
</tr>
</tbody>
</table>

Against any receiver strategy, the two types $\theta'$ and $\theta''$ get the same payoffs from $s''$, but $\theta''$ gets strictly higher payoffs than $\theta'$ from $s'$. So, $\theta' \succsim_{s''} \theta''$. 

14
Consider now the Nash equilibrium in which the types pool on $s'$, i.e. $\pi_1^*(s'|\theta') = \pi_2^*(s'|\theta'') = 1$, $\pi_2^*(a'|s') = 1$, and $\pi_2^*(a''|s'') = 1$. It passes the Intuitive Criterion since the off-path signal $s''$ is not equilibrium dominated for either type. On the other hand, RCE requires that every action played with positive probability in $\pi_2^*(a'|s')$ best responds to some belief $p$ about sender’s type satisfying $\frac{\lambda(\theta_2)}{\lambda(\theta_1)} \leq \frac{1}{3}$. But action $a''$ does not best respond to any such belief, so $\pi^*$ is not an RCE. ♦

3.3 Divine Equilibrium

Next, we compare divine equilibrium with RCE and uRCE. For a strategy profile $\pi^*$, let

$$D(\theta, s; \pi^*) := \{ \alpha \in \text{MBR}(s) \text{ s.t. } \mathbb{E}_{\pi^*}[u_1 | \theta] < u_1(\theta, s, \alpha) \}$$

be the subset of mixed best responses\textsuperscript{6} to $s$ that would make type $\theta$ strictly prefer deviating from the strategy $\pi_1^*(\cdot | \theta)$. Similarly let

$$D^o(\theta, s; \pi^*) := \{ \alpha \in \text{MBR}(s) \text{ s.t. } \mathbb{E}_{\pi^*}[u_1 | \theta] = u_1(\theta, s, \alpha) \}$$

be the set of mixed best responses that would make $\theta$ indifferent to deviating.

**Proposition 5.** 1. If $\pi^*$ is a Nash equilibrium where $s'$ is off-path, and $\theta' \succ_{s'} \theta''$, then $D(\theta'', s'; \pi^*) \cup D^o(\theta'', s'; \pi^*) \subseteq D(\theta', s'; \pi^*)$.

2. Every divine equilibrium is a RCE.

However, the converse is not true, as the following example illustrates.

**Example 5.** Consider the following signaling game with two types and three signals, with prior $\lambda(\theta_1) = 2/3$.

<table>
<thead>
<tr>
<th>$s'$</th>
<th>$a'$</th>
<th>$a''$</th>
<th>$s''$</th>
<th>$a'$</th>
<th>$a''$</th>
<th>$s'''$</th>
<th>$a'$</th>
<th>$a''$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\theta'$</td>
<td>0, 1</td>
<td>-1, 0</td>
<td>$\theta'$</td>
<td>2, 1</td>
<td>-1, 0</td>
<td>$\theta'$</td>
<td>5, 0</td>
<td>-3, 1</td>
</tr>
<tr>
<td>$\theta''$</td>
<td>0, 0</td>
<td>-1, 1</td>
<td>$\theta''$</td>
<td>1, 0</td>
<td>-1, 1</td>
<td>$\theta''$</td>
<td>0, 1</td>
<td>-2, 0</td>
</tr>
</tbody>
</table>

\textsuperscript{6}To be precise, $\text{MBR}(p, s) := \arg \max_{\alpha \in \Delta(A)} \mathbb{E}_{\theta \sim p}[u_2(\theta, s, \alpha)]$ and $\text{MBR}(s) := \bigcup_{p \in \Delta(\Theta)} \text{MBR}(p, s)$. 

15
We check that the following is a pure-strategy RCE: \( \pi_1(s'|\theta') = \pi_1(s'|\theta'') = 1, \pi_2(a'|s') = 1, \pi_2(a''|s'') = 1, \pi_2(a''|s''') = 1 \). Evidently \( \pi \) is a Nash equilibrium and no type is equilibrium-dominated at any off-path signal. We now check that we do not have \( \theta' \succ_{s''} \theta'' \) or \( \theta'' \succ_{s'''} \theta' \). Observe that against the receiver strategy \( \tilde{\pi}_2(a'|s) = \frac{1}{2} \) for every \( s, s'' \) is strictly optimal for \( \theta' \) but \( s''' \) is strictly optimal for \( \theta' \), so \( \theta' \not\succ_{s''} \theta'' \). And for the receiver strategy \( \hat{\pi}_2(a'|s) = 1 \) for every \( s, s''' \) is strictly optimal for \( \theta' \) but \( s'' \) is strictly optimal for \( \theta'' \), so \( \theta'' \not\succ_{s''} \theta' \). This shows the strategy profile is an RCE.

However, \( D(\theta'', s''; \pi) \cup D^0(\theta'', s''; \pi) \) is the set of distributions on \( \{a', a''\} \) that put at least weight 0.5 on \( a' \). Any such distribution is in \( D(\theta', s''; \pi) \). So in every divine equilibrium, the receiver plays a best response to a belief that puts weight no less than 2/3 on \( \theta' \) after signal \( s'' \), which can only be \( a' \).\(^7\)

This example illustrates one difference between divine equilibrium and RCE: under divine equilibrium, the beliefs after signal \( s'' \) only depend on the comparison between the payoffs to \( s'' \) with those of the equilibrium signal \( s' \), while the compatibility criterion also considers the payoffs to a third signal \( s''' \). In the learning model, this corresponds to the possibility that \( \theta' \) chooses to experiment with \( s''' \) at beliefs that induce \( \theta'' \) to experiment with \( s'' \).

Our RCE differs from divine equilibrium in another way: divine equilibrium involves an iterative application of a belief restriction. The next example illustrates this difference\(^8\).

**Example 6.** There are three types, \( \theta', \theta'', \theta''' \), all equally likely. The signal space is \( S = \{s', s''\} \), and the set of receiver actions is \( A = \{a^1, a^2, a^3, a^4\} \). When any sender type chooses the signal \( s' \), all parties get a payoff of 0 regardless of the receiver’s action. When the sender chooses \( s'' \), the payoffs are determined by the following matrix.

\(^7\)As noted by Van Damme (1987), it may seem more natural to replace the set \( \alpha \in MBR(m) \) in the definitions of \( D \) and \( D^0 \) with the larger set \( \alpha \in co(BR(s)) \), which leads to the weaker equilibrium refinement that Sobel, Stole, and Zapater (1990) call “co-divinity”. This example also shows that RCE need not be co-divine.

\(^8\)We thank Joel Sobel for this example.
Consider the pure strategy profile \( \pi^\ast_1(s' | \theta) = 1 \) for all \( \theta \in \Theta \) and \( \pi^\ast_2(a^4 | s) = 1 \) for all \( s \in S \). Since \( \theta'' \) gains more from deviating to \( s'' \) than \( \theta' \) does, applying the divine belief restriction for the off-path signal \( s'' \) eliminates the action \( a^1 \), since it is not a best response to any belief \( p \in \Delta(\Theta) \) with \( p(\theta'') \geq p(\theta') \). But after action \( a^1 \) is deleted for the receiver after signal \( s'' \), type \( \theta''' \) now gains more from deviating to \( s'' \) than \( \theta'' \) does. So, applying the divine belief restriction again eliminates actions \( a^2 \) and \( a^4 \), since it is not a best response against any \( p \in \Delta(\Theta) \) with \( p(\theta') = 0 \) (for now \( s'' \) is equilibrium dominated for \( \theta' \)) and \( p(\theta''') \geq p(\theta''') \). So \( \pi^\ast \) is not a divine equilibrium.

On the other hand, no type is equilibrium dominated at \( s'' \) and the only rational compatibility order is \( \theta'' \gtrsim_{s''} \theta' \). But \( a^4 \) is a best response against the belief \( p(\theta') = 0, p(\theta'') = 0.6, p(\theta''') = 0.4 \), which belongs to the set \( \Delta(\Theta_{s''}) \cap P_{\theta'' \gtrsim \theta'} \). So \( \pi^\ast \) is an RCE.

Finally, we show that every uRCE is path-equivalent to an equilibrium that is not ruled out by the “NWBR in signaling games” test (Banks and Sobel, 1987; Cho and Kreps, 1987),\(^9\) which comes from iterative applications of the following pruning procedure: after signal \( s \) the receiver is required to put 0 probability on those types \( \theta \) such that

\[
D^\circ(\theta, s, \pi^\ast) \subseteq \bigcup_{\theta' \neq \theta} D(\theta', s; \pi^\ast).
\]

If this would delete every type, then the procedure instead puts no restriction on receiver’s beliefs and no type is deleted.

By “path-equivalent” we mean that by modifying some of the receiver’s off-path responses, but without altering sender’s strategy or receiver’s on-path responses, we can change the uRCE into another uRCE that passes the

\[^9\]This is closely related to, but not the same as, the NWBR property of Kohlberg and Mertens (1986).
NWBR test. Since every equilibrium passing the NWBR test is universally divine (Cho and Kreps, 1987), this implies that every uRCE is path-equivalent to a universally divine equilibrium.

**Proposition 6.** Every uRCE is path-equivalent to a uRCE that passes the NWBR test.

**Corollary 1.** Every uRCE is path-equivalent to a universally divine equilibrium.

### 3.4 Summary

To summarize this subsection, we note that for strategy profiles that are on-path strict for the receiver, we have the following inclusion relationships. The first inclusion should be understood as inclusion up to path-equivalence. We use the symbol “⊊” to mean that the former solution set is always nested within the latter one in every signaling game, and that there exist games where the nesting relationship is strict.

\[
\text{uRCE} \subseteq \text{universally divine equilibria} \subseteq \text{RCE} \subseteq \text{Intuitive Criterion} \subseteq \text{Nash equilibria}.
\]

## 4 Steady-State Learning in Signaling Games

### 4.1 Random Matching and Aggregate Play

We study the same discrete-time steady-state learning model as Fudenberg and He (2018) except for an extra restriction on the players’ prior beliefs over other players’ strategies.

There is a continuum of agents in the society, with a unit mass of receivers and \( \lambda(\theta) \) mass of type \( \theta \) senders. Each population is further stratified by age, where \( (1 - \gamma) \cdot \gamma^t \) fraction of each population is aged \( t \) for \( t = 0, 1, 2, \ldots \) At the end of each period, each agent has probability \( 0 \leq \gamma < 1 \) of surviving into the next period, increasing their age by 1. With complementary probability, the agent dies. At the start of the next period, \( (1 - \gamma) \) new receivers and
\( \lambda(\theta)(1 - \gamma) \) new type \( \theta \) are born into the society, thus preserving population sizes and the age distribution.

Agents play the signaling game every period against a randomly matched opponent. Each sender has probability \((1 - \gamma)^t\) of matching with a receiver of age \( t \), while each receiver has probability \( \lambda(\theta)(1 - \gamma)^t \) of matching with a type \( \theta \) of age \( t \).

### 4.2 Learning by Individual Agents with Payoff Knowledge

Each agent is born into a player role in the signaling game: either a receiver or a type \( \theta \) sender. Agents know their role, which is fixed for life. The agents’ payoffs each period are determined by the outcome of the signaling game they played, which consists of the sender’s type, the signal sent, and the action played in response. The agents observe this outcome, but senders does not observe how her matched receiver would have played had she sent a different signal.

In addition to only surviving between periods with probability \( 0 \leq \gamma < 1 \), agents discount\(^{10}\) future utility flows by \( 0 \leq \delta < 1 \) and seek to maximize expected discounted utility. Letting \( u_t \) represent payoff in \( t \) periods, each agent’s objective function is

\[
E\left[ \sum_{t=0}^{\infty} (\gamma \delta)^t \cdot u_t \right].
\]

Agents believe they face a fixed but unknown distribution of opponents’ aggregate play, updating their beliefs at the end of every period based on the outcome in their own game. Formally, each sender is born with a prior density function over receiver’s behavior strategies, \( g_1 : \Pi_2 \rightarrow \mathbb{R}_+ \). Similarly, each receiver is born with a prior density over the sender’s behavior strategies, \( g_2 : \Pi_1 \rightarrow \mathbb{R}_+ \). We denote the marginal distribution of \( g_1 \) on signal \( s \) as \( g_1^s : \Delta(A) \rightarrow \mathbb{R}_+ \), so that \( g_1^s(\pi_2(\cdot|s)) \) is the density of the new senders’ prior over how receivers respond to signal \( s \). Similarly, we denote the \( \theta \) marginal of \( g_2 \) as \( g_2^\theta : \Delta(S) \rightarrow \mathbb{R}_+ \), so that \( g_2^\theta(\pi_1(\cdot|\theta)) \) is the new receivers’ prior density

\(^{10}\) We separately consider survival probability and patience so that we may consider agents who are impatient relative to their expected lifespan. Such agents experiment early in their life cycle, but spend most of their life myopically best responding to their beliefs, which makes our analysis more tractable.
over the signal choice of type $\theta$.

We now state a regularity assumption on agents’ priors that will be maintained throughout.

**Definition 8.** A prior $g = (g_1, g_2)$ is **regular** if

(a). [**independence**] $g_1(\pi_2) = \prod_{s \in S} g_1^{(s)}(\pi_2(s))$ and $g_2(\pi_1) = \prod_{\theta \in \Theta} g_2^{(\theta)}(\pi_1(\cdot|\theta))$.

(b). [**payoff knowledge**] $g_1$ puts probability 1 on $\Pi^*_2$ and $g_2$ puts probability 1 on $\Pi^*_1$.

(c). [**$g_1$ non-doctrinaire**] $g_1$ is continuous and strictly positive on the interior of $\Pi^*_2$.

(d). [**$g_2$ nice**] For each type $\theta$, there are positive constants $\alpha_s^{(\theta)}$ such that

$$\pi_1(\cdot|\theta) \mapsto \frac{g_2^{(\theta)}(\pi_1(\cdot|\theta))}{\prod_{s \in S} \pi_1(s|\theta)^{\alpha_s^{(\theta)} - 1}}$$

is uniformly continuous and bounded away from zero on the relative interior of $\Pi^*_\theta$, the set of rational behavior strategies of type $\theta$.

This assumption bears the same name as the regularity assumption in Fudenberg and He (2018), and is identical except that agents now know others’ payoffs and others’ rationality. In the learning model, this payoff knowledge translates into a restriction on the supports of the priors $g_1, g_2$, reflecting a dogmatic belief that senders will never play dominated signals and receivers will never play conditionally dominated actions. (These beliefs are correct in the learning model.)

Even with payoff knowledge, the receiver’s prior can assign positive probability to ex-ante dominated sender strategies. For instance, in the signaling game below,
the sender strategy \( \pi_1(s'' \mid \theta') = \pi_1(s'' \mid \theta'') = 1 \) belongs to the set \( \Pi_1^{1} \), and so must belong to the support of any regular receiver prior. But, even though \( s'' \in S_{\theta'} \) and \( s'' \in S_{\theta''} \), the receiver strategies to which they respectively best respond form disjoint sets, and \( \pi_1 \) is ex-ante dominated because it is not a best response to any single receiver strategy. It is nevertheless consistent for a receiver who knows the sender’s payoff as a function of their type to assign positive density to \( \pi_1 \), because different types of agents can choose best responses to different beliefs about receiver play.

### 4.3 History and Aggregate Play

Let \( Y_\theta[t] := (\cup_{s \in S}(s \times A^{BR}_s))^t \) represent the set of possible histories for a type \( \theta \) with age \( t \). Note that a valid history encodes the signal that \( \theta \) sent each period and the (conditionally undominated) action that her opponent played in response. Let \( Y_\theta := \bigcup_{t=0}^{\infty} Y_\theta[t] \) be the set of all histories for type \( \theta \).

Similarly, write \( Y_2[t] := (\Theta \times S_\theta)^t \) for the set of possible histories for a receiver with age \( t \). Each period, his history encodes the type of the matched sender and the (undominated) signal observed. The union \( Y_2 := \bigcup_{t=0}^{\infty} Y_2[t] \) then stands for the set of all receiver histories.

The agents’ dynamic optimization problems discussed in Subsection 4.2 give rise to optimal policies \(^{11}\) \( \sigma_\theta : Y_\theta \to S_\theta \) and \( \sigma_2 : Y_2 \to \times_s(A^{BR}_s) \). Here, \( \sigma_\theta(y_\theta) \) is the signal that a type \( \theta \) with history \( y_\theta \) would send the next time.

\(^{11}\)For notational simplicity, we suppress the dependence of these optimal policies on the effective discount factor \( \delta \gamma \) and on the priors.
she plays the signaling game. Analogously, $\sigma_2(y_2)$ is the pure extensive-form strategy that a receiver with history $y_2$ would commit to next time he plays the game.

A state $\psi$ of the learning model is a demographic description of how many agents have each possible history. It can be viewed as a distribution

$$\psi \in (\times_{\theta \in \Theta} \Delta(Y_{\theta})) \times \Delta(Y_2)$$

and its components are denoted by $\psi_{\theta} \in \Delta(Y_{\theta})$ and $\psi_2 \in \Delta(Y_2)$.

Since each state $\psi$ is a distribution over histories and optimal policies map histories to play, $\psi$ induces a distribution over play (i.e., a rational behavior strategy) in the signaling game $\sigma(\psi) \in \Pi^*$, given by

$$\sigma_{\theta}(\psi_{\theta})(s) := \psi_{\theta}\{y_{\theta} \in Y_{\theta} : \sigma_{\theta}(y_{\theta}) = s\}$$

and

$$\sigma_2(\psi_2)(a | s) := \psi_2\{y_2 \in Y_2 : \sigma_2(y_2)(s) = a\}.$$ 

Here, $\sigma_{\theta}(\psi_{\theta})$ and $\sigma_2(\psi_2)$ are the aggregate behaviors of the type $\theta$ and receiver populations in state $\psi$, respectively.

Of particular interest are the steady states, to be defined more precisely in Section 6. Loosely speaking, a steady state induces a time-invariant distribution over how the signaling game is played in the society.

## 5 Aggregate Responses and Steady State

This section defines the notion of a steady state using the “aggregate responses” of one population to the distribution of play in the other. These responses are defined using the “one-period forward” maps that describe how the agents’ policies induce a map from current distributions over histories to what the distributions will be after the agents are matched and play the game using the strategies their policies prescribe.
5.1 The Aggregate Sender Response

Fix the receivers’ aggregate play at \( \pi_2 \in \Pi_2^* \) and fix an optimal policy \( \sigma_\theta \) for each type \( \theta \). The one-period-forward map for type \( \theta \), \( f_\theta \), describes the distribution over histories that will prevail next period when the current distributions over histories in the type-\( \theta \) population is \( \psi_\theta \). The next definition specifies the probability that \( f_\theta[\psi_\theta, \pi_2] \) assigns to the history \( (y_\theta, (s, a)) \in Y_\theta[t + 1] \), that is to say a one-period concatenation of \( (s, a) \) onto the history \( y_\theta \in Y_\theta[t] \).

**Definition 9.** The one-period-forward map for type \( \theta \), \( f_\theta : \Delta(Y_\theta) \times \Pi_2^* \to \Delta(Y_\theta) \) is

\[
f_\theta[\psi_\theta, \pi_2](y_\theta, (s, a)) := \psi_\theta(y_\theta) \cdot \gamma \cdot 1\{\sigma_\theta(y_\theta) = s\} \cdot \pi_2(a | s)
\]

and \( f_\theta(\emptyset) := 1 - \gamma \).

To interpret, of the \( \psi_\theta(y_\theta) \) fraction of the type-\( \theta \) population with history \( y_\theta \), a \( \gamma \) fraction survives into the next period. The survivors all choose \( \sigma_\theta(y_\theta) \) next period, which is met with response \( a \) with probability \( \pi_2(a | \sigma_\theta(y_\theta)) \).

Write \( f_\theta^T \) for the \( T \)-fold application of \( f_\theta \) on \( \Delta(Y_\theta) \), holding fixed some \( \pi_2 \). It is easy to show that \( \lim_{T \to \infty} f_\theta^T(\psi_\theta, \pi_2) \) exists and is independent of the initial \( \psi_\theta \). (This is because for any two states \( \psi_\theta, \psi_\theta' \), the two distributions over histories \( f_\theta^T(\psi_\theta, \pi_2) \) and \( f_\theta^T(\psi_\theta', \pi_2) \) agree on all \( Y_\theta[t] \) for \( t < T \). As \( T \) grows large, the two resulting distribution must converge to each other since the fraction of very old agents with very long histories is rare.) Denote this limit as \( \psi_{\pi_2}^\pi_\theta \). It is the distribution over type-\( \theta \) history induced by the receivers’ aggregate play \( \pi_2 \).

**Definition 10.** The aggregate sender response \( \mathcal{R}_1 : \Pi_2^* \to \Pi_1^* \) is defined by

\[
\mathcal{R}_1[\pi_2](s \mid \theta) := \psi_{\pi_2}^\pi_\theta(y_\theta : \sigma_\theta(y_\theta) = s)
\]

That is, \( \mathcal{R}_1[\pi_2](\cdot \mid \theta) \) describes the asymptotic aggregate play of the type-\( \theta \) population when the the aggregate play of the receiver population is fixed at \( \pi_2 \) each period. Note that \( \mathcal{R}_1 \) maps into \( \Pi_1^* \) because no type ever wants to send a dominated signal, even as an experiment, regardless of their beliefs about the receiver’s response.
Technically, \( R_1 \) depends on \( g_1, \delta, \) and \( \gamma \), just like \( \sigma_\theta \) does. When relevant, we will make these dependencies clear by adding the appropriate parameters as superscripts to \( R_1 \), but we will mostly suppress them to lighten notation.

5.2 The Aggregate Receiver Response

We now turn to the receivers, who have a passive learning problem. They always observe the sender’s type and signal at the end of each period, so their optimal policy \( \sigma_2 \) myopically best responds to the posterior belief at every history \( y_2 \).

Definition 11. The one-period-forward map for the receivers \( f_2 : \Delta(Y_2) \times \Pi_1^* \to \Delta(Y_2) \) is

\[
f_2[\psi_2, \pi_1](y_2, (\theta, s)) := \psi_2(y_2) \cdot \gamma \cdot \lambda(\theta) \cdot \pi_1(s|\theta)
\]

and \( f_2(\emptyset) := 1 - \gamma \).

As with the one-period-forward maps \( f_\theta \) for senders, \( f_2[\psi_2, \pi_1] \) describes the distribution over receiver histories next period starting with a society where the distribution is \( \psi_2 \) and sender population’s aggregate play is \( \pi_1 \). We write \( \psi_2^{\pi_1} := \lim_{T \to \infty} f_2^T(\psi_2, \pi_1) \) for the long-run distribution over \( Y_2 \) induced by fixing sender population’s play at \( \pi_1 \).

Definition 12. The aggregate receiver response \( R_2 : \Pi_1^* \to \Pi_2^* \) is

\[
R_2[\pi_1](a | s) := \psi_2^{\pi_1}(y_2 : \sigma_2(y_2)(s) = a)
\]

5.3 Steady States and Patient Stability

A steady-state strategy profile is pair of mutual aggregate replies, so it is time-invariant under learning.

Definition 13. \( \pi^* \) is a steady-state strategy profile if \( R_1^{g, \delta, \gamma}(\pi_2^*) = \pi_1^* \) and \( R_2^{g, \delta, \gamma}(\pi_1^*) = \pi_2^* \). Denote the set of all such strategy profiles as \( \Pi^*(g, \delta, \gamma) \).
We now state two results about these steady states. We do not provide a proof because they follow easily from analogous results in Fudenberg and He (2018).

First, steady-state profiles always exist.

**Proposition 7.** For any regular prior $g$ and any $0 \leq \delta, \gamma < 1$, $\Pi^*(g, \delta, \gamma)$ is non-empty and compact in the norm topology.

The *patiently stable strategy profiles* correspond to the set $\lim_{\delta \to 1} \lim_{\gamma \to 1} \Pi^*(g, \delta, \gamma)$. This order of limits was first introduced in Fudenberg and Levine (1993). It ensures agents spend most of their lifetime playing myopically instead of experimenting, which is important for proving that patiently stable profiles are Nash equilibria.

**Definition 14.** For each $0 \leq \delta < 1$, a strategy profile $\pi^*$ is $\delta$-stable under $g$ if there is a sequence $\gamma_k \to 1$ and an associated sequence of steady-state strategy profiles $\pi^{(k)} \in \Pi^*(g, \delta, \gamma_k)$, such that $\pi^{(k)} \to \pi^*$. Strategy profile $\pi^*$ is *patiently stable under $g$* if there is a sequence $\delta_k \to 1$ and an associated sequence of strategy profiles $\pi^{(k)}$ where each $\pi^{(k)}$ is $\delta_k$-stable under $g$ and $\pi^{(k)} \to \pi^*$. Strategy profile $\pi^*$ is *patiently stable* if it is patiently stable under some regular prior $g$.

**Proposition 8.** If strategy profile $\pi^*$ is patiently stable, then it is a Nash equilibrium.

### 6 Patient Stability, Payoff Knowledge, and Equilibrium Refinements

In this section, we relate the equilibrium refinements proposed in Section 2 to the steady-state learning model. We show that under certain strictness assumptions, RCE is necessary for patient stability while uRCE is sufficient for patient stability. We also discuss how payoff knowledge matters for learning outcomes.
6.1 RCE Is Necessary for Patient Stability

We show that any patiently stable strategy profile satisfying a strictness assumption must be an RCE. The key lemma is analogous to Lemma 1 from Fudenberg and He (2018), so we will omit its proof.

**Lemma 1.** Suppose $\theta' \succeq_s \theta''$. Then for any regular prior $g_1$, $0 \leq \delta, \gamma < 1$, and any $\pi_2 \in \Pi_2$, we have $R_1[\pi_2](s \mid \theta') \geq R_1[\pi_2](s \mid \theta'')$.

This result says over their lifetimes, the relative frequencies with which different sender types experiment with signal $s$ respect the rational compatible order $\succeq_s$. This follows from the fact that sender types who are more compatible with a signal will play it at least as often. The payoff knowledge embedded in $g_1$’s support implies that senders never experiment in the hopes of seeing a response which is highly profitable for the sender but dominated for the receiver, such as the Charity action in Example 2 for $\theta_{\text{weak}}$. This extra assumption leads to a stronger result than Lemma 1 from Fudenberg and He (2018), which is stated in terms of the less-complete compatibility order.

For a fixed strategy profile $\pi$ and on-path signal $s^*$, let $E_{\theta \mid \pi_1, s^*}[u_2(\theta, s^*, a)]$ denote the receiver’s expected utility from responding to $s^*$ with $a$, where the expectation over the sender’s type $\theta$ is taken with respect to the posterior type distribution after signal $s^*$ given the sender’s strategy $\pi_1(\cdot \mid \theta)$.

**Definition 15.** A Nash equilibrium $\pi^*$ is on-path strict for the receiver if for every on-path signal $s^*$, $\pi_2(a^* \mid s^*) = 1$ for some $a^* \in A$ and $E_{\theta \mid \pi_1, s^*}[u_2(\theta, s^*, a^*)] > \max_{a \neq a^*} E_{\theta \mid \pi_1, s^*}[u_2(\theta, s^*, a)]$.

We call this condition “on-path” strict for the receiver because we do not make assumptions about the receiver’s incentives after off-path signals. For generic payoffs, all pure-strategy equilibria will be on-path strict for the receiver.

**Theorem 1.** Every strategy profile that is patiently stable and on-path strict for the receiver is an RCE.

RCE rules out two kinds of receiver beliefs after signal $s$: those that assign non-zero probability to equilibrium-dominated sender types, and those that
violate the rational compatibility order. The restriction on equilibrium dom-
inated types uses the assumption that the receiver has a strict best response
to each on-path signal to put a lower bound on how slowly aggregate receiver
play at on-path signals converges to its limit. The fact that the receiver be-
liefs respect the rational compatibility order comes from Lemma 1, which uses
our assumptions about prior \( g \) to derive restrictions on the aggregate sender
response \( \mathcal{R}_1 \), and show that these are reflected in the aggregate receiver re-
sponse. The proof of Theorem 1 closely follows the the analogous proof in
Fudenberg and He (2018) and is omitted.

6.2 Payoff Information and Steady-State Learning

We revisit the examples from Section 2.3 and discuss how prior beliefs reflecting
knowledge or ignorance of payoff information lead to different implications for
the long-run implications of learning.

6.2.1 Example 2

In Example 2, it follows from Lemma 1 that for any \( 0 \leq \delta, \gamma < 1 \), any
receiver play \( \pi_2 \in \Pi_2^* \), and any regular prior \( g \), we have
\( \mathcal{R}^{g_1}_1[\pi_2](B \mid \theta_{\text{strong}}) \geq \mathcal{R}^{g_1}_1[\pi_2](B \mid \theta_{\text{weak}}) \). But now consider a different prior, \( \tilde{g}_1 \), where
\( \tilde{g}_1(B) \) and \( \tilde{g}_1(Q) \) are densities of the same Dirichlet distribution on \( A = \{F, C, NF\} \), with
weights \((1, 2, 1)\). The sender’s prior \( \tilde{g}_1 \) has full support on all of \( \Pi_2 \) – including
conditionally dominated responses – and so violates Definition 8(b). When
\( \delta = 0 \) and \( \pi_2 \) is the rational receiver play with
\( \pi_2(NF \mid Q) = 1, \pi_2(F \mid B) = 1 \),
we get
\( \mathcal{R}^{\tilde{g}_1}_1[\pi_2](B \mid \theta_{\text{weak}}) > \mathcal{R}^{\tilde{g}_1}_1[\pi_2](B \mid \theta_{\text{strong}}) = 0 \).
This is because \( B \) is myo-
"
6.2.2 Example 3

In Example 3, suppose \( g(L) \) is Dirichlet \((1, 10, 1)\) over all three responses to \( L \), while \( g(R) \) is Dirichlet\((1, 1)\) on \( A^R = \{a_2, a_3\} \), which reflects the sender’s knowledge that \( a_1 \) is a conditionally dominated response to \( R \). And suppose that \( g^\theta_1 \) is the Dirichlet\((2, 1)\) distribution on \( \{L, R\} \) and \( g^\theta_2 \) is the Dirichlet\((2, x)\) distribution, where \( x > 0 \) is a free parameter. For any \( 0 \leq \delta, \gamma < 1 \), there exists a steady state where senders always choose \( L \) and receivers always respond to \( L \) with \( a_2 \). This is because the Gittins index for \( R \) is no larger than \(-3\) for \( \theta_1 \) and no larger than \(1\) for \( \theta_2 \) after any history, while the myopic expected payoff of \( L \) already exceeds these values in the first period. The expected payoff of \( L \) only increases with additional observations of \( a_2 \) after \( L \). On the receiver side, every positive-probability history \( y_2 \) must involve the senders playing \( L \) every period. Following such a history, the receiver believes \( \theta_1 \) plays \( L \) with probability at least \( \frac{2}{3} \), hence an \( L \)-sender is the \( \theta_1 \) type with probability at least \( \frac{2}{5} \). We have \( a_2 \in BR(\{p\}, L) \) whenever \( p(\theta_1) \geq \frac{2}{5} \), so we have shown that in the steady state receivers always play \( a_2 \) after \( L \).

In this steady state, signal \( R \) is never sent, so by choosing different values of \( x \), we can sustain either \( a_2 \) or \( a_3 \) after \( R \) as part of a patiently stable profile. To be more precise, let \( n_1 \) and \( n_2 \) count the number of times the two types of senders appear in a positive-probability history \( y_2 \). The receiver’s posterior assigns the following likelihood ratio to the type of an \( R \)-sender:

\[
\frac{1}{3 + n_1} / \frac{x}{2 + x + n_2} = \frac{1}{x} \cdot \left( \frac{2 + x + n_2}{3 + n_1} \right).
\]

Since the two types are equally likely, the fraction of receivers with histories \( y_2 \) so that \( 0.9 \leq \left( \frac{2 + x + n_2}{3 + n_1} \right) \leq 1.1 \) approaches 1 as \( \gamma \to 1 \). Depending on whether \( x = 1/4 \) or \( x = 4 \), these receivers will play \( a_2 \) or \( a_3 \) after \( R \), so \( \pi_2(a_2 \mid R) = 1 \) and \( \pi_2(a_3 \mid R) = 1 \) are both \( \delta \)-stable for any \( \delta \geq 0 \), under two different regular priors reflecting payoff knowledge.

By contrast, Theorem 3 of Fudenberg and He (2018) implies that if priors \( g_1, g_2 \) have full support on \( \Pi_2 \) and \( \Pi_1 \) respectively, then we must have \( a_2 \) after \( R \) in every patiently stable profile. The idea is that when senders are patient and long-lived, new \( \theta_1 \) start off by trying \( R \) but new \( \theta_2 \) start off by trying \( L \).
When receivers play $a_2$ after $L$ with high probability, it is very unlikely that $\theta_2$ ever switches away from $L$, providing a bound on their frequency of playing $R$. On the other hand, as their effective discount factor increases, $\theta_1$ will spend arbitrarily many periods of its early life playing $R$ in hopes of getting the best payoff of 5, lacking the payoff knowledge that $a_1$ is conditionally dominated for the receivers after $R$. Receivers therefore end up learning that $R$-senders have type $\theta_1$.

### 6.3 Quasi-Strict uRCE Is Sufficient for Patient Stability

We now prove our main result: as a partial converse to Theorem 1, we show that under additional strictness conditions, every uRCE is path-equivalent to a patiently stable strategy profile.

**Definition 16.** A quasi-strict uRCE $\pi^*$ is a uRCE that is on-path strict for the receiver, strict for the sender (that is, every type strictly prefers its equilibrium signal to any other), and satisfies $E_{\pi^*}[u_1 | \theta] > u_1(\theta, s', a)$ for all $\theta$, all off-path signals $s'$ and all $a \in BR(\hat{P}(s'), s')$.

The last condition in the definition of quasi-strictness requires that every best response to $\hat{P}(s')$ strictly deters every type from deviating to $s'$, whenever $s'$ is off-path. Every uRCE satisfies the weaker version of this condition where “strictly deters” is replaced with “weakly deters.”

**Theorem 2.** If $\pi^*$ is a quasi-strict uRCE, then it is path-equivalent to a patiently stable strategy profile.

This theorem follows from three lemmas on $R_1$ and $R_2$. Indeed, the theorem remains valid in any modified learning model where $R_1$ and $R_2$ satisfy the conclusions of these lemmas.

#### 6.3.1 $R_1$ under a confident prior

The first lemma shows that under a suitable prior, the aggregate sender response of the dynamic learning model approximates the sender’s static best response function when applied to certain receiver strategies, namely strategies
that are “close” to one inducing a unique optimal signal for each sender type. The precise meaning of “close” that we use treats on and off-path responses differently, so it requires some auxiliary definitions.

**Definition 17.** Let $\pi^*$ be a strategy profile where every type plays a pure strategy and the receiver plays a pure action after each on-path signal. Say $\pi^*$ induces a unique optimal signal for each sender type if

$$E_{\pi^*}[u_1 | \theta] > \max_{s \neq \pi^*_1(\theta)} u_1(\theta, s, \pi^*_2(\cdot | s))$$

for every type $\theta$.

Starting with a strategy profile $\pi^*$ that induces a unique optimal signal for each sender type, define for each off-path $s$ in $\pi^*$ the set of receiver actions

$$\tilde{A}(s) := \{a : E_{\pi^*}[u_1 | \theta] > u_1(\theta, s, a) \forall \theta\}$$

that strictly deter every type from deviation. Because $\pi^*_2$ induces a unique optimal signal, each $\tilde{A}(s)$ must contain at least one element in the support of $\pi^*_2(\cdot | s)$, but could also contain other actions. It is clear that if $\pi^*_2$ were modified off-path by changing each $\pi^*_2(\cdot | s)$ to be an arbitrary mixture over $\tilde{A}(s)$, then the resulting strategy profile would continue to induce (the same) unique optimal signal for each sender type.

For $\pi^*$ that induces a unique optimal signal for each sender type, write $B^\text{on}_2(\pi^*, \epsilon)$ for the elements of $\Pi^*_2$ no more than $\epsilon$ away from $\pi^*_2$ at the on-path signals in $\pi^*_1$, that is

$$B^\text{on}_2(\pi^*, \epsilon) := \{\pi_2 \in \Pi^*_2 : |\pi_2(a|s) - \pi^*_2(a|s)| \leq \epsilon, \forall a, \text{ on-path } s \text{ in } \pi^*\}.$$

Similarly, define $B^\text{off}_2(\pi^*, \epsilon)$ as the elements of $\Pi^*_2$ putting no more than $\epsilon$ probability on actions outside of $\tilde{A}(s)$ after each off-path $s$, where $\tilde{A}(s)$ is the set of actions that would deter every type from deviating to $s$, as above.

$$B^\text{off}_2(\pi^*, \epsilon) := \{\pi_2 \in \Pi^*_2 : \pi_2(\tilde{A}(s)|s) \geq 1 - \epsilon, \forall \text{ off-path } s \text{ in } \pi^*\}.$$

**Lemma 2.** Suppose $\pi^*$ induces a unique optimal signal for each sender type. Then there exists a regular prior $g_1$, some $0 < \epsilon_{\text{off}} < 1$, and a function $\gamma(\delta, \epsilon)$ valued in $(0, 1)$, such that for every $0 < \delta < 1$, $0 < \epsilon < \epsilon_{\text{off}}$, and $\gamma(\delta, \epsilon) < \gamma < 1$,
if \( \pi_2 \in B_2^n(\pi^*, \epsilon) \cap B_2^{off}(\pi^*, \epsilon_{off}) \), then \( \| R_1^{g_1, \delta, \gamma}[\pi_2](s|\theta) - \pi_1^*(s|\theta) \| < \epsilon \) for every \( \theta \) and \( s \).

Note that the same \( \epsilon \) appears in the hypothesis \( \pi_2 \in B_2^n(\pi^*, \epsilon) \) as in the conclusion. That is, the aggregate sender response gets closer to \( \pi_1^* \) as receiver’s play gets closer to \( \pi_2^* \).

The idea is to specify a sender prior \( g_1 \) that is highly confident and correct about the receiver’s response to on-path signals, and is also confident that the receiver responds to each off-path signal \( s \) with actions in \( \tilde{A}(s) \). Take a signal \( s' \) other than the one that \( \theta \) sends in \( \pi_1^* \). If \( \theta \) has not experimented much with \( s' \), then her belief is close to the prior and she thinks deviation does not pay. If \( \theta \) has experimented a lot with \( s' \), then by law of large numbers her belief is likely to be concentrated in \( \tilde{A}(s') \), so again she thinks deviation does not pay. Since option value for experimentation eventually goes to 0, at most histories all sender types are playing a myopic best response to their beliefs, meaning they will not deviate from \( \pi_1^* \). The intuition is similar to that of Lemmas 6.1 and 6.4 from Fudenberg and Levine (2006), which says that we can construct a highly concentrated and correct prior so that in the steady state, most agents have correct beliefs about opponents’ play both on and one step off the equilibrium path.

This lemma requires the assumption that \( \pi^* \) is strict for the sender. If \( s^* \) were only weakly optimal for \( \theta \) in \( \pi^* \), there could be receiver strategies arbitrarily close to \( \pi_2^* \) that make some other signal \( s' \neq s^* \) strictly optimal for \( \theta \). In that case, we cannot rule out that a non-negligible fraction of the \( \theta \) population will rationally play \( s' \) forever when the receiver population plays close to \( \pi_2^* \).

6.3.2 \( B_2 \) and learning rational compatibility

Let \( C \) be the set of sender strategies that respect the rational compatibility order, that is

\[
C := \{ \pi_1 \in \Pi_1^*: \pi_1(s|\theta) \geq \pi_1(s|\theta') \text{ whenever } \theta \succ_s \theta' \}.
\]

The next lemma shows that there is a prior for the receivers so that when
the aggregate sender play is any strategy in $C$, almost all receivers end up with beliefs consistent with the rational compatibility order. This lemma is the main technical contribution of the paper and enables us to provide a sufficient condition for patient stability when the \textit{relative} frequencies of off-path experiments matter.

**Lemma 3.** For each $\epsilon > 0$, there exists a regular receiver prior $g_2$ and $0 < \gamma < 1$ so that for any $\gamma < \gamma < 1$, $0 < \delta < 1$, and $\pi_1 \in C$, 

\[
\mathbb{R}^{g_2,\delta,\gamma}[\pi_1](BR(\hat{P}(s), s) \mid s) \geq 1 - \epsilon
\]

for each signal $s$.

Note that this lemma does not follow from Lemma 6.1 of Fudenberg and Levine (2006), because that result only guarantees that the receivers’ beliefs about the frequency of type $\theta$ sending signal $s$ is within $\epsilon$ of the truth, so it does not bound the ratio of the receivers’ beliefs about the sender’s type after various off-path signals. When signal $s$ has probability 0 under a given sender strategy, perturbing the strategy of every type by up to $\epsilon$ can generate arbitrary off-path beliefs about the sender’s type after these signals.

To prove Lemma 3, we construct a Dirichlet prior $g_2$ so that for any $s$ such that $\theta' \succ_{s} \theta''$, $g_2$ assigns much greater prior weight to $\theta'$ playing $s$ than to $\theta''$ playing $s$.\footnote{The Dirichlet prior is the conjugate prior to multinomial data, and corresponds to the updating used in fictitious play Fudenberg and Kreps (1993). It is readily verified that if each of $g_1^{(s)}$ and $g_2^{(s)}$ is Dirichlet and independent of the other components, then $g$ is regular. In the proof, we work with Dirichlet priors since they give tractable closed-form expressions for the posterior mean belief of opponent’s strategy after a given history.} In the absence of data, the receiver strongly believes that the senders are using strategies $\pi_1$ such that $p(\theta''|s)/p(\theta'|s) \leq \lambda(\theta'')/\lambda(\theta')$. This strong prior belief can only be overturned by a very large number of observations to the contrary. But because $\pi_1 \in C$ respects the rational compatibility order, if the receiver has a very large number of observations of senders choosing $s$, the law of large numbers implies this large sample is unlikely to lead the receiver to have a belief outside of $\hat{P}(s)$. So we can ensure that with high probability sufficiently long-lived receivers play a best response to $\hat{P}(s)$ after the off-path $s$. 

12
Finally, we state a lemma that says for any Dirichlet receiver prior, when lifetimes are long enough, aggregate receiver response approximates the receiver’s best response function on-path when applied to a sender strategy that provides strict incentive after every on-path signal. Write $B_1^\text{on}(\pi^*, \epsilon)$ for the elements of $\Pi_1^\star$ where each type $\theta$ plays $\epsilon$-close to $\pi_1^\star(\cdot|\theta)$, that is

$$B_1^\text{on}(\pi^*, \epsilon) := \{ \pi_1 \in \Pi_1^\star : |\pi_1(s|\theta) - \pi_1^\star(s|\theta)| \leq \epsilon, \forall \theta, s \}.$$

**Lemma 4.** Fix a strategy profile $\pi^*$ where receiver has strict incentive after every on-path signal. For each regular Dirichlet receiver prior $g_2$, there exists $\epsilon_1 > 0$ and a function $\gamma(\epsilon)$ valued in $(0, 1)$, so that whenever $\pi_1 \in B_1^\text{on}(\pi^*, \epsilon_1)$, $0 < \delta < 1$, and $\gamma(\epsilon) < \gamma < 1$, we have $R_2^{g_2, \delta, \gamma}[\pi_1](a|s) - \pi_2^*(a|s)| < \epsilon$ for every on-path signal $s$ in $\pi^*$ and $a$.

The intuition is that when the aggregate sender strategy is close to $\pi_1^*$, the law of large numbers implies that after each signal that $\pi_1^*$ gives positive probability, a receiver with enough data is likely to have a belief close to the Bayesian belief assigned by $\pi_1^*$. Coupled with the fact that $\pi_1^*$ is on-path strict for the receiver, this lets us conclude that long-lived receivers play $\pi_2^*(\cdot|s)$ after every on-path $s$ with high probability.

## 7 Conclusion

This paper studies non-equilibrium learning about other players’ strategies in the setting of signaling games. When the agents’ prior beliefs about their opponents’ play reflect prior knowledge of others’ payoff functions, the steady states of societies of Bayesian learners can be bounded by two equilibrium refinements, RCE and uRCE, that nest and resemble divine equilibrium. Divine equilibrium and RCE are only defined for signaling games. In general extensive-form games, agents may find it optimal to play strictly dominated strategies as experiments to learn about the consequences of their other strategies, so requiring prior beliefs to be supported on opponents’ undominated strategies can lead to situations where agents observe play that they had assigned zero prior probability. We leave the associated complications for future
work.

References


A Appendix

A.1 Proof of Proposition 1

Proof. To show (1), suppose \( \theta' \succeq_{s'} \theta'' \) and \( \theta'' \succeq_{s''} \theta'' \). For any \( \pi_2 \in \Pi_2^* \) where \( s' \) is weakly optimal for \( \theta'' \), it must be strictly optimal for \( \theta'' \), hence also strictly optimal for \( \theta' \). This shows \( \theta' \succeq_{s'} \theta'' \).

To establish (2), partition the set of rational receiver strategies as \( \Pi_2^* = \Pi_2^+ \cup \Pi_2^0 \cup \Pi_2^- \), where the three subsets refer to receiver strategies that make \( s' \) strictly better, indifferent, or strictly worse than the best alternative signal for \( \theta'' \). If the set \( \Pi_2^0 \) is nonempty, then \( \theta' \succeq_{s'} \theta'' \) implies \( \theta'' \nsucceq_{s'} \theta' \). This is because against any \( \pi_2 \in \Pi_2^0 \), signal \( s' \) is strictly optimal for \( \theta'' \) but only weakly optimal for \( \theta' \). At the same time, if both \( \Pi_2^+ \) and \( \Pi_2^- \) are nonempty, then \( \Pi_2^0 \) is nonempty. This is because both \( \pi_2 \mapsto u_1(\theta'', s', \pi_2(\cdot|s')) \) and \( \pi_2 \mapsto \max_{s'' \neq s'} u_1(\theta'', s'', \pi_2(\cdot|s'')) \) are continuous functions, so for any \( \pi_2^+ \in \Pi_2^+ \) and \( \pi_2^- \in \Pi_2^- \), there exists \( \alpha \in (0, 1) \) so that \( \alpha \pi_2^+ + (1 - \alpha) \pi_2^- \in \Pi_2^0 \). (Note that \( \pi_2^+ \) and \( \pi_2^- \) must be supported on \( A_{s}^{\text{BR}} \) after every signal \( s \), so the same must hold for the mixture \( \alpha \pi_2^+ + (1 - \alpha) \pi_2^- \). Thus, this mixture also belongs to \( \Pi_2^* \).)

If only \( \Pi_2^+ \) is nonempty and \( \theta' \succeq_{s'} \theta'' \), then \( s' \) is rationally strictly dominant for both \( \theta' \) and \( \theta'' \). If only \( \Pi_2^- \) is nonempty, then we can have \( \theta'' \nsucceq_{s'} \theta' \) only when \( s' \) is never a weak best response for \( \theta' \) against any \( \pi_2 \in \Pi_2^* \).

A.2 Proof of Proposition 2

Proof. Let \( \pi^* \) be a uRCE. We construct a path-equivalent RCE, \( \pi^o \) as follows. Set \( \pi_1^o = \pi_1^* \) and set \( \pi_2^o(\cdot | s) = \pi_2^*(\cdot | s) \) for every on-path signal \( s \). At each off-path signal \( s \) where \( \tilde{J}(s, \pi^*) \neq \emptyset \), let \( \pi_2^o(\cdot | s) \) prescribe some best response to a belief in \( \tilde{P}(s, \pi^*) \). At each off-path signal \( s \) where \( \tilde{J}(s, \pi^*) = \emptyset \), let \( \pi_2^o(\cdot | s) \) prescribe some best response to a belief in \( \Delta(\Theta_s) \).

In this strategy profile, the receiver’s play is a best response to rationality-compatible beliefs after every off-path \( s \) by construction, and because the sender’s play is the same as before the receiver is still playing best responses to on-path signals.

Because the on-path play of the receivers did not change, no sender type
wishes to deviate to any on-path signal. Now we check that at no sender type wishes to deviate to any off-path signal. Consider first off-path $s$ where $\tilde{J}(s, \pi^*) \neq \emptyset$. Here we have $s \tilde{J}(s, \pi^*) \subseteq \Theta_s$, which implies that $\tilde{P}(s, \pi^*) \subseteq \tilde{P}(s)$. By the definition of uRCE, $\pi_2^*(\cdot | s)$ must deter every type from deviating to such $s$. Finally, no sender type wishes to deviate to any $s$ where $\tilde{J}(s, \pi^*) = \emptyset$, by the definition of equilibrium dominance.

A.3 Proof of Proposition 3

Proof. Fix a $\pi_1$ with $\pi_1(s|\theta'') > 0$ but $\pi_1(s|\theta') < 1$. Because the space of rational receiver strategies $\Pi^*_2$ is convex, it suffices to show there is no receiver strategy $\pi_2 \in \Pi^*_2$ such that $\pi_1$ is a best response to $\pi_2$ in the ex-ante strategic form. If $\pi_1$ is an ex-ante best response, then it needs to be at least weakly optimal for type $\theta''$ to play $s$ against $\pi_2$. By $\theta' \succneq_s \theta''$, this implies $s$ is strictly optimal for type $\theta'$. This shows $\pi_1$ is not a best response to $\pi_2$, as the sender can increase her ex-ante expected payoffs by playing $s$ with probability 1 when her type is $\theta'$.

A.4 Proof of Proposition 4

Proof. Suppose $\pi^*$ does not pass the Intuitive Criterion. Then there exists a type $\theta$ and a signal $s'$ such that

$$u_1(\theta; \pi^*) < \min_{a \in \text{BR}(\Delta(\tilde{J}(s', \pi^*)), s)} u_1(\theta, s', a).$$

If $\pi^*$ were an RCE, then we would have $\pi_2^*(\cdot | s') \in \Delta(\tilde{P}(s, \pi^*), s)$. Since $\tilde{P}(s, \pi^*) \subseteq \Delta(\tilde{J}(s', \pi^*))$, we have

$$u_1(\theta; \pi^*) < u_1(\theta, s', \pi_2^*(\cdot | s')).$$

This means $\pi^*$ is not a Nash equilibrium, contradiction.
A.5 Proof of Proposition 5

Proof. To show (a), note first that if \( D(\theta'', s'; \pi^*) \cup D^o(\theta'', s'; \pi^*) = \emptyset \) the conclusion holds vacuously. If \( D(\theta'', s'; \pi^*) \cup D^o(\theta'', s'; \pi^*) \) is not empty, take any \( \alpha' \in D(\theta'', s'; \pi^*) \cup D^o(\theta'', s'; \pi^*) \) and define \( \pi_2' \in \Pi^*_2 \) by \( \pi'_2(\cdot | s') = \alpha' \), \( \pi'_2(\cdot | s) = \pi^*_2(\cdot | s) \) for \( s \neq s' \). Then

\[
u_1(\theta''; \pi^*) = \max_{s \neq s'} u_1(\theta'', s, \pi'_2(\cdot | s)) \leq u_1(\theta'', s', \pi'_2(\cdot | s')) = u_1(\theta'', s', \alpha'),
\]

and when \( \theta' \succ_{s'} \theta'' \), this implies that

\[
u_1(\theta'; \pi^*) = \max_{s \neq s'} u_1(\theta', s, \pi'_2(\cdot | s)) < u_1(\theta', s', \pi'_2(\cdot | s')) = u_1(\theta', s, \alpha').
\]

Hence \( \alpha' \in D(\theta'', s'; \pi^*) \).

To show (b), suppose \( \pi^* \) is a divine equilibrium. Then it is a Nash equilibrium, and furthermore for any off-path signal \( s' \) where \( \theta' \succ_{s'} \theta'' \), Proposition 5(a) implies that

\[
D(\theta'', s'; \pi^*) \cup D^o(\theta'', s'; \pi^*) \subseteq D(\theta', s'; \pi^*).
\]

Since \( \pi^* \) is a divine equilibrium, \( \pi^*_2(\cdot | s') \) must then best respond to some belief \( p \in \Delta(\Theta) \) with \( \frac{p(\theta'')}{p(\theta')} \leq \frac{\lambda(\theta'')}{\lambda(\theta')} \). Considering all \( (\theta', \theta'') \) pairs, we see that in a divine equilibrium \( \pi^*_2(\cdot | s') \) best responds to some belief in

\[
\bigcap_{(\theta', \theta'') \text{ s.t. } \theta' \succ_{s'} \theta''} P_{\theta' \sim \theta''}.
\]

At the same time, in every divine equilibrium, belief after off-path \( s' \) puts zero probability on equilibrium-dominated types, meaning \( \pi^*_2(\cdot | s') \) best responds \( \Delta(\tilde{J}(s', \pi^*)) \). This shows \( \pi^* \) is an RCE. \( \square \)
A.6 Proof of Proposition 6

Proof. Consider a uRCE $\pi^*$. For every off-path $s$, perform the following modifications on $\pi_2^*(\cdot|s)$: if the first-round application of the NWBR procedure would have deleted every type, then do not modify $\pi_2^*(\cdot|s)$. Otherwise, find some $\theta_s$ not deleted by the iterated NWBR procedure, then change $\pi_2^*(\cdot|s)$ to some action in $\text{BR}(\{\theta_s\}, s)$, i.e. a best response to the belief putting probability 1 on $\theta_s$.

This modified strategy profile passes the NWBR test. We now establish that it remains a uRCE by checking that for those off-path $s$ where $\pi_2^*(\cdot|s)$ was modified, the modified version is still a best response to $\hat{P}(s)$. (By uniformity, this would ensure that the modified receiver play continues to deter every type from deviating to $s$.)

Type $\theta_s$ satisfies $\theta_s \in \Theta_s$. Otherwise, $D^o(\theta_s, s; \pi^*) = \emptyset$ and $\theta_s$ would have been deleted by NWBR in the first round. Now it suffices to argue there is no $\theta'$ such that $\theta' \succeq_s \theta_s$, which implies the belief putting probability 1 on $\theta_s$ is in $\hat{P}(s)$. If there were such $\theta'$, by Proposition 5(a) we would have $D^o(\theta_s, s; \pi^*) \subseteq D(\theta', s; \pi^*)$, so $\theta_s$ should have been deleted by NWBR in the first round, contradicting the fact that $\theta_s$ survives all iterations of the NWBR procedure.

A.7 Proof of Corollary 1

Proof. This is follows from Proposition 6 because every NWBR equilibrium is a universally divine equilibrium.

A.8 Proof of Lemma 2

Proof. Here are three lemmas from Fudenberg and Levine (2006):

**FL06 Lemma A.1**: Suppose $\{X_k\}$ is a sequence of i.i.d. Bernoulli random variables with $\mathbb{E}[X_k] = \mu$, and define for each $n$ the random variable

$$S_n := \frac{|\sum_{k=1}^n (X_k - \mu)|}{n}.$$
Then for any \( n, \bar{n} \in \mathbb{N} \),

\[
P\left[ \max_{n \leq n \leq \bar{n}} S_n > \epsilon \right] \leq \frac{27}{3} \cdot \frac{1}{n} \cdot \frac{\mu}{\epsilon^4}.
\]

**FL06 Lemma A.2:** For all \( \epsilon, \epsilon' > 0 \), there is an \( N > 0 \) so that for all \( \delta, \gamma, g, \pi, \) signal \( s \) and action \( a \in A \),

\[
\psi_{\pi_2; (g, \delta, \gamma)} \{ y_\theta : |\hat{\pi}_2(a|s; y_\theta) - \pi_2(a|s)| > \epsilon, \#(s|y_\theta) > N \} < \epsilon'.
\]

(Here, \( \hat{\pi}_2(a|s; y_\theta) \) is the empirical frequency of receiver playing \( a \) after signal \( m \) in history \( y_\theta \), that is to say \( \hat{\pi}_2(a|s; y_\theta) = \#((a, s); y_\theta)/\#(s, y_\theta) \).)

**FL06 Lemma A.4:** For all \( \epsilon, \epsilon' > 0 \) and \( \delta < 1 \), there exists \( N \) such that for all \( \pi, g, \text{ and } \gamma \), we get

\[
\psi_{\pi_2; (g, \delta, \gamma)} \{ y_\theta \notin Y_\theta(\epsilon), \#(\sigma_\theta(y_\theta), y_\theta) > N \} \leq \epsilon'
\]

where \( Y_\theta(\epsilon) \subseteq Y_\theta \) are those histories \( y_\theta \) where

\[
\max_{s \in S} u_1(\theta, s|y_\theta) \leq u_1(\sigma_\theta(y_\theta)|y_\theta) + \epsilon
\]

that is type \( \theta \) is playing a myopic \( \epsilon \) best response according to posterior belief after history \( y_\theta \).

Now we proceed with our argument.

Since \( \pi^* \) is strict on-path, there exist \( \xi_1, \xi_2 > 0 \) such that whenever \( \pi_2 \) satisfies \( |\pi_2(a|s) - \pi_2^*(a|s)| \leq \xi_1 \) for every on-path \( s \) and action \( a \), while for every off-path \( s \) we have \( \pi_2(\bar{A}(s)|s) \geq 1 - \xi_1 \), then for each type \( \theta \) we get

\[
u_1(\theta, \pi_1^*(\theta), \pi_2) > \xi_2 + \max_{s \neq \pi_1^*(\theta)} u_1(\theta, s, \pi_R).
\]

That is, if receiver plays \( \xi_1 \)-close to \( \pi^* \) on-path and \( \xi_1 \)-close to \( \bar{A}(s) \) off-path, then for every type of sender, playing the prescribed equilibrium signal is strictly better than any other signal by at least \( \xi_2 > 0 \).

Following Fudenberg and Levine (2006), consider a prior \( g_1 \) such that whenever sender has fewer than \( \bar{n} := 2^{\xi_1^4}/\xi_1^4 \) observations of playing signal \( s \), her
belief as to receiver's probability of taking action $a$ after signal $s$ differs from $\pi^*_1(a|s)$ by no more than $\xi_1$ if $s$ is on-path, while her belief as to the probability that receiver strategy assigns to $\bar{A}(s)$ is at least $1 - \xi$ if $s$ is off-path. Also, let $\epsilon_{\text{off}} := \xi_1/2$.

Now let $\delta \in (0,1)$ and $0 < \epsilon < \epsilon_{\text{off}}$ be given. We construct $\gamma(\delta, \epsilon)$ satisfying the conclusion of the lemma.

To do this, in FL06 Lemma A.4 put $\epsilon = \xi_2$ and $\epsilon' = \epsilon/6$, to obtain a $N_1(\epsilon)$. Next, in FL06 Lemma A.2 put $\epsilon = \xi_1/2$, $\epsilon' = \epsilon/6$, to obtain $N_2(\epsilon)$. Let $N(\epsilon) := N_1(\epsilon) \lor N_2(\epsilon)$. There are 5 classes of exceptional histories for type $\theta$ that can lead to playing some signal $\hat{s}$ other than the one prescribed by the equilibrium strategy, $s^* := \pi^*_1(\theta)$,

**Exception 1:** $\theta$ has played $\hat{s}$ fewer than $N(\epsilon)$ times before, that is $\sigma_{\theta}(y_{\theta}) = \hat{s}$ but $\#(\hat{s}, y_{\theta}) < N(\epsilon)$. Such histories can be made to have mass no larger than $\epsilon/6$ by taking $\gamma(\delta, \epsilon)$ large enough.

**Exception 2:** $y_{\theta}$ is in the exceptional set described in FL06 Lemma A.4. But by choice of $N(\epsilon) \geq N_1(\epsilon)$, we know that

$$
\psi_{\theta}(\pi^2_{\theta}(g, \delta, \gamma) \{ y_{\theta} \notin Y_\theta(\xi_2), \#(\sigma_{\theta}(y_{\theta}), y_{\theta}) > N(\epsilon) \}) \leq \epsilon/6.
$$

**Exception 3:** $\theta$ has played $\hat{s}$ more than $N(\epsilon)$ times, but has a misleading sample. By FL93 Lemma A.2,

$$
\psi_{\theta}(\pi^2_{\theta}(g, \delta, \gamma) \{ y_{\theta} : |\tilde{\pi}_2(a|\hat{s}; y_{\theta}) - \pi_2(a|\hat{s})| > \xi_1/2, \#(\hat{s}|y_{\theta}) > N(\epsilon) \}) < \epsilon/6.
$$

Since we have chosen $\pi \in B^\text{on}_2(\pi^*_, \epsilon) \cap B^\text{off}_2(\pi^*_2, \epsilon_{\text{off}})$, we know $\pi_2$ differs from $\pi^*_2$ by no more than $\epsilon_{\text{off}} = \xi_1/2$ after every on-path signal, and puts no more weight than $\xi_1/2$ on actions not in $\bar{A}(s)$ after off-path signal $s$. So in particular,

$$
\psi_{\theta}(\pi^2_{\theta}(g, \delta, \gamma) \{ y_{\theta} : |\tilde{\pi}_2(a|\hat{s}; y_{\theta}) - \pi^*_2(a|\hat{s})| > \xi_1 \text{ if } \hat{s} \text{ on-path, or} \]

$$

$$
\tilde{\pi}_2(\bar{A}(\hat{s})|\hat{s}) < 1 - \xi_1 \text{ if } \hat{s} \text{ off-path, or} \]

$$

$$
\#(\hat{s}|y_{\theta}) > N(\epsilon) \}) < \epsilon/6.
$$

**Exception 4:** $\theta$ has played the equilibrium signal $s^*$ more than $N(\epsilon)$ times,
but has a misleading sample. As before, we get

\[\psi_{\theta}^{\pi_2; (g, \delta, \gamma)} \{ y_\theta : |\hat{\pi}_2(a|s^*; y_\theta) - \pi_2^*(a|s^*)| > \xi_1, \#(s^*|y_\theta) > N(\epsilon)\} < \epsilon/6.\]

**Exception 5:** \(\theta\) has played the equilibrium signal \(s^*\) between \(n\) and \(N(\epsilon)\) times, but has a misleading sample. Let \(X_k \in \{0, 1\}\) denote whether \(\theta\) sees the equilibrium response \(\pi_2^*(s^*)\) the \(k\)-th time she plays \(s^*\) \((X_k = 0)\) or whether she sees instead a different response \((X_k = 1)\). As in FL06 Lemma A.1, define

\[S_n := \frac{|\sum_{k=1}^{n} (X_k - \mu)|}{n}\]

where \(\mu = 1 - \pi_2^*(s^*)|s^*\) < \(\epsilon\) since \(s^*\) is an on-path signal in \(\pi^*\).

The probability that the fraction of responses other than \(\pi_1^*(s^*)\) exceeds \(\xi_1\) between the \(n\)-th time and \(N(\epsilon)\)-th time that \(\theta\) plays \(s^*\) is bounded above by FL06 Lemma A.1,

\[P \left[ \max_{2 \leq n \leq N(\epsilon)} S_n > \xi_1/2 \right] \leq \frac{2^7}{3} \cdot \frac{1}{n} \cdot \frac{\mu}{(\xi_1/2)^4} \leq \frac{1}{3} \cdot \mu \text{ (by choice of } n\text{)} \leq \epsilon_1/3.\]

Finally, at a history \(y_\theta\) that does not belong to those exceptions, we must have \(\sigma_\theta(y_\theta) = m^*\). This is because \(y_\theta\) is not in exception 1, so \(\theta\) has played \(\sigma_\theta(y_\theta)\) at least \(N(\epsilon)\) times before, and it is not in exception 2, so \(\sigma_\theta(y_\theta)\) is a \(\xi_2\) myopic best response to current beliefs. Yet the empirical frequency for response after signal \(\sigma_\theta(y_\theta)\) is no more than \(\xi_1\) away from \(\pi_2^*(\sigma_\theta(y_\theta))\) as \(y_\theta\) is not in exception 3. Since the prior is Dirichlet and also has this property, this means the current posterior belief about response after signal \(\sigma_\theta(y_\theta)\) also has this property. If \(\#(s^*, y_\theta) > n\), then \(y_\theta\) not being in exceptions 4 or 5 implies belief as to response after signal \(s^*\) is also no more than \(\xi_1\) away from \(\pi_2^*(s^*)\), while if \(\#(s^*, y_\theta) < n\) then choice of prior implies the same. In short, beliefs on both responses after \(s^*\) and responses after \(\sigma_\theta(y_\theta)\) are no more than \(\xi_1\) away from their \(\pi_2^*\) counterparts. But in that case, no signal other than \(s^*\) can be an \(\xi_2\) best response. \(\square\)
A.9 Proof of Lemma 3

Proof. For each $\xi > 0$, consider the approximation to $P_{\theta' \bowtie \theta''}$,

$$P^\xi_{\theta' \bowtie \theta''} := \left\{ p \in \Delta(\Theta) : \frac{p(\theta'')}{p(\theta')} \leq (1 + \xi) \frac{\lambda(\theta'')}{\lambda(\theta')} \right\}$$

and hence the approximation to $\hat{P}(s)$,

$$\hat{P}_\xi(s) := \Delta(\Theta_s') \cap \left\{ P^\xi_{\theta' \bowtie \theta''} : \theta' \succ_s \theta'' \right\}.$$ 

Since the BR correspondence has a closed graph, there is an $\xi > 0$ such that $\text{BR}(\hat{P}_\xi(s), s) = \text{BR}(\hat{P}(s), s)$.

Take some such $\xi$. Next we will choose a series of constants.

- Pick $0 < h < 1$ such that $\frac{1-h}{1+h} > (1 - \xi)^{1/3}$.

- Pick $G > 0$ such that for every $\theta \in \Theta$, $1/(h^2 \cdot G \cdot (1-h) \cdot \lambda(\theta)) < \epsilon/(4 \cdot |S| \cdot |\Theta|^2)$.

- For each $\theta$, construct a Dirichlet prior on $S_\theta$ with parameters $\alpha(\theta, s) \geq 0$. Pick Dirichlet prior parameters $\alpha(\theta, s) \geq 0$ so that whenever $\theta \succ_s \theta'$, we have

$$\alpha(\theta, s) - \alpha(\theta', s) > \left( \sqrt{4 \cdot |S| \cdot |\Theta|^2} / \epsilon + 1 \right) \cdot G. \quad (2)$$

In the event that $\theta \succ_s \theta'$ and $\theta' \succ_s \theta$, put $\alpha(\theta, s) = \alpha(\theta', s)$.

- Pick $N \in \mathbb{N}$ so that for any $N > N$, $\theta, \theta' \in \Theta$, we have

$$\mathbb{P}[(1-h) \cdot N \cdot \lambda(\theta) \leq \text{Binom}(N, \lambda(\theta)) \leq (1+h) \cdot N \cdot \lambda(\theta)] > 1 - \frac{\epsilon}{4 \cdot |\Theta|}$$

and

$$\frac{(1-h) \cdot N \cdot \lambda(\theta')}{(1+h) \cdot N \cdot \lambda(\theta) + \max_{\theta} \sum_{s \in S} \alpha(\theta, s)} > (1 - \xi)^{1/3} \frac{\lambda(\theta')}{\lambda(\theta)}$$

- Pick $\gamma \in (0, 1)$ such that $1 - (\gamma)^{N+1} < \epsilon/4$. 

42
Suppose the receiver’s prior over the strategy of type $\theta$ is Dirichlet with parameters $(\alpha(\theta, s))_{s \in S}$. We claim that the conclusion of the lemma holds.

Fix some strategy $\pi_1 \in C$. Write $\#(\theta | y_2)$ for the number of times the sender has been of $\theta$ type in history $y_2$, while $\#(\theta, s | y_2)$ counts the number of times type $\theta$ has sent signal $s$ in history $y_2$. Put $\psi_2 = \psi_{\pi_1; \{g, h, \gamma\}}$ and write $E \subseteq Y_2$ for those receiver histories with length at least $N$ satisfying

$$(1 - h) \cdot N \cdot \lambda(\theta) \leq \#(\theta | y_2) \leq (1 + h) \cdot N \cdot \lambda(\theta)$$

for every $\theta \in \Theta$. By the choice of $\theta$ and $\gamma$, whenever $\gamma > \gamma$ we have $\psi(E) \geq 1 - \epsilon/2$. We now show that given $E$, the conditional probability that the receiver’s posterior belief after every off-equilibrium signal $s$ lies in $\hat{P}_\xi(s)$ is at least $1 - \epsilon/2$. To do this, fix signal $s$ and two types with $\theta \succ s \theta'$.

If $s$ is strictly dominated for both $\theta$ and $\theta'$, then according to the receivers’ Dirichlet prior, $\theta$ and $\theta'$ each sends $s$ with zero probability. Since $\pi \in \Pi_1^*$, we have $\pi_1(s | \theta) = \pi_1(s | \theta') = 0$. So after every positive-probability history, receiver’s belief falls in $\hat{P}_\xi(s)$ as it puts zero probability on the $s$-sender being $\theta$ or $\theta'$. Henceforth we only consider the case where $s$ is not strictly dominated for both.

After history $y_2$, the receiver’s updated posterior likelihood ratio for types $\theta$ and $\theta'$ upon seeing signal $s$ is

$$\frac{\lambda(\theta)}{\lambda(\theta')} \cdot \left( \frac{\alpha(\theta, s) + \#(\theta, s | y_2)}{\#(\theta | y_2) + \sum_{s \in S} \alpha(\theta, s)} \right) / \left( \frac{\alpha(\theta', s) + \#(\theta', s | y_2)}{\#(\theta' | y_2) + \sum_{s \in S} \alpha(\theta', s)} \right) \frac{\alpha(\theta, s) + \#(\theta, s | y_2)}{\#(\theta | y_2) + \sum_{s \in S} \alpha(\theta, s)} \cdot \frac{\alpha(\theta', s) + \#(\theta', s | y_2)}{\#(\theta' | y_2) + \sum_{s \in S} \alpha(\theta', s)}.$$ 

Since we have $\#(\theta' | y_2) \geq (1 - h) \cdot N \cdot \lambda(\theta')$ while $\#(\theta | y_2) \leq (1 + h) \cdot N \cdot \lambda(\theta)$, we get

$$\frac{\#(\theta' | y_2) + \sum_{s \in S} \alpha(\theta', s)}{\#(\theta | y_2) + \sum_{s \in S} \alpha(\theta, s)} \geq \frac{(1 - h) \cdot N \cdot \lambda(\theta')}{(1 + h) \cdot N \cdot \lambda(\theta) + \sum_{s \in S} \alpha(\theta, s)} \geq (1 - \epsilon)^{1/3} \frac{\lambda(\theta')}{\lambda(\theta)}.$$ 

If $s$ is strictly dominant for both $\theta$ and $\theta'$, then $\pi_1 \in \Pi_1^*$ means that $\pi_1(s | \theta) = \pi_1(s | \theta') = 1$. In this case, $\#(\theta, s | y_2) = \#(\theta | y_2)$ and $\#(\theta', s | y_2) = \#(\theta' | y_2)$.
Since \(\#(\theta|y_2) \geq (1 - h) \cdot N \cdot \lambda(\theta), \#(\theta'|y_2) \leq (1 + h) \cdot N \cdot \lambda(\theta')\), we have:

\[
\frac{\alpha(\theta, s) + \#(\theta, s|y_2)}{\alpha(\theta', s) + \#(\theta', s|y_2)} \geq \frac{(1 - h) \cdot N \cdot \lambda(\theta)}{(1 + h) \cdot N \cdot \lambda(\theta')} \geq (1 - \xi)^{1/3} \frac{\lambda(\theta)}{\lambda(\theta')}
\]

This shows the product is no smaller than \((1 - \xi)^{2/3} \frac{\lambda(\theta)}{\lambda(\theta')}\), so receiver believes in \(P^\xi_{\theta',\theta}\) after every history in \(E\).

Now we analyze the term \(\frac{\alpha(\theta, s) + \#(\theta, s|y_2)}{\alpha(\theta', s) + \#(\theta', s|y_2)}\) for the case where \(s\) is not strictly dominant for both \(\theta\) and \(\theta'\). We consider two cases, depending on whether \(N\) is “large enough” so that the compatible type \(\theta\) experiments enough on average in a receiver history of length \(N\) under sender strategy \(\pi_1\).

**Case A:** \(\pi_1(s|\theta) \cdot N < G\). In this case, since \(\pi \in C\) and \(\theta \succeq_s \theta'\), we must also have \(\pi_1(s|\theta') \cdot N < G\). Then \(\#(\theta', s|y_2)\) is distributed as a binomial random variable with mean smaller than \(G\), hence standard deviation smaller than \(\sqrt{G}\). By Chebyshev’s inequality, the probability that it exceeds \((\sqrt{4 \cdot |S| \cdot |\Theta|^2})/\epsilon + 1\) \(\cdot G\) is no larger than

\[
\frac{1}{G \cdot (4 \cdot |S| \cdot |\Theta|^2)/\epsilon} < \frac{\epsilon}{4|S| \cdot |\Theta|^2}.
\]

But in any history \(y_2\) where \(\#(\theta', s|y_R)\) does not exceed this number, we would have

\[
\alpha(\theta', s) + \#(\theta', s|y_2) \leq \alpha(\theta, s) \leq \alpha(\theta, s) + \#(\theta, s|y_2)
\]

by choice of the difference between prior parameters \(\alpha(\theta', s)\) and \(\alpha(\theta, s)\). Therefore

\[
\frac{\alpha(\theta, s) + \#(\theta, s|y_2)}{\alpha(\theta', s) + \#(\theta', s|y_2)} \geq 1.
\]

In summary, under Case A, there is probability no smaller than \(1 - \frac{\epsilon}{4|S| \cdot |\Theta|^2}\) that

\[
\frac{\alpha(\theta, s) + \#(\theta, s|y_2)}{\alpha(\theta', s) + \#(\theta', s|y_2)} \geq 1.
\]

**Case B:** \(\pi_1(s|\theta) \cdot N \geq G\). In this case, we can bound the probability that

\[
\#(\theta, s|y_2)/\#(\theta', s|y_2) \leq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \left(\frac{1 - h}{1 + h}\right)^2.
\]

Let \(p := \pi_1(s|\theta)\). Given that \(\#(\theta|y_2) \geq (1 - h) \cdot N \cdot \lambda(\theta)\), the distribution of \(\#(\theta, s|y_2)\) first order stochastically dominates \(\text{Binom}((1 - h) \cdot N \cdot \lambda(\theta), p)\).

On the other hand, given that \(\#(\theta|y_2) \leq (1 + h) \cdot N \cdot \lambda(\theta')\) and furthermore \(\pi_1(s|\theta') \leq \pi_1(s|\theta) = p\), the distribution of \(\#(\theta', s|y_1)\) is first order stochastically
dominated by Binom\((1 + h) \cdot N \cdot \lambda(\theta'), p)\).

The first distribution has mean \((1 - h) \cdot N \cdot \lambda(\theta) \cdot p\) with standard deviation no larger than \(\sqrt{(1 - h) \cdot N \cdot \lambda(\theta) \cdot p}\). Thus

\[
\mathbb{P} \left[ \text{Binom}\((1 - h) \cdot N \cdot \lambda(\theta), p) < (1 - h) \cdot (1 - h) \cdot N \cdot \lambda(\theta) \cdot p\right] < 1/(h \cdot \sqrt{p(1 - h)N\lambda(\theta)})^2 \leq 1/(h \cdot \sqrt{G \cdot (1 - h) \cdot \lambda(\theta)})^2 < \epsilon/(4 \cdot |S| \cdot |\Theta|^2)
\]

where we used the fact that \(pN \geq G\) in the second-to-last inequality, while the choice of \(G\) ensured the final inequality.

At the same time, the second distribution has mean \((1 + h) \cdot N \cdot \lambda(\theta') \cdot p\) with standard deviation no larger than \(\sqrt{(1+h) \cdot N \cdot \lambda(\theta') \cdot p}\), so

\[
\mathbb{P} \left[ \text{Binom}\((1 + h) \cdot N \cdot \lambda(\theta'), p) > (1 + h) \cdot (1 + h) \cdot N \cdot \lambda(\theta') \cdot p\right] < 1/(h \cdot \sqrt{p(1 + h)N\lambda(\theta')})^2 \leq 1/(h \cdot \sqrt{G \cdot (1 + h) \cdot \lambda(\theta')})^2 < \epsilon/(4 \cdot |S| \cdot |\Theta|^2)
\]

by the same arguments. Combining the bounds on these two binomial random variables,

\[
\mathbb{P} \left[ \frac{\text{Binom}\((1 - h) \cdot N \cdot \lambda(\theta), p)}{\text{Binom}\((1 + h) \cdot N \cdot \lambda(\theta'), p) \leq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \left(\frac{1 - h}{1 + h}\right)^2 < \epsilon/(2 \cdot |S| \cdot |\Theta|^2)\right]
\]

Via stochastic dominance, this shows \textit{a fortiori}

\[
\mathbb{P} \left[ \#(\theta, s | y_2) / \#(\theta', s | y_2) \leq \frac{\lambda(\theta) \lambda(\theta')}{\left(\frac{1 - h}{1 + h}\right)^2} \right] < \epsilon/(2 \cdot |S| \cdot |\Theta|^2).
\]

Therefore, for any \(s, \theta, \theta'\) such that \(\theta \succsim_s \theta'\),

\[
\psi \left(y_2 : \frac{\alpha(\theta, s) + \#(\theta, s | y_2)}{\alpha(\theta', s) + \#(\theta', s | y_2)} \geq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \left(\frac{1 - h}{1 + h}\right)^2 \right) \geq 1 - \epsilon/(2 \cdot |S| \cdot |\Theta|^2).
\]

This concludes case B.

In either case, at a history \(y_2\) with \((1 - h) \cdot N \cdot \lambda(\theta) \leq \#(\theta | y_2) \leq (1 + h) \cdot N \cdot \lambda(\theta)\) for every \(\theta\), for every pair \(\theta, \theta'\) such that \(\theta \succsim_s \theta'\), we get

\[
\frac{\alpha(\theta, s) + \#(\theta, s | y_2)}{\alpha(\theta', s) + \#(\theta', s | y_2)} \geq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \left(\frac{1 - h}{1 + h}\right)^2
\]

with probability at least \(1 - \epsilon/(2 \cdot |S| \cdot |\Theta|^2)\).
But at any history $y_2$ where this happens, the receiver’s posterior likelihood ratio for types $\theta$ and $\theta'$ after signal $s$ satisfies

$$\frac{\lambda(\theta)}{\lambda(\theta')} \cdot \frac{\alpha(\theta, s) + \#(\theta, s|y_2)}{\alpha(\theta', s) + \#(\theta', s|y_2)} \cdot \frac{\#(\theta'|y_2) + \sum_{s \in S} \alpha(\theta', s)}{\#(\theta|y_2) + \sum_{s \in S} \alpha(\theta, s)} \geq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \frac{(1 - h)^2 \cdot (1 - \xi)^{1/3}}{ \lambda(\theta)} \geq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot (1 - \xi)^{2/3} \cdot (1 - \xi)^{1/3} \geq \frac{\lambda(\theta)}{\lambda(\theta')} \cdot (1 - \xi).$$

As there are at most $|\Theta|^2$ such pairs for each signal $s$ and $|S|$ total signals,

$$\psi\left( y_2 : \frac{\lambda(\theta)}{\lambda(\theta')} \cdot \frac{\alpha(\theta, s) + \#(\theta, s|y_2)}{\alpha(\theta', s) + \#(\theta', s|y_2)} \cdot \frac{\#(\theta'|y_2) + \sum_{s \in S} \alpha(\theta', s)}{\#(\theta|y_2) + \sum_{s \in S} \alpha(\theta, s)} \quad \forall s, \theta \succ_s \theta' | E \right) \geq 1 - \epsilon/2$$

as claimed. As the event $E$ has $\psi$-probability no smaller than $1 - \epsilon/2$, there is $\psi$ probability at least $1 - \epsilon$ that receiver’s posterior belief is in $\hat{P}_\xi(s)$ after every off-path $s$.

\[\Box\]

A.10 **Proof of Lemma 4**

**Proof.** Since $\pi^*$ is on-path strict for the receiver, there exists some $\xi > 0$ such that for every on-path signal $s$ and every belief $p \in \Delta(\Theta)$ with

$$|p(\theta) - p(\theta; s, \pi^*)| < \xi, \forall \theta \in \Theta$$

(3)

(where $p(\theta; s, \pi^*)$ is the Bayesian belief after on-path signal $s$ induced by the equilibrium $\pi^*$), we have $\text{BR}(p, s) = \{\pi^*_2(s)\}$. For each $s$, we show that there is a large enough $N(s, \epsilon)$ and small enough $\zeta(s)$ so that when receiver observes history $y_2$ generated by any $\pi \in B_{\text{on}}(\pi^*, \epsilon')$ with $\epsilon' < \zeta(s)/4$ and length least $N(s, \epsilon)$, there is probability at least $1 - \frac{\epsilon}{2|S|}$ that receiver’s posterior belief satisfies (3). Hence, conditional on having a history length of at least $N(s, \epsilon)$, there is $1 - \frac{\epsilon}{2|S|}$ chance that receiver will play as in $\pi^*_2$ after $s$. By taking the maximum $N^*_{\epsilon} := \max_s (N(s, \epsilon))$ and minimum $\epsilon_1 := \min_s \zeta(s)$, we see that whenever history is length $N^*_{\epsilon}$ or more, and $\pi \in B_{\text{on}}(\pi^*, \epsilon')$ with $\epsilon' < \epsilon_1$,
there is at least $1 - \epsilon/2$ chance that the receiver’s strategy matches $\pi_2^*$ after every on-path signal. Since we can pick $\gamma(\epsilon)$ large enough that $1 - \epsilon/2$ measure of the receiver population is age $N^*(\epsilon)$ or older, we are done.

To construct $N(s, \epsilon)$ and $\zeta(s)$, let $\Lambda(s) := \lambda\{\theta : \pi_1^*(s|\theta) = 1\}$. Find small enough $\zeta(s) \in (0, 1)$ so that:

- $|\frac{\lambda(\theta)}{\Lambda(s) \cdot (1 - \zeta(s))} - \frac{\lambda(\theta)}{\Lambda(s)}| < \xi$
- $|\frac{\lambda(\theta) \cdot (1 - \zeta(s))}{\Lambda(s) + (1 - \Lambda(s)) \cdot \zeta(s)} - \frac{\lambda(\theta)}{\Lambda(s)}| < \xi$
- $\frac{\zeta(s) \cdot \lambda(\theta)}{1 - \zeta(s)} < \xi$

for every $\theta \in \Theta$. After a history $y_2$, the receiver’s posterior belief as to the type of sender who sends signal $s$ satisfies

$$p(\theta|s; y_2) \propto \lambda(\theta) \cdot \frac{\#(\theta, s|y_2) + \alpha(\theta, s)}{\#(\theta|y_2) + A(\theta)},$$

where $\alpha(\theta, s)$ is the Dirichlet prior parameter on signal $s$ for type $\theta$ and $A(\theta) := \sum_{s \in S} \alpha(\theta, s)$. By the law of large numbers, for long enough history length, we can ensure that if $\pi_1(\cdot|\theta) > 1 - \frac{\zeta(s)}{4}$, then

$$\frac{\#(\theta, s|y_2) + \alpha(\theta, s)}{\#(\theta|y_2) + A(\theta)} \geq 1 - \zeta(s)$$

with probability at least $1 - \frac{\epsilon}{2|S|^2}$, while if $\pi_1(\cdot|\theta) < \frac{\zeta(s)}{4}$, then

$$\frac{\#(\theta, s|y_2) + \alpha(\theta, s)}{\#(\theta|y_2) + A(\theta)} < \zeta(s)$$

with probability at least $1 - \frac{\epsilon}{2|S|^2}$. Moreover there is some $N(s, \epsilon)$ so that there is probability at least $1 - \frac{\epsilon}{2|S|^2}$ that a history $y_2$ with length at least $N(s, \epsilon)$ satisfies above for all $\theta$. But at such a history, for any $\theta$ such that $\pi_1^*(\cdot|\theta) = 1$,

$$p(\theta|s; y_2) \geq \frac{\lambda(\theta) \cdot (1 - \zeta(s))}{\Lambda(s) + (1 - \Lambda(s)) \cdot \zeta(s)}$$

and

$$p(\theta|s; y_2) \leq \frac{\lambda(\theta)}{\Lambda(s) \cdot (1 - \zeta(s)).}$$
while for some θ such that \( \pi_1^*(s|\theta) = 0 \),

\[
p(\theta|s; y_2) \leq \frac{\zeta(s)}{1 - \zeta(s)} \cdot \frac{\lambda(\theta)}{\Lambda(s)}.
\]

Therefore the belief \( p(\cdot|s; y_R) \) is no more than \( \xi \) away from \( p(\theta; s, \pi^*) \), as desired.

\[\square\]

### A.11 Proof of Theorem 2

**Proof.** We will construct a regular prior \( g \). We will then show that for every \( 0 < \delta < 1 \), there exists convex and compact sets of strategy profiles \( E_j \subseteq \Pi^* \) with \( E_j \downarrow E_* \subseteq B_1^*(\pi^*, 0) \cap B_2^*(\pi^*, 0) \) and a corresponding sequence of survival probabilities \( \gamma_j \rightarrow 1 \) so that \((\mathcal{R}_1^{g, \delta, \gamma_j}[\pi_2], \mathcal{R}_2^{g, \delta, \gamma_j}[\pi_1]) \in E_j \) whenever \( \pi \in E_j \).

We proved in Fudenberg and He (2018) that \( \mathcal{R}_1 \) and \( \mathcal{R}_2 \) are continuous maps, so a fixed point theorem implies that for each \( j \), some strategy profile in \( E_j \) is a steady state profile under parameters \((g, \delta, \gamma_j)\). Any convergent subsequence of these \( j \)-indexed steady state profiles has a limit in \( E_* \), so this limit agrees with \( \pi^* \) on path. This shows that for every \( \delta \) there is a \( \delta \)-stable strategy profile path-equivalent to \( \pi^* \), so there is a patiently stable strategy profile with the same property.

**Step 1:** Constructing \( g \) and some thresholds.

Since \( \pi^* \) induces a unique optimal signal for each sender type, by Lemma 2 find a regular sender prior \( g_1 \), \( 0 < \epsilon_{\text{off}} < 0 \), and a function \( \gamma_{\text{LM1}}(\delta, \epsilon) \).

In Lemma 3, substitute \( \epsilon = \epsilon_{\text{off}} \) to find a regular receiver prior \( g_2 \) and \( 0 < \gamma_{\text{LM2}} < 1 \).

Finally, in Lemma 4 let \( g_2 \) be as constructed above to find \( \epsilon_{\text{LM3}} > 0 \) and a function \( \gamma_{\text{LM3}}(\epsilon) \).

**Step 2:** Constructing the sets \( E_j \).

For each \( j \), let

\[
E_j := C \cap B_1^*(\pi^*, \frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM3}}}{j}) \cap B_2^*(\pi^*, \frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM3}}}{j}) \cap B_{\text{off}}^2(\pi^*, \epsilon_{\text{off}}).
\]

That is, \( E_j \) is the set of strategy profiles that respect rational compatibility, differ by no more than \( \epsilon_{\text{off}} / j \) from \( \pi^* \) on path, and differ by no more than \( \epsilon_{\text{off}} \)
from $\pi^*$ off path. It is clear that each $E_j$ is convex and compact, and that $\lim_{j \to \infty} E_j \subseteq B_{1}^{\text{on}}(\pi^*, 0) \cap B_{2}^{\text{on}}(\pi^*, 0)$ as claimed.

We may find an accompanying sequence of survival probabilities satisfying

$$\gamma_j > \gamma_{\text{LM}1}(\delta, \frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM}3}}{j}) \lor \gamma_{\text{LM}2} \lor \gamma_{\text{LM}3}(\frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM}3}}{j})$$

with $\gamma_j \uparrow 1$.

**Step 3**: $R^{g, \delta, \gamma_j}$ maps $E_j$ into itself.

Let some $\pi \in E_j$ be given.

By Lemma 1, $R^{g, \delta, \gamma_j}_1[\pi_2] \in C$.

By Lemma 3, $R^{g, \delta, \gamma_j}_2[\pi_1] \in B_{2}^{\text{off}}(\pi^*, \epsilon_{\text{off}})$, because uniformity of $\pi^*$ means $\text{BR}(\hat{P}(s), s) \subseteq \hat{A}(s)$ for each off-path $s$.

By Lemma 4, $R^{g, \delta, \gamma_j}_3[\pi_1] \in B_{2}^{\text{on}}(\pi^*, \frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM}1}}{j})$.

Finally, from Lemma 2 and the fact that $\pi_2 \in B_{2}^{\text{on}}(\pi^*, \frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM}1}}{j}) \cap B_{2}^{\text{off}}(\pi^*, \epsilon_{\text{off}})$, we have $R^{g, \delta, \gamma_j}_1[\pi_2] \in B_{1}^{\text{on}}(\pi^*, \frac{\epsilon_{\text{off}} \wedge \epsilon_{\text{LM}1}}{j})$. \qed