Learning and Type Compatibility in Signalling Games*

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First version: October 12, 2016
This version: August 31, 2017

Abstract

Equilibrium outcomes in signalling games can be very sensitive to the specification of how receivers interpret and thus respond to deviations from the path of play. We develop a microfoundation for these off-path beliefs, and an associated equilibrium refinement, in a model where equilibrium arises through non-equilibrium learning by populations of patient and long-lived senders and receivers. In our model, young senders are uncertain about the prevailing distribution of play, so they rationally send out-of-equilibrium signals as experiments to learn about receivers’ behavior. Differences in the payoff functions of the types of senders generate different incentives for these experiments. Using the Gittins index (Gittins, 1979), we characterize which sender types use each signal more often, leading to a constraint on the receiver’s off-path beliefs based on “type-compatibility” and hence a learning-based equilibrium selection.

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*This material was previously part of a larger paper titled “Type-Compatible Equilibria in Signalling Games.”

We thank Dan Clark, Laura Doval, Glenn Ellison, Lorens Imhof, Yuichiro Kamada, Robert Kleinberg, David K. Levine, Kevin K. Li, Eric Maskin, Dilip Mookherjee, Harry Pei, Matthew Rabin, Bill Sandholm, Lones Smith, Joel Sobel, Philipp Strack, Bruno Strulovici, Tomasz Strzałek, Jean Tirole, Juuso Toikka, and four anonymous referees for helpful comments and conversations, and National Science Foundation grant SES 1643517 for financial support.

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1 Introduction

In a signalling game, a privately informed sender (for instance a student) observes their type (e.g. ability) and chooses a signal (e.g. education level) that is observed by a receiver (such as an employer), who then picks an action without observing the sender’s type. These signalling games can have many perfect Bayesian equilibria, which are supported by different specifications of how the receivers would update their beliefs following the observation of “off-path” signals that the equilibrium predicts will never occur. These off-path beliefs are not pinned down by Bayes rule, and solution concepts such as perfect Bayesian equilibrium and sequential equilibrium place no restrictions on them. This has led to the development of equilibrium refinements like Cho and Kreps (1987)’s Intuitive Criterion and Banks and Sobel (1987)’s divine equilibrium that reduce the set of equilibria by imposing restrictions on off-path beliefs, using arguments about how players should infer the equilibrium meaning of observations that the equilibrium says should never occur.

This paper uses a learning model to provide a micro-foundation for off-path beliefs in signalling games, then uses this foundation to deduce restrictions on which Nash equilibria can emerge from learning. Our learning model has a continuum of agents, with a constant inflow of new agents who do not know the prevailing distribution of strategies and a constant outflow of equal size. This lets us analyze learning in a deterministic stationary model where social steady states exist, even though individual agents learn. To give agents adequate learning opportunities, we assume that their expected lifetimes are long, so that most agents in the population live a long time. And to ensure that agents have sufficiently strong incentives to experiment, we suppose that they are very patient. This leads us to analyze what we call the “patiently stable” steady states of our learning model.

Our agents are Bayesians who believe they face a time-invariant distribution of opponent’s play. As in much of the learning-in-games literature and most laboratory experiments, these agents only learn from their personal observations and not from other sources such as newspapers, parents, or friends. Therefore, patient young senders will rationally try out different signals to see how receivers react. This implies some “off-path” signals that have probability zero in a given equilibrium will occur with small but positive probabilities in the steady states that approximate it.

For this reason, we can use Bayes rule to derive restrictions on the receivers’ typical posterior beliefs following these rare but positive-probability observations. As we will show, differences in the payoff functions of the sender types generate different incentives for these experiments. As a consequence, we can prove that patiently stable steady states must be a subset of Nash equilibria where the receiver’s off-path beliefs satisfy a compatibility criterion restriction. This

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1As we explain in Corollary 1, the results extend to the case where some fraction of the population has access to data about the play of others.
provides a learning-based justification for eliminating certain “unintuitive” equilibria in signalling games. These results also suggest that learning theory could be used to control the rates of off-path play and hence generate equilibrium refinements in other games.  

1.1 Outline and Overview of Results

Section 2 lays out the notation we will use for signalling games and introduces our learning model. Section 3 and Section 4 then separately analyze the learning problems of the senders and of the receivers respectively. There we define and characterize the aggregate responses of the senders and of the receivers, which are the analogs of the best-response functions in the one-shot signalling game. Finally, Section 5 turns to steady states of the learning model, which can be viewed as pairs of mutual aggregate responses, analogous to the definition of Nash equilibrium.

Section 3 defines the type-compatibility orders. We say that type θ’ is more type-compatible with signal s’ than type θ” if whenever s’ is a weak best response for θ” against some receiver behavior strategy, it is a strict best response for θ’ against the same strategy. To relate this static definition to the senders’ optimal dynamic learning behavior, we show that under our assumptions the senders’ learning problem is formally a multi-armed bandit, so the optimal policy of each type is characterized by the Gittins index. Theorem 1 shows that the compatibility order on types is equivalent to an order on their Gittins indices: θ’ is more type-compatible with signal s’ than type θ” if and only if whenever s’ has the (weakly) highest Gittins index for θ”, it has the strictly highest index for θ’, provided the two types hold the same beliefs and have the same discount factor. Lemma 1 then uses a coupling argument to extend this observation to the aggregate sender response, proving that types who are more compatible with a signal send it more often in aggregate.

Section 4 considers the learning problem of the receivers. Intuitively, we would expect that when receivers are long-lived, most of them will “learn” the type-compatibility order, and we show that this is the case. More precisely, we show that most receivers best respond to a posterior belief whose likelihood ratio of θ’ to θ” dominates the prior likelihood ratio of these two types whenever they observe a signal s which is more type-compatible with θ’ than θ”. Lemma 2 shows this is true for any signal that is sent “frequently enough” relative to the receivers’ expected lifespan, using a result of Fudenberg, He, and Imhof (2017) on updating posteriors after rare events.

Lemma 3 then shows that any equilibrium undominated signal (see Definition 12) gets sent “frequently enough” in steady state when senders are sufficiently patient and long lived. Combining the three lemmas discussed above, we establish our main result: any patiently

2It is interesting to note that Spence (1973) also interprets equilibria of the signalling game as a steady state (or “nontransitory configuration”) of a learning process, though he does not explicitly specify what sort of process he has in mind.
stable steady state must be a Nash equilibrium satisfying the additional restriction that the receivers best respond to certain admissible beliefs after every off-path signal (Theorem 2).

As an example, consider the beer-quiche game studied by Cho and Kreps (1987), where it is easy to verify that the strong type is more compatible with “beer” than the weak type. Our results imply that the strong types will in aggregate send this signal at least as often as the weak types do, and that a strong type will send it “many times” when it is very patient. As a consequence, when senders are patient, long-lived receivers are unlikely to revise the probability of the strong type downwards following an observation of “beer.” Thus the “both types eat quiche” equilibrium is not a patiently stable steady state of the learning model, as it would require receivers to interpret “beer” as a signal that the sender is weak.

1.2 Related Work

The most closely related work is that of Fudenberg and Levine (1993) and Fudenberg and Levine (2006) which studied a similar learning model. A key issue in this work and more generally in studying learning in extensive-form games is characterizing how much agents will experiment with actions that are not myopically optimal. If agents do not experiment at all, then non-Nash equilibria can persist, because players can maintain incorrect but self-confirming beliefs about off-path play. Fudenberg and Levine (1993) showed that patient long-lived agents will experiment enough at their on-path information sets to learn if they have any profitable deviations, thus ruling out steady states that are not Nash equilibria. However, more experimentation than that is needed for learning to generate the sharper predictions associated with backward induction and sequential equilibrium. Fudenberg and Levine (2006) showed that patient rational agents need not do enough experimentation to imply backwards induction in games of perfect information. We say more below about how the models and proofs of those papers differ from ours.

This paper is also related to the Bayesian learning models of Kalai and Lehrer (1993), which studied two-player games with one agent on each side, so that every self-confirming equilibrium is path-equivalent to a Nash equilibrium, and Esponda and Pouzo (2016), which allowed agents to experiment but did not characterize when and how this occurs. It is also related to the literature on boundedly rational experimentation in extensive-form games, (e.g. Fudenberg and Kreps (1988), Jehiel and Samet (2005), Fudenberg and Kreps (1995), Laslier and Walliser (2015)), where the experimentation rules of the agents are exogenously specified. We assume that each sender’s type is fixed at birth, as opposed to being i.i.d. over time. Dekel, Fudenberg, and Levine (2004) show some of the differences this can make using various equilibrium concepts, but they do not develop an explicit model of non-equilibrium learning.

For simplicity, we assume here that agents do not know the payoffs of other players and have full support priors over the opposing side’s behavior strategies. Our companion paper
Fudenberg and He (2017) supposes that players assign zero probability to dominated strategies of their opponents, as in the Intuitive Criterion (Cho and Kreps, 1987), divine equilibrium (Banks and Sobel, 1987), and rationalizable self-confirming equilibrium (Dekel, Fudenberg, and Levine, 1999). There we analyze how the resulting micro-founded equilibrium refinement compares to those in past work.

2 Model

2.1 Signalling Game Notation

A signalling game has two players, a sender (player 1, “she”) and a receiver (player 2, “he”). The sender’s type is drawn from a finite set $\Theta$ according to a prior $\lambda \in \Delta(\Theta)$ with $\lambda(\theta) > 0$ for all $\theta$. There is a finite set $S$ of signals for the sender and a finite set $A$ of actions for the receiver. The utility functions of the sender and receiver are $u_1 : \Theta \times S \times A \to \mathbb{R}$ and $u_2 : \Theta \times S \times A \to \mathbb{R}$ respectively.

When the game is played, the sender knows her type and sends a signal $s \in S$ to the receiver. The receiver observes the signal, then responds with an action $a \in A$. Finally, payoffs are realized.

A behavior strategy for the sender $\pi_1 = (\pi_1(\cdot|\theta))_{\theta \in \Theta}$ is a type-contingent mixture over signals $S$. Write $\Pi_1$ for the set of all sender behavior strategies.

A behavior strategy for the receiver $\pi_2 = (\pi_2(\cdot|s))_{s \in S}$ is a signal-contingent mixture over actions $A$. Write $\Pi_2$ for the set of all receiver behavior strategies.

2.2 Learning by Individual Agents

We now build a learning model with a given signalling game as the stage game. In this subsection, we explain an individual agent’s learning problem. In the next subsection, we complete the learning model by describing a society of learning agents who are randomly matched to play the signalling game every period.

Time is discrete and all agents are rational Bayesians with geometrically distributed lifetimes. They survive between periods with probability $0 \leq \gamma < 1$ and further discount future utility flows by $0 \leq \delta < 1$, so their objective is to maximize the expected value of $\sum_{t=0}^{\infty} (\gamma \delta)^t \cdot u_t$. Here, $0 \leq \gamma \delta < 1$ is the effective discount factor, and $u_t$ is the payoff $t$ periods from today.

At birth, each agent is assigned a role in the signalling game: either as a sender with type $\theta$ or as a receiver. Agents know their role, which is fixed for life. Every period, each agent

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3Here and subsequently $\Delta(X)$ denotes the collection of probability distributions on the set $X$.

4To lighten notation we assume that the same set of actions is feasible following any signal. This is without loss of generality for our results as we could let the receiver have very negative payoffs when he responds to a signal with an “impossible” action.
is randomly and anonymously matched with an opponent to play the signalling game, and the game’s outcome determines the agent’s payoff that period. At the end of each period, agents observe the outcomes of their own matches, that is, the signal sent, the action played in response, and the sender’s type. They do not observe the identity, age, or past experiences of their opponents, nor does the sender observe how the receiver would have reacted to a different signal. Importantly, a sender only observes the receiver’s response to the signal she sent, and not how the receiver would have reacted had she sent a different signal. Agents update their beliefs and play the signalling game again with new random opponents next period, provided they are still alive.

Agents believe they face a fixed but unknown distribution of opponents’ aggregate play, so they believe that their observations will be exchangeable. We feel that this is a plausible first hypothesis in many situations, so we expect that agents will maintain their belief in stationarity when it is approximately correct, but will reject it given clear evidence to the contrary, as when there is a strong time trend or a high-frequency cycle. The environment will indeed be constant when it is approximately correct, but will reject it given clear evidence to the contrary, as when there is a strong time trend or a high-frequency cycle. The environment will indeed be constant in the steady states that we analyze.

Formally, each sender is born with a prior density function over the aggregate behavior strategy of the receivers, $g_1 : \Pi_2 \to \mathbb{R}_+$, which integrates to 1. Similarly, each receiver is born with a prior density over the sender’s behavior strategies, $g_2 : \Pi_1 \to \mathbb{R}_+$. We denote the marginal distribution of $g_1$ on signal $s$ as $g_1^{(s)}$, 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 $g_2^{(\theta)}$, so that $g_2^{(\theta)}(\pi_1(\cdot|\theta))$ is the new receivers’ prior density over $\pi_1(\cdot|\theta) \in \Delta(S)$.

It is important to remember that $g_1$ and $g_2$ are beliefs over opponents’ strategies, but not strategies themselves. A newborn sender expects the response to $s$ to be $\int \pi_2(\cdot|s) \cdot g_1(\pi_2)d\pi_2$ while a newborn receiver expects type $\theta$ to play $\int \pi_1(\cdot|\theta) \cdot g_2(\pi_1)d\pi_1$.

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

**Definition 1.** A prior $g = (g_1, g_2)$ is **regular** if

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

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5The receiver’s payoff reveals the sender’s type for generic assignments of payoffs to terminal nodes. If the receiver’s payoff function is independent of the sender’s type, their beliefs about it (and equilibrium refinements) are irrelevant. If the receivers do care about the sender’s type but observe neither the sender’s type nor their own realized payoff, a great many outcomes can persist, as in Dekel, Fudenberg, and Levine (2004).

6Note that the agent’s prior belief is over opponents’ aggregate play (i.e. $\Pi_1$ or $\Pi_2$) and not over the prevailing distribution of behavior strategies in the opponent population (i.e. $\Delta(\Pi_2)$ or $\Delta(\Pi_1)$), since under our assumption of anonymous random matching these are observationally equivalent for our agents. For instance, a receiver cannot distinguish between a society where all type $\theta$ randomize 50-50 between signals $s_1$ and $s_2$ each period, and another society where half of the type $\theta$ always play $s_1$ while the other half always plays $s_2$. Note also that because agents believe the system is in a steady state, they do not care about calendar time and do not have beliefs about it. Fudenberg and Kreps (1994) suppose that agents append a non-Bayesian statistical test of whether their observations are exchangeable to a Bayesian model that presumes that it is.
(b). \([g_1 \text{ non-doctrinaire}] g_1\) is continuous and strictly positive on the interior of \(\Pi_2\).

(c). \([g_2 \text{ nice}]\) For each type \(\theta\), there are positive constants \((\alpha_s^{(\theta)})_{s \in S}\) 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 \(\Pi_1^{(\theta)}\), the set of behavior strategies of type \(\theta\).

Independence ensures that a receiver does not learn how type \(\theta\) plays by observing the behavior of some other type \(\theta' \neq \theta\), and that a sender does not learn how receivers react to signal \(s\) by experimenting with some other signal \(s' \neq s\). For example, this means in Cho and Kreps (1987)'s beer-quiche game the sender doesn't learn how receivers respond to beer by eating quiche.\(^7\) The non-doctrinaire nature of \(g_1\) and \(g_2\) implies that the agents never see an observation that they assigned zero prior probability, so that they have a well-defined optimization problem after any history. Non-doctrinaire priors also imply that a large enough data set can outweigh prior beliefs (Diaconis and Freedman, 1990). The technical assumption about the boundary behavior of \(g_2\) in (c) ensures that the prior density function \(g_2\) behaves like a power function near the boundary of \(\Pi_1\). Any density that is strictly positive on \(\Pi_1\) satisfies this condition, as does the Dirichlet distribution, which is the prior associated with fictitious play (Fudenberg and Kreps, 1993).

The set of histories for an age \(t\) sender of type \(\theta\) is \(Y_\theta[t] := (S \times A)^t\), where each period the history records the signal sent and the action that her receiver opponent took in response. The set of all histories for a type \(\theta\) is the union \(Y_\theta := \bigcup_{t=0}^{\infty} Y_\theta[t]\). The dynamic optimization problem of type \(\theta\) has an optimal policy function \(\sigma_\theta : Y_\theta \rightarrow S\), where \(\sigma_\theta(y_\theta)\) is the signal that a type \(\theta\) would send the next time she plays the signalling game. Analogously, the set of histories for an age \(t\) receiver is \(Y_2[t] := (\Theta \times S)^t\), where each period the history records the type of his sender opponent and the signal that she sent. The set of all receiver histories is the union \(Y_2 := \bigcup_{t=0}^{\infty} Y_2[t]\). The receiver’s learning problem admits an optimal policy function \(\sigma_2 : Y_2 \rightarrow A^S\), where \(\sigma_2(y_2)\) is the pure strategy that a receiver with history \(y_2\) would commit to next time he plays the game.\(^8\)

\(^7\)One could imagine learning environments where the senders believe that the responses to various signals are correlated, but independence is a natural special case.

\(^8\)Because our agents are expected utility maximizers, it is without loss of generality to assume each agent uses a deterministic policy rule. If more than one such rule exists, we fix one arbitrarily. Of course, the optimal policies \(\sigma_\theta\) and \(\sigma_2\) depend on the prior \(g\) as well as the effective discount factor \(\delta\gamma\). Where no confusion arises, we suppress these dependencies.
2.3 Random Matching and Aggregate Play

We analyze learning in a deterministic stationary model with a continuum of agents, as in Fudenberg and Levine (1993, 2006). One innovation is that we let lifetimes follow a geometric distribution instead of the finite and deterministic lifetimes assumed in those earlier papers, so that we can use the Gittins index.

The society contains a unit mass of agents in the role of receivers and mass $\lambda(\theta)$ in the role of type $\theta$ for each $\theta \in \Theta$. As described in Subsection 2.2, each agent has $0 \leq \gamma < 1$ chance of surviving at the end of each period and complementary chance $1 - \gamma$ of dying. To preserve population sizes, $(1 - \gamma)$ new receivers and $\lambda(\theta)(1 - \gamma)$ new type $\theta$ are born into the society every period.

Each period, agents in the society are matched uniformly at random to play the signalling game. In the spirit of the law of large numbers, each sender has probability $(1 - \gamma)\gamma^t$ of matching with a receiver of age $t$, while each receiver has probability $\lambda(\theta)(1 - \gamma)\gamma^t$ of matching with a type $\theta$ of age $t$.

A state $\psi$ of the learning model is described by the mass of agents with each possible history. We write it as

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

We refer to the components of a state $\psi$ by $\psi_\theta \in \Delta(Y_\theta)$ and $\psi_2 \in \Delta(Y_2)$.

Given the agents’ optimal policies, each possible history for an agent completely determines how that agent will play in their next match. The sender policy functions $\sigma_\theta$ are maps from sender histories to signals, so they naturally extend to maps from distributions over sender histories to distributions over signals. That is, given the policy function $\sigma_\theta$, each state $\psi$ induces an aggregate behavior strategy $\sigma_\theta(\psi_\theta) \in \Delta(S)$ for each type $\theta$ population, where we extend the domain of $\sigma_\theta$ from $Y_\theta$ to distributions on $Y_\theta$ in the natural way:

$$\sigma_\theta(\psi_\theta)(s) := \psi_\theta \{ y_\theta \in Y_\theta : \sigma_\theta(y_\theta) = s \}. \quad (1)$$

Similarly, state $\psi$ and the optimal receiver policy $\sigma_2$ together induce an aggregate behavior strategy $\sigma_2(\psi_2)$ for the receiver population, where

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

We will study the steady states of this learning model, to be defined more precisely in Section 5. Loosely speaking, a steady state is a state $\psi$ that reproduces itself indefinitely when agents use their optimal policies. Put another way, a steady state induces a time-invariant distribution over how the signalling game is played in the society. Suppose society is at steady state today and we measure what fraction of type $\theta$ sent a certain signal $s$ in today’s matches.

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9Remember that we have fixed deterministic policy functions.
After all agents modify their strategies based on their updated beliefs and after all births and deaths take place, the fraction of type $\theta$ playing $s$ in the matches tomorrow will be the same as today.

3 Senders’ Optimal Policies and Type Compatibility

This section studies the senders’ learning problem. We will prove that differences in the payoff structures of the various sender types generate certain restrictions on their behavior in the learning model. Subsection 3.1 notes that the senders face a multi-armed bandit, so the Gittins index characterizes their optimal policies. Subsection 3.2 defines the notion of an aggregate sender response, which describes the aggregate distribution over sender strategies that is induced by a fixed aggregate distribution of receiver play. In Subsection 3.3, we define type compatibility, which formalizes what it means for type $\theta'$ to be more “compatible” with any given signal $s$ than type $\theta''$ is. The definition of type compatibility is static, in the sense that it depends only on the two types’ payoff functions in the one-shot signalling game. Subsection 3.4 relates type compatibility to the Gittins index, which applies to the dynamic learning model. We use this relationship to show in Subsection 3.5 that whenever type $\theta'$ is more compatible with $s$ than type $\theta''$, type $\theta'$ sends signal $s$ relatively more often in the learning model.

3.1 Optimal Policies and Multi-Armed Bandits

Each type-$\theta$ sender thinks she is facing a fixed but unknown aggregate receiver behavior strategy $\pi_2$, so each period when she sends signal $s$, she believes that the response is drawn from some $\pi_2(\cdot|s) \in \Delta(A)$, i.i.d. across periods. Because her beliefs about the responses to the various signals are independent, her problem is equivalent to a discounted multi-armed bandit, with signals $s \in S$ as the arms, where the rewards of arm $s$ are distributed according to $u_1(\theta, s, \pi_2(\cdot|s))$.

Let $\nu_s \in \Delta(\Delta(A))$ be a belief over the space of mixed replies to signal $s$, and let $\nu = (\nu_s)_{s \in S}$ be a profile of such beliefs. Write $I(\theta, s, \nu, \beta)$ for the Gittins index of signal $s$ for type $\theta$, with beliefs $\nu$ over receiver’s play after various signals, so that

$$I(\theta, s, \nu, \beta) := \sup_{\tau > 0} \frac{\mathbb{E}_{\nu_s} \left\{ \sum_{t=0}^{\tau-1} \beta^t \cdot u_1(\theta, s, a_s(t)) \right\}}{\mathbb{E}_{\nu_s} \left\{ \sum_{t=0}^{\tau-1} \beta^t \right\}}.$$

Here, $a_s(t)$ is the receiver’s response that the sender observes the $t$-th time she sends signal $s$, $\tau$ is a stopping time\(^{10}\) and the expectation $\mathbb{E}_{\nu_s}$ over the sequence of responses $\{a_s(t)\}_{t \geq 0}$ depends on the sender’s belief $\nu_s$ about responses to signal $s$. The Gittins index theorem

\(^{10}\)That is, whether or not $\tau = t$ depends only on the realizations of $a_s(0), a_s(1), ..., a_s(t - 1)$.
(Gittins, 1979) implies that after every positive-probability history $y_\theta$, the optimal policy $\sigma_\theta$ for a sender of type $\theta$ sends the signal that has the highest Gittins index for that type under the profile of posterior beliefs $(\nu_s)_{s \in S}$ that is induced by $y_\theta$.

### 3.2 The Aggregate Sender Response

Next, we define the aggregate sender response (ASR) $R_1 : \Pi_2 \rightarrow \Pi_1$. Loosely speaking, this is the learning analog of the sender’s best response function in the static signalling game. If we fix the aggregate play of the receiver population at $\pi_2$ and run the learning model period after period from an arbitrary initial state, the distribution of signals sent by each type $\theta$ will approach $R_1[\pi_2](\cdot|\theta)$. We will subsequently define the aggregate receiver response and then use these functions to characterize the steady states of the system.

To formalize the definition of the aggregate sender response, we first introduce the one-period-forward map.

**Definition 2.** The one-period-forward map for type $\theta$, $f_\theta : \Delta(Y_\theta) \times \Pi_2 \rightarrow \Delta(Y_\theta)$ 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 $f_\theta[\psi_\theta, \pi_2](\emptyset) := 1 - \gamma$.

If the distribution over histories in the type $\theta$ population is $\psi_\theta$ and the receiver population’s aggregate play is $\pi_2$, the resulting distribution over histories in the type $\theta$ population is $f_\theta[\psi_\theta, \pi_2]$. Specifically, there will be a $1 - \gamma$ mass of newborn type $\theta$ who will have no history. Also, if the optimal first signal of a newborn type $\theta$ is $s'$, that is if $\sigma_\theta(\emptyset) = s'$, then $f_\theta[\psi_\theta, \pi_2](s', a') = \gamma \cdot (1 - \gamma) \cdot \pi_2(a'|s')$ newborn senders send $s'$ in their first match, observe action $a'$ in response, and survive. In general, a type $\theta$ who has history $y_\theta$ and whose policy $\sigma_\theta(y_\theta)$ prescribes playing $s$ has $\pi_2(a|s)$ chance of having subsequent history $(y_\theta, (s, a))$ provided she survives until next period; the survival probability $\gamma$ corresponds to the the factor $\gamma \cdot 1\{\sigma_\theta(y_\theta) = s\}$.

Write $f_\theta^T$ for the $T$-fold application of $f_\theta$ on $\Delta(Y_\theta)$, holding fixed some $\pi_2$. Note that for arbitrary states $\psi$ and $\psi'$, if $(y_\theta, (s, a))$ is a length-1 history (i.e. $y_\theta = \emptyset$), then $\psi_\theta(y_\theta) = \psi'_\theta(y_\theta)$ because both states must assign mass $1 - \gamma$ to $\emptyset$, so $f_\theta^1[\psi_\theta, \pi_2]$ and $f_\theta^1[\psi'_\theta, \pi_2]$ agree on $Y_\theta[1]$. Iterating, for $T = 2$, $f_\theta^2[\psi_\theta, \pi_2]$ and $f_\theta^2[\psi'_\theta, \pi_2]$ agree on $Y_\theta[2]$, because each history in $Y_\theta[2]$ can be written as $(y_\theta, (s, a))$ for $y_\theta \in Y_\theta[1]$, and $f_\theta^1[\psi_\theta, \pi_2]$ and $f_\theta^1[\psi'_\theta, \pi_2]$ match on all $y_\theta \in Y_\theta[1]$. Proceeding inductively, we can conclude that $f_\theta^T[\psi_\theta, \pi_2]$ and $f_\theta^T[\psi'_\theta, \pi_2]$ agree on all $Y_\theta[t]$ for $t \leq T$ for any two type $\theta$ states $\psi_\theta$ and $\psi'_\theta$. This means $\lim_{T \rightarrow \infty} f_\theta^T(\psi_\theta, \pi_2)$ exists and is independent of the initial $\psi_\theta$. Denote this limit as $\psi^\pi_\theta$. It is the long-run distribution over type-$\theta$ histories induced by starting at an arbitrary state and fixing the receiver population’s play at $\pi_2$. 

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Definition 3. The aggregate sender response (ASR) $R_1 : \Pi_2 \rightarrow \Pi_1$ is defined by

$$R_1[\pi_2](s|\theta) := \psi_{\theta}^{\pi_2}(y_{\theta} : \sigma_{\theta}(y_{\theta}) = s)$$

That is, $R_1[\pi_2](s|\theta)$ is the mass of type $\theta$ who will send $s$ in their next match, according to the measure $\psi_{\theta}^{\pi_2}$.

Remark 1. Technically, $R_1$ depends on $g_1, \delta, \gamma$, 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.

Remark 2. Although the ASR is defined at the aggregate level, $R_1[\pi_2](\cdot|\theta)$ also describes the probability distribution of the play of a single type-$\theta$ sender over her lifetime when she faces receiver play drawn from $\pi_2$ every period.\(^{11}\)

3.3 Type compatibility in signalling games

We now introduce a notion of comparative compatibility with a signal in the one-shot signalling game. The key result of this section is that this static definition of compatibility actually imposes restrictions on types’ dynamic behavior in the ASR.

Definition 4. Signal $s'$ is more type-compatible with $\theta'$ than $\theta''$, written as $\theta' \succ_{s'} \theta''$, if for every $\pi_2 \in \Pi_2$ such that

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

we have

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

In words, $\theta' \succ_{s'} \theta''$ means that whenever $s'$ is a weak best response for $\theta''$ against some receiver behavior strategy $\pi_2$, it is also a strict best response for $\theta'$ against $\pi_2$.

The following proposition says the compatibility order is transitive and essentially asymmetric. Its proof is in the Appendix.

Proposition 1.

(a) $\succ_{s'}$ is transitive.

\(^{11}\)Observe that $f_\theta[\psi_{\theta}, \pi_2]$ restricted to $Y_\theta[1]$ gives the probability distribution over histories for a type $\theta$ who uses $\sigma_{\theta}$ and faces play drawn from $\pi_2$ for one period: it puts weight $\pi_2(a'|s')$ on history $(s', a')$ where $s' = \sigma_{\theta}(b)$. Similarly, $f_\theta[\psi_{\theta}, \pi_2]$ restricted to $Y_\theta[t]$ for any $t \leq T$ gives the probability distribution over histories for someone who uses $\sigma_{\theta}$ and faces play drawn from $\pi_2$ for $t$ periods. Since $\psi_{\theta}^{\pi_2}$ assigns probability $(1 - \gamma)^{t}$ to the set of histories $Y_\theta[t]$, $R_1[\pi_2](\cdot|\theta) = \sigma_{\theta}(\psi_{\theta}^{\pi_2})$ is a weighted average over the distributions of period-$t$ play ($t = 1, 2, 3, \ldots$) of someone using $\sigma_{\theta}$ and facing $\pi_2$, with weight $(1 - \gamma)^t$ given to the period $t$ distribution.
(b). Except when \( s' \) is either strictly dominant for both \( \theta' \) and \( \theta'' \) or strictly dominated for both \( \theta' \) and \( \theta'' \), \( \theta' \succ_{s'} \theta'' \) implies \( \theta'' \not\succ_{s'} \theta' \).

To check the compatibility condition, one must consider all strategies in \( \Pi_2 \), just as the belief restrictions in divine equilibrium involve all the possible mixed best responses to various beliefs. However, when the sender’s utility function is separable in the sense that \( u_1(\theta, s, a) = v(\theta, s) + z(a) \), as in Spence (1973)’s job market signalling game and in Cho and Kreps (1987)’s beer-quiche game (given below), a sufficient condition for \( \theta' \succ_{s'} \theta'' \) is

\[
v(\theta', s') - v(\theta'', s') > \max_{s'' \neq s'} v(\theta', s'') - v(\theta'', s'').
\]

This can be interpreted as saying \( s' \) is the least costly signal for \( \theta' \) relative to \( \theta'' \). In the Online Appendix, we present a general sufficient condition for \( \theta' \succ_{s'} \theta'' \) under general payoff functions.

**Example 1.** (Cho and Kreps (1987)’s beer-quiche game) The sender (P1) is either strong (\( \theta_{\text{strong}} \)) or weak (\( \theta_{\text{weak}} \)), with prior probability \( \lambda(\theta_{\text{strong}}) = 0.9 \). The sender chooses to either drink beer or eat quiche for breakfast. The receiver (P2), observing this breakfast choice but not the sender’s type, chooses whether to fight the sender. If the sender is \( \theta_{\text{weak}} \), the receiver prefers fighting. If the sender is \( \theta_{\text{strong}} \), the receiver prefers not fighting. Also, \( \theta_{\text{strong}} \) prefers beer for breakfast while \( \theta_{\text{weak}} \) prefers quiche for breakfast. Both types prefer not being fought over having their favorite breakfast.

This game has separable sender utility with \( v(\theta_{\text{strong}}, B) = v(\theta_{\text{weak}}, Q) = 1, v(\theta_{\text{strong}}, Q) = v(\theta_{\text{weak}}, B) = 0, z(F) = 0 \) and \( z(NF) = 2 \). So, we have \( \theta_{\text{strong}} \succ_{B} \theta_{\text{weak}} \).

It is easy to see that in every Nash equilibrium \( \pi^* \), if \( \theta' \succ_{s'} \theta'' \), then \( \pi_1(s'|\theta'') > 0 \) implies \( \pi_1(s'|\theta') = 1 \). By Bayes rule, this implies that the receiver’s equilibrium belief \( p \) after every
on-path signal $s'$ satisfies the restriction \( \frac{p(\theta'' | s')}{p(\theta' | s')} \leq \frac{\lambda(\theta'')}{\lambda(\theta')} \) if $\theta' \succ_{s'} \theta''$. Thus in every Nash equilibrium of the beer-quiche game, if the sender chooses B with positive ex-ante probability, then the receiver’s odds ratio that the sender is tough after seeing this signal cannot be less than the prior odds ratio. Our main result, Theorem 2, essentially shows for any strategy profile that can be approximated by steady state outcomes with patient and long-lived agents, the same compatibility-based restriction is satisfied even for off-path signals. In particular, this allows us to place restrictions on the receiver’s belief after seeing B in equilibria where no type of sender ever plays this signal.

### 3.4 Type compatibility and the Gittins index

We now establish a link between the compatibility order $\theta' \succ_{s'} \theta''$ and the two types’ Gittins indices for $s'$.

**Theorem 1.** $\theta' \succ_{s'} \theta''$ if and only if for every $\beta \in [0, 1)$ and every $\nu$, $I(\theta'', s', \nu, \beta) \geq \max_{s'' \neq s'} I(\theta'', s'', \nu, \beta)$ implies $I(\theta', s', \nu, \beta) > \max_{s'' \neq s'} I(\theta', s'', \nu, \beta)$.

That is, $\theta' \succ_{s'} \theta''$ if and only if whenever $s'$ has the (weakly) highest Gittins index for $\theta''$, it has the index for $\theta'$, provided the two types hold the same beliefs and have the same discount factor.

The key to the proof is that every stopping time $\tau$ for sequential experiments with signal $s$ induces a discounted time average over receiver actions observed before stopping, which we denote as $\pi_{\tau,s}(\nu_s, \beta)$ and interpret as a mixture over receiver actions. To illustrate the construction, suppose $\nu_s$ is supported on two pure receiver strategies after $s$: either $\pi_{\tau,s}(a'|s) = 1$ or $\pi_{\tau,s}(a''|s) = 1$, with both strategies equally likely. Consider the stopping time $\tau$ that specifies stopping after the first time the receiver plays $a''$. Then the discounted time average frequency of $a''$ is:

$$
\frac{\sum_{t=0}^{\infty} \beta^t \cdot \mathbb{P}_{\nu_s}[\tau \geq t \text{ and receiver plays } a'' \text{ in period } t]}{\sum_{t=0}^{\infty} \beta^t \cdot \mathbb{P}_{\nu_s}[\tau \geq t]} = \frac{0.5}{1 + \sum_{t=1}^{\infty} \beta^t \cdot 0.5} = \frac{1 - \beta}{2 - \beta}.
$$

So $\pi_{\tau,s}(\tau, \nu_s, \beta)(a'') = \frac{1 - \beta}{2 - \beta}$ and similarly we can calculate that $\pi_{\tau,s}(\tau, \nu_s, \beta)(a') = \frac{1}{2 - \beta}$ so that $\pi_{\tau,s}$ does correspond to a mixture over receiver actions. Moreover, we can show that when the optimal stopping problem that defines the Gittins index of $s$ is evaluated at $\tau$, it yields the sender’s payoff from playing $s$ against $\pi_{\tau,s}(\tau, \nu_s, \beta)$ in the one-shot signalling game. Thus type $\theta$’s Gittins index of $s$ is $u_1(\theta, s, \pi_{\tau_s}(\tau_s', \nu_s, \beta))$, where $\tau_s'$ is the optimal stopping time of type $\theta'$ in the stopping problem defining the Gittins index of $s$. This links the Gittins index to the signalling game payoff structure, which lets us apply the compatibility definition to establish the desired equivalence.
3.5 Type compatibility and the ASR

The next lemma shows how restrictions on the Gittins indices generate restrictions on the aggregate sender response.

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

Theorem 1 showed when $\theta' \succ_s \theta''$ and the two types share the same beliefs, if $\theta''$ plays $s'$ then $\theta'$ must also play $s'$. But even though newborn agents of both types start with the same prior $g_1$, their beliefs may quickly diverge during the learning process due to $\sigma_{\theta'}$ and $\sigma_{\theta''}$ prescribing different experiments. This lemma shows that compatibility still imposes restrictions on the aggregate play of the sender population: Regardless of the aggregate play $\pi_2$ in the receiver population, the frequencies that $s'$ appears in the aggregate responses of different types are always comonotonic with the compatibility order $\succ_s$.

It is natural to expect that the co-monotonicity condition in Lemma 1 will be reflected in the beliefs of most receivers when the receivers live a long time and so have many observations. Lemma 2 in the next section shows that for signals $s'$ that are sent sufficiently often, most receivers have posterior beliefs $p$ such that $\frac{p(\theta' | s')}{p(\theta' | s') \leq \frac{\lambda(\theta'')}{\lambda(\theta')}}$ whenever $\theta' \succ_s \theta''$. Lemma 3 then shows that signals that are not equilibrium dominated are played sufficiently often by patient senders.

To gain some intuition for Lemma 1, consider two newborn senders with types $\theta_{\text{strong}}$ and $\theta_{\text{weak}}$ who are learning to play the beer-quiche game from Example 1. Suppose they have uniform priors over the responses to each signal, and that they face a sequence of receivers programmed to play F after B and NF after Q. Since observing F is the worst possible news about a signal’s payoff, the Gittins index of a signal decreases when F is observed. Conversely, the Gittins index of a signal increases after each observation of NF. So, there are $n_1, n_2 \geq 0$ such that type $\theta_{\text{strong}}$ will play B for $n_1$ periods (and observe $n_1$ instances of F) and then play Q forever after, while type $\theta_{\text{weak}}$ will play B for $n_2$ periods before switching to Q forever after.

Now we claim that $n_1 \geq n_2$. To see why, suppose instead that $n_1 < n_2$, and let $\nu$ be the posterior belief about receivers’ aggregate play induced from $n_1$ periods of observing F after B. After $n_1$ periods, both types would share the belief $\nu$. Then at belief $\nu$ type $\theta_{\text{weak}}$ must play B while type $\theta_{\text{strong}}$ plays Q, so signal B must have the highest Gittins index for $\theta_{\text{weak}}$ but not for $\theta_{\text{strong}}$. But this would contradict Theorem 1.

The proof of Lemma 1 relies on the similar idea of fixing a particular “programming” of receiver play and studying the induced paths of experimentation for different types. In the aggregate learning model, the sequence of responses that a given sender encounters in her life depends on the realization of the random matching process, because different receivers have

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12This follows from Bellman (1956)'s Theorem 2 on Bernoulli bandits.
If no such period exists, then set a suitable distribution, then producing all receiver actions using statements by induction:

**Proof.** For of types comparison holds on each pre-programmed response path, thus coupling the learning processes to show that more compatible types play a given signal more often, it suffices to show this of random matching realizations using a device we call the “pre-programmed response path”. We will show that the intuition above extends to signalling games with any number of signals and to any pre-programmed response path.

**Definition 5.** A pre-programmed response path \( a = (a_{1,s}, a_{2,s}, \ldots, )_{s \in S} \) is an element in \( \times_{s \in S} (A^\infty) \).

A pre-programmed response path is an \( |S| \)-tuple of infinite sequences of receiver actions, one sequence for each signal. For a given pre-programmed response path \( a \), we can imagine starting with a newborn type \( \theta \) and generating receiver play each period in the following programmatic manner: when the sender plays \( s \) for the \( j \)-th time, respond with receiver action \( a_{j,s} \). (If the sender sends \( s'' \) 5 times and then sends \( s' \neq s'' \), the response she gets to \( s' \) is \( a_{6,s'} \).) For a type \( \theta \) who applies \( \sigma_\theta \) each period, \( a \) induces a deterministic history of experiments and responses, which we denote \( y_\theta(a) \). The induced history \( y_\theta(a) \) can be used to calculate \( \mathcal{R}_1[a](\cdot|\theta) \), the distribution of signals over the lifetime of a type \( \theta \) induced by the pre-programmed response path \( a \). Namely, \( \mathcal{R}_1[a](\cdot|\theta) \) is simply a mixture over all signals sent along the history \( y_\theta(a) \), with weight \( (1 - \gamma)\gamma^{t-1} \) given to the signal in period \( t \).

Now consider a type \( \theta \) facing actions generated i.i.d. from the receiver behavior strategy \( \pi_2 \) each period, as in the interpretation of \( \mathcal{R}_1 \) in Remark 2. This data-generating process is equivalent to drawing a random pre-programmed response path \( a \) at time 0 according to a suitable distribution, then producing all receiver actions using \( a \). That is, \( \mathcal{R}_1[\pi_2](\cdot|\theta) = \int \mathcal{R}_1[a](\cdot|\theta) d\pi_2(a) \) where we abuse notation and use \( d\pi_2(a) \) to denote the distribution over pre-programmed response paths associated with \( \pi_2 \). Importantly, any two types \( \theta' \) and \( \theta'' \) face the same distribution over pre-programmed response paths, so to prove the proposition it suffices to show \( \mathcal{R}_1[a](s'|\theta') \geq \mathcal{R}_1[a](s'|\theta'') \) for all \( a \).

**Proof.** For \( t \geq 0 \), write \( y_\theta^t \) for the truncation of infinite history \( y_\theta \) to the first \( t \) periods, with \( y_\theta^\infty := y_\theta \). Given a finite or infinite history \( y_\theta^t \) for type \( \theta \), the signal counting function \( \#(s|y_\theta^t) \) returns how many times signal \( s \) has appeared in \( y_\theta^t \). (We need this counting function since the receiver play generated by a pre-programmed response path each period depends on how many times each signal has been sent so far.)

As discussed above, we need only show \( \mathcal{R}_1[a](s'|\theta') \geq \mathcal{R}_1[a](s'|\theta'') \). Let \( a \) be given and write \( T_j^\theta \) for the period in which type \( \theta \) sends signal \( s' \) for the \( j \)-th time in the induced history \( y_\theta(a) \). If no such period exists, then set \( T_j^\theta = \infty \). Since \( \mathcal{R}_1[a](\cdot|\theta) \) is a weighted average over signals in \( y_\theta(a) \) with decreasing weights given to later signals, to prove \( \mathcal{R}_1[a](s'|\theta') \geq \mathcal{R}_1[a](s'|\theta'') \) it suffices to show that \( T_j^\theta \leq T_j^\theta'' \) for every \( j \). Towards this goal, we will prove a sequence of statements by induction:
Statement 1: Provided $T_1^{q''}$ is finite, \( \#(s'' \mid y_{q}^T(a)) \leq \#(s'' \mid y_{q}^T(a)) \) for all $s'' \neq s'$.

For every $j$ where $T_j^{q''} < \infty$, statement 1 implies that the number of periods type $\theta'$ spent sending each signal $s'' \neq s'$ before sending $s'$ for the $j$-th time is fewer than the number of periods $\theta''$ spent doing the same. Therefore it follows that $\theta'$ sent $s'$ for the $j$-th time sooner than $\theta''$ did, that is $T_j^{q'} \leq T_j^{q''}$. Finally, if $T_j^{q''} = \infty$, then evidently $T_j^{q'} \leq \infty = T_j^{q''}$.

It now remains to prove the sequence of statements by induction.

Statement 1 is the base case. By way of contradiction, suppose $T_1^{q''} < \infty$ and

\[
\#(s'' \mid y_{q}^T(a)) > \#(s'' \mid y_{q}^T(a))
\]

for some $s'' \neq s'$. Then there is some earliest period $t^* < T_1^{q'}$ where

\[
\#(s'' \mid y_{q}^T(a)) > \#(s'' \mid y_{q}^{T_1^{q''}}(a)),
\]

where type $\theta'$ played $s''$ in period $t^*$, $\sigma_{q'}(y_{q}^{t^*\theta''}(a)) = s''$.

But by construction, by the end of period $t^* - 1$ type $\theta'$ has sent $s''$ exactly as many times as type $\theta''$ has sent it by period $T_1^{q''} - 1$, so that

\[
\#(s'' \mid y_{q}^{t^*\theta''-1}(a)) = \#(s'' \mid y_{q}^{T_1^{q''}-1}(a)).
\]

Furthermore, neither type has sent $s'$ yet, so also

\[
\#(s' \mid y_{q}^{t^*\theta''-1}(a)) = \#(s' \mid y_{q}^{T_1^{q''}-1}(a)).
\]

Therefore, type $\theta'$ holds the same posterior over the receiver’s reaction to signals $s'$ and $s''$ at period $t^* - 1$ as type $\theta''$ does at period $T_1^{q''} - 1$. So by Theorem 1,

\[
s' \in \arg \max_{s \in S} I(\theta'', s, y_{q}^{T_1^{q''}-1}(a)) \implies I(\theta', s', y_{q}^{t^*\theta''-1}(a)) > I(\theta', s'', y_{q}^{t^*\theta''-1}(a)). \tag{2}
\]

However, by construction of $T_1^{q''}$, we have $\sigma_{q'}(y_{q}^{T_1^{q''}-1}(a)) = s'$. By the optimality of the Gittins index policy, the left-hand side of (2) is satisfied. But, again by the optimality of the Gittins index policy, the right-hand side of (2) contradicts $\sigma_{q'}(y_{q}^{T_1^{q''}-1}(a)) = s''$. Therefore we have proven Statement 1.

\[\text{In the following equation and elsewhere in the proof, we abuse notation and write } I(\theta, s, y) \text{ to mean } I(\theta, s, g_1(\cdot | y), \delta \gamma), \text{ which is the Gittins index of type } \theta \text{ for signal } s \text{ at the posterior obtained from updating the prior } g_1 \text{ using history } y, \text{ with effective discount factor } \delta \gamma.\]
Now suppose Statement $j$ holds for all $j \leq K$. We show Statement $K + 1$ also holds. If $T^{\theta''}_{K+1}$ is finite, then $T^{\theta''}_{K}$ is also finite. The inductive hypothesis then shows

$$\#(s'' | y^i_{\theta''}(a)) \leq \#(s'' | y^{i+1}_{\theta''}(a))$$

for every $s'' \neq s'$. Suppose there is some $s'' \neq s'$ such that

$$\#(s'' | y^i_{\theta''}(a)) > \#(s'' | y^{i+1}_{\theta''}(a)).$$

Together with the previous inequality, this implies type $\theta'$ played $s''$ for the $\left[\#(s'' | y^i_{\theta''}(a)) + 1\right]$-th time sometime between playing $s'$ for the $K$-th time and playing $s'$ for the $(K+1)$-th time. That is, if we put

$$t^* := \min \left\{ t : \#(s'' | y^i_{\theta''}(a)) > \#(s'' | y^{i+1}_{\theta''}(a)) \right\},$$

then $T^\theta_{K} < t^* < T^\theta_{K+1}$. By the construction of $t^*$,

$$\#(s'' | y^{i-1}_{\theta''}(a)) = \#(s'' | y^{i-1}_{\theta''}(a)),$$

and also

$$\#(s' | y^{i-1}_{\theta''}(a)) = K = \#(s' | y^{i-1}_{\theta''}(a)).$$

Therefore, type $\theta'$ holds the same posterior over the receiver's reaction to signals $s'$ and $s''$ at period $t^* - 1$ as type $\theta''$ does at period $T^\theta_{K+1} - 1$. As in the base case, we can invoke Theorem 1 to show that it is impossible for $\theta'$ to play $s''$ in period $t^*$ while $\theta''$ plays $s'$ in period $T^\theta_{K+1}$. This shows statement $j$ is true for every $j$ by induction.

4 The Aggregate Receiver Response

Each newborn receiver thinks he is facing a fixed but unknown aggregate sender behavior strategy $\pi_1$, with belief over $\pi_1$ given by his regular prior $g_2$. He thinks that each period a sender type $\theta$ is drawn according to $\lambda$, and then this type $\theta$ sends a signal according to $\pi_1(\cdot | \theta)$. To maximize his expected utility, the receiver must learn to infer the type of the sender from the signal, using his personal experience.

Unlike the senders whose optimal policy may involve experimentation, the receivers' problem only involves passive learning. Since the receiver observes the same information in a match
regardless of his action, the optimal policy \(\sigma_2(y_2)\) simply best responds to the posterior belief induced by history \(y_2\).

**Definition 6.** The one-period-forward map for receivers \(f_2 : \Delta(Y_2) \times \Pi_1 \rightarrow \Delta(Y_2)\) 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 new distribution over receiver histories tomorrow if the distribution over histories in the receiver population today is \(\psi_2\) and the sender population’s aggregate play is \(\pi_1\). We write \(\psi_2F := \lim_{T \rightarrow \infty} f_T^T(\psi_2, \pi_1)\) for the long-run distribution over \(Y_2\) induced by fixing sender population’s play at \(\pi_1\).

**Definition 7.** The aggregate receiver response (ARR) \(R_2 : \Pi_1 \rightarrow \Pi_2\) is

\[
R_2[\pi_1](a|s) := \psi_2F(\sigma_2(y_2)(s) = a)
\]

We are interested in the extent to which \(R_2[\pi_1]\) responds to inequalities of the form \(\pi_1(s'|\theta') \geq \pi_1(s'|\theta'')\) embedded in \(\pi_1\), such as those generated when \(\theta' \succ_s \theta''\). To this end, for any two types \(\theta', \theta''\) we define \(P_{\theta',\theta''}\) as those beliefs where the odds ratio of \(\theta'\) to \(\theta''\) exceeds their prior odds ratio, that is

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

(3)

If \(\pi_1(s'|\theta') \geq \pi_1(s'|\theta'')\), \(\pi_1(s'|\theta') > 0\), and receiver knows \(\pi_1\), then receiver’s posterior belief about sender’s type after observing \(s'\) falls in the set \(P_{\theta',\theta''}\). The next proposition shows that under the additional provisions that \(\pi_1(s'|\theta')\) is “large enough” and receivers are sufficiently long-lived, \(R_2[\pi_1]\) will best respond to \(P_{\theta',\theta''}\) with high probability when \(s'\) is sent.

For \(P \subseteq \Delta(\Theta)\), we let\(^{14}\) \(BR(P, s) := \bigcup_{p \in P} \left( \arg \max_{a' \in A} u_2(p, s, a') \right)\); this is the set of best responses to \(s\) supported by some belief in \(P\).

**Lemma 2.** Let regular prior \(g_2\), types \(\theta', \theta''\), and signal \(s'\) be fixed. For every \(\epsilon > 0\), there exists \(C > 0\) and \(\gamma < 1\) so that for any \(0 \leq \delta < 1\), \(\gamma \leq \gamma < 1\), and \(n \geq 1\), if \(\pi_1(s'|\theta') \geq \pi_1(s'|\theta'')\) and \(\pi_1(s'|\theta') \geq (1 - \gamma)nC\), then

\[
R_2[\pi_1](BR(P_{\theta',\theta''}, s') | s') \geq 1 - \frac{1}{n} - \epsilon.
\]

\(^{14}\)We abuse notation here and write \(u_2(p, s, a')\) to mean \(\sum_{\theta \in \Theta} u_2(\theta, s, a') \cdot p(\theta)\).
This lemma gives a lower bound on the probability that $\mathcal{R}_2[\pi_1]$ best responds to $P_{\theta'\theta''}$ after signal $s'$. Note that the bound only applies for survival probabilities $\gamma$ that are close enough to 1, because when receivers have short lifetimes they need not get enough data to outweigh their prior. Note also that more of the receivers learn the compatibility condition when $\pi_1(s'|\theta')$ is large compared to $(1 - \gamma)$ and almost all of them do in the limit of $n \to \infty$.

To interpret the condition $\pi_1(s'|\theta') \geq (1 - \gamma)nC$, recall that an agent with survival chance $\gamma$ has a typical lifespan of $\frac{1}{1 - \gamma}$. If $\pi_1$ describes the aggregate play in the sender population, then on average a type $\theta'$ plays $s'$ for $\frac{1}{1 - \gamma} \cdot \pi_1(s'|\theta')$ periods in her life. So when a typical type $\theta'$ plays $s'$ for $nC$ periods, this lemma provides a bound of $1 - \frac{1}{n} - \epsilon$. It is important that this hypothesis does not require that $\pi_1(s'|\theta')$ be bounded away from 0 as $\gamma \to 1$. Although the absolute number of periods that $\theta'$ experiments with $s'$ might be large, the fraction of her life spent on such experiments could still be negligible if $n$ grows slowly relative to $\gamma$.

The proof relies on Theorem 2 from Fudenberg, He, and Imhof (2017) about updating Bayesian posteriors after rare events. Specialized into our setting and notation, the result says:

Let regular prior $g_2$ and signal $s'$ be fixed. Let $0 < \epsilon, h < 1$. There exists $C$ such that whenever $\pi_1(s'|\theta') \geq \pi_1(s'|\theta'')$ and $t \cdot \pi_1(s'|\theta') \geq C$, we get

$$\psi_2^{\pi_1}(y_2 \in Y_2[t] : p(\theta''|s'; y_2)/p(\theta'|s'; y_2) \leq \frac{1}{1 - h} \cdot \frac{\lambda(\theta'')}{\lambda(\theta')}) / \psi_2^{\pi_1}(Y_2[t]) \geq 1 - \epsilon$$

where $p(\theta|s; y_2)$ refers to the conditional probability that a sender of $s$ is type $\theta$ according to the posterior belief induced by history $y_2$.

That is, if at age $t$ a receiver would have observed in expectation $C$ instances of type $\theta'$ sending $s'$, then the belief of at least $1 - \epsilon$ fraction of age $t$ receivers (essentially) falls in $P_{\theta'\theta''}$ after seeing the signal $s'$. The proof of Proposition 2 calculates what fraction of receivers meets this “age requirement.”

**Proof.** We will actually show the following stronger result:

Let regular prior $g_2$, types $\theta', \theta''$, and signal $s'$ be fixed. For every $\epsilon > 0$, there exists $C > 0$ so that for any $0 \leq \delta, \gamma < 1$ and $n \geq 1$, if $\pi_1(s'|\theta') \geq \pi_1(s'|\theta'')$ and $\pi_1(s'|\theta') \geq (1 - \gamma)nC$, then

$$\mathcal{R}_2[\pi_1](\text{BR}(P_{\theta'\theta''}, s') \mid s') \geq \gamma \left[ \frac{1}{n(1 - \gamma)} \right] - \epsilon$$

The lemma follows because we may pick a large enough $\gamma < 1$ so that $\gamma \left[ \frac{1}{n(1 - \gamma)} \right] > 1 - \frac{1}{n}$ for all $n \geq 1$ and $\gamma \geq \gamma$. 

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For each $0 < h < 1$, define $P_{θ′ω′}^h := \left\{ p \in Δ(Θ) : \frac{p(θ′)}{p(θ′)} \leq \frac{1}{1−h} \cdot \frac{λ(θ′)}{λ(θ′)} \right\}$, with the convention that $\frac{0}{0} = 0$. Then it is clear that each $P_{θ′ω′}^h$, as well as $P_{θ′ω′}$ itself, is a closed subset of $Δ(Θ)$. Also, $P_{θ′ω′}^h \to P_{θ′ω′}$ as $h \to 0$.

Fix action $a \in A$. If for all $h > 0$ there exists some $0 < h \leq \hat{h}$ so that $a \in BR(P_{θ′ω′}^h, s')$, then $a \in BR(P_{θ′ω′}, s')$ also due to best response correspondence having a closed graph. This means for each $a \notin BR(P_{θ′ω′}, s')$, there exists $\bar{h}_a > 0$ so that $a \notin BR(P_{θ′ω′}^h, s')$ whenever $0 < h \leq \bar{h}_a$. Let $\bar{h} := \min_{a \notin BR(P_{θ′ω′}, s')} \bar{h}_a$. Let $ε > 0$ be given and apply Theorem 2 of Fudenberg, He, and Imhof (2017) with $ε$ and $\bar{h}$ to find constant $C$.

When $π_1(s′|θ′) ≥ π_1(s′|θ′)$ and $π_1(s′|θ′)$ ≥ $(1 − γ)nC$, consider an age $t$ receiver for $t ≥ \left[\frac{1}{n(1−γ)}\right]$. Since $t \cdot π_1(s′|θ′) ≥ C$, Theorem 2 of Fudenberg, He, and Imhof (2017) implies there is probability at least $1 − ε$ this receiver’s belief about the types who send $s'$ falls in $P_{θ′ω′}^h$. By construction of $\bar{h}$, $BR(P_{θ′ω′}^h, s') = BR(P_{θ′ω′}, s')$, so $1 − ε$ of age $t$ receivers have a history $y_2$ where $σ_2(y_2)(s′) \in BR(P_{θ′ω′}, s')$.

Since agents survive between periods with probability $γ$, the mass of the receiver population aged $\left[\frac{1}{n(1−γ)}\right] \in \Theta$ or older is $(1 − γ) \cdot \sum_{t=\left[\frac{1}{n(1−γ)}\right]}^{∞} γ^t = γ^\left[\frac{1}{n(1−γ)}\right]$. This shows

$$Δ[BR(P_{θ′ω′}, s′)] ≥ γ^\left[\frac{1}{n(1−γ)}\right] \cdot (1 − ε) ≥ γ^\left[\frac{1}{n(1−γ)}\right] − ε$$

as desired. □

5 Steady State Implications for Aggregate Play

Sections 3 and 4 have separately examined the senders’ and receivers’ learning problems. In this section, we turn to the two-sided learning problem. We will first define steady state strategy profiles, which are signalling game strategy profiles $π^*$ where $π_1^*$ and $π_2^*$ are mutual aggregate responses, and then characterize the steady states using our previous results.

5.1 Steady states, $δ$-stability, and patient stability

We begin by defining steady states using the one-period-forward maps $f_θ$ and $f_2$ introduced in Sections 3 and 4.

**Definition 8.** A state $ψ^*$ is a steady state if $ψ^*_θ = f_θ(ψ^*_θ, σ_2(ψ^*_2))$ for every $θ$ and $ψ^*_2 = f_2(ψ^*_2, (σ_θ(ψ^*_θ))_{θ∈Θ})$. The set of all steady states for regular prior $g$ and $0 ≤ δ, γ < 1$ is denoted $Ψ^*(g, δ, γ)$.

The strategy profiles associated with steady states represent time-invariant distributions of play.
Definition 9. For regular prior \( g \) and \( 0 \leq \delta, \gamma < 1 \), the set of steady state strategy profiles is \( \Pi^*(g, \delta, \gamma) := \{ \sigma(\psi^*) : \psi^* \in \Psi^*(g, \delta, \gamma) \} \).

We now give an equivalent characterization \( \Pi^*(g, \delta, \gamma) \) in terms of \( R_1 \) and \( R_2 \). The proof is in Appendix A.3.

Proposition 2. \( \pi^* \in \Pi^*(g, \delta, \gamma) \) if and only if \( R_1^{\delta} \gamma(\pi^*_2) = \pi^*_1 \) and \( R_2^{\delta} \gamma(\pi^*_1) = \pi^*_2 \).

(Note that here we make the dependence of \( R_1 \) and \( R_2 \) on parameters \( (g, \delta, \gamma) \) explicit to avoid confusion.) Analogous to a Nash equilibrium as a pair of mutual best replies, a steady state strategy profile is a pair of aggregate distributions, each of which is an aggregate reply to the other.

The next proposition guarantees that there always exists at least one steady-state strategy profile.

Proposition 3. \( \Pi^*(g, \delta, \gamma) \) is non-empty and compact in the norm topology.

The proof is in the Online Appendix. We establish that \( \Psi^*(g, \delta, \gamma) \) is non-empty and compact in the \( \ell_1 \) norm on the space of distributions, which immediately implies the same properties for \( \Pi^*(g, \delta, \gamma) \). Intuitively, if lifetimes are finite, the set of histories is finite, so the set of states is of finite dimension. Here the one-period-forward map \( f \) is continuous, so the usual version of Brouwer’s fixed-point theorem applies. With geometric lifetimes, very old agents are rare, so truncating the agent’s lifetimes at some large \( T \) yields a good approximation. Instead of using these approximations directly, our proof shows that under the \( \ell_1 \) norm \( f \) is continuous, and that (because of the geometric lifetimes) the feasible states form a compact locally convex Hausdorff space. This lets us appeal to a fixed-point theorem for that domain. Note that in the steady state, the information lost when agents exit the system exactly balances the information agents gain through learning.

We now focus on the iterated limit

\[
\lim_{\delta \to 1} \lim_{\gamma \to 1} \Pi^*(g, \delta, \gamma),
\]

that is the set of steady state strategy profiles for \( \delta \) and \( \gamma \) near 1, where we first send \( \gamma \) to 1 holding \( \delta \) fixed, and then send \( \delta \) to 1.

Definition 10. 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 \( g \).
Heuristically speaking, patiently stable strategy profiles are the limits of learning outcomes when agents become infinitely patient (so that senders are willing to make many experiments) and long lived (so that agents on both sides can learn enough for their data to outweigh their prior). As in past work on steady state learning (Fudenberg and Levine, 1993, 2006), the reason for this order of limits is to ensure that most agents have enough data that they stop experimenting and play myopic best responses. We do not know whether our results extend to the other order of limits; we explain the issues involved below, after sketching the intuition for Proposition 5.

5.2 Preliminary results on $\delta$-stability and patient stability

When $\gamma$ is near 1, agents correctly learn the consequences of the strategies they play frequently. But for a fixed patience level they may choose to rarely or never experiment, and so can maintain incorrect beliefs about the consequences of strategies that they do not play. The next result formally states this, which parallels Fudenberg and Levine (1993)’s result that $\delta$-stable strategy profiles are self-confirming equilibria.

Proposition 4. Suppose strategy profile $\pi^*$ is $\delta$-stable under a regular prior. Then for every type $\theta$ and signal $s$ with $\pi^*_1(s|\theta) > 0$, $s$ is a best response to some $\pi_2 \in \Pi_2$ for type $\theta$, and furthermore $\pi_2(\cdot|s) = \pi^*_2(\cdot|s)$. Also, for any signal $s$ such that $\pi^*_1(s|\theta) > 0$ for at least one type $\theta$, $\pi^*_2(\cdot|s)$ is supported on pure best responses to the Bayesian belief generated by $\pi^*_1$ after $s$.

We prove this result in the Online Appendix. The idea of the proof is the following: If signal $s$ has positive probability in the limit, then it is played many times by the senders, so the receivers eventually learn the correct posterior distribution for $\theta$ given $s$. As the receivers have no incentive to experiment, their actions after $s$ will be a best response to this correct posterior belief. For the senders, suppose $\pi^*_1(s|\theta) > 0$, but $s$ is not a best response for type $\theta$ to any $\pi_2 \in \Pi_2$ that matches $\pi^*_2(\cdot|s)$. Then there exists $\xi > 0$ such that $s$ is not a $\xi$ best response to any strategy that differs by no more than $\xi$ from $\pi^*_2(\cdot|s)$ after $s$. Yet, by the law of large numbers and the Diaconis and Freedman (1990) result that with non-doctrinaire priors the posteriors converge to the empirical distribution at a rate that depends only on the sample size, if a sender who has played $s$ many times then with high probability her belief about $\pi^*_2(\cdot|s)$ is $\xi$-close to $\pi^*_2(\cdot|s)$. So when a sender who has played $s$ many times chooses to play it again, she is not doing so to maximize her current period’s expected payoff. This implies that type $\theta$ has persistent option value for signal $s$, which contradicts the fact that this option value must converge to 0 with the sample size.

15If agents did not eventually stop experimenting as they age, then even if most agents have approximately correct beliefs, aggregate play need not be close to a Nash equilibrium because most agents would not be playing a (static) best response to their beliefs.
Remark 3. This proposition says that each sender type is playing a best response to a belief about the receiver’s play that is correct on the equilibrium path, and that the receivers are playing an aggregate best response to the aggregate play of the senders. Thus the $\delta$-stable outcomes are a version of self-confirming equilibrium where different types of sender are allowed to have different beliefs.\textsuperscript{16}

Example 2. Consider the following game:

![Game Diagram]

Note the receiver is indifferent between all responses. Fix any regular prior $g_2$ for the receiver and let the sender’s prior $g_{i}(a')$ be given by a Dirichlet distribution with weights 1 and 3 on $a'$ and $a''$ respectively. Fix any regular prior $g_{i}(s'')$. We claim that it is $\delta$-stable when $\delta = 0$ for both types of senders to play $s''$ and for the receiver to play $a'$ after every signal, which is a type-heterogeneous rationalizable self-confirming equilibrium. However, the behavior of “pooling on $s''$” cannot occur even in the usual self-confirming equilibrium, where both types of the sender must hold the same beliefs about the receiver’s response to $s'$. \textit{A fortiori}, this pooling behavior cannot occur in a Nash equilibrium.

To establish this claim, note that since $\delta = 0$ each sender plays a myopically optimal signal after every history. For any $\gamma$, there is a steady state where the receivers’ policy responds to every signal with $a'$ after every history, type $\theta''$ senders play $s''$ after every history and never updates their prior belief about how receivers react to $s'$, and type $\theta'$ senders with fewer than 6 periods of experience play $s'$ but switch to playing $s''$ forever starting at age 7. The behavior of the $\theta'$ agents comes from the fact that after $k$ periods of playing $s'$ and seeing a response of $a'$ every period, the sender’s expected payoff from playing $s'$ next period is

\textsuperscript{16}Dekel, Fudenberg, and Levine (2004) define type-heterogeneous self-confirming equilibrium in static Bayesian games. To extend their definition to signalling games, we can define the “signal functions” $y_i(a, \theta)$ from that paper to respect the extensive form of the game. See also Fudenberg and Kamada (2016).
\begin{align*}
\frac{1+k}{4+k}(-1) + \frac{3}{4+k}(2).
\end{align*}

This expression is positive when \(0 \leq k \leq 5\) but negative when \(k = 6\). The fraction of type \(\theta'\) aged 6 and below approaches 0 as \(\gamma \to 1\), hence we have constructed a sequence of steady state strategy profiles converging to the strategy profile where the two types of senders both play \(s''\).

This example illustrates that even though all types of senders start with the same prior \(g_1\), their learning is endogenously determined by their play, which is in turn determined by their payoff structures. Since the two different types of senders play differently, their beliefs regarding how the receiver will react to \(s'\) eventually diverge.

We will now show that only Nash equilibrium profiles can be steady-state outcomes as \(\delta\) tends to 1. Moreover, this limit also rules out strategy profiles in which the sender’s strategy can only be supported by the belief that the receiver would play a dominated action in response to some of the unsent signals.

**Definition 11.** In a signalling game, a perfect Bayesian equilibrium with heterogeneous off-path beliefs is a strategy profile \((\pi^*_1, \pi^*_2)\) such that:

- For each \(\theta \in \Theta\), \(u_1(\theta; \pi^*) = \max_{s \in S} u_1(\theta, s, \pi^*_2(\cdot|s))\).
- For each on-path signal \(s\), \(u_2(p^*(\cdot|s), s, \pi^*_2(\cdot|s)) = \max_{\hat{a} \in A} u_2(p^*(\cdot|s), s, \hat{a})\).
- For each off-path signal \(s\) and each \(a \in A\) with \(\pi^*_2(a|s) > 0\), there exists a belief \(p \in \Delta(\Theta)\) such that \(u_2(p, s, a) = \max_{\hat{a} \in A} u_2(p, s, \hat{a})\).

Here \(u_1(\theta; \pi^*)\) refers to type \(\theta\)'s payoff under \(\pi^*\), and \(p^*(\cdot|s)\) is the Bayesian posterior belief about sender’s type after signal \(s\), under strategy \(\pi^*_1\).

The first two conditions imply that the profile is a Nash equilibrium. The third condition resembles that of perfect Bayesian equilibrium, but is somewhat weaker as it allows the receiver’s play after an off-path signal \(s\) to be a mixture over several actions, each of which is a best response to a different belief about the sender’s type. This means \(\pi^*_2(\cdot|s) \in \Delta(\text{BR}(\Delta(\Theta), s))\), but \(\pi^*_2(\cdot|s)\) itself may not be a best response to any unitary belief about the sender’s type.

**Proposition 5.** If strategy profile \(\pi^*\) is patiently stable, then it is a perfect Bayesian equilibrium with heterogeneous off-path beliefs.

**Proof.** In the Online Appendix, we prove that if \(\pi^*\) is patiently stable, then is a Nash equilibrium. We now explain why a patiently stable profile \(\pi^*\) must satisfy the third condition in **Definition 11.** After observing any history \(y_2\), a receiver who started with a regular prior thinks every signal has positive probability in his next match. So, his optimal policy prescribes for
each signal $s$ a best response to that receiver’s posterior belief about the sender’s type upon seeing signal $s$ after history $y_2$. For any regular prior $g$, $0 \leq \delta, \gamma < 1$, and any sender aggregate play $\pi_1$, we thus deduce $\mathcal{E}_{2}^{g,\delta,\gamma}[\pi_1](\cdot|s)$ is entirely supported on $\text{BR}(\Delta(\Theta), s)$. This means the the same is true about the aggregate receiver response in every steady state and hence in every patiently stable strategy profile.

The proof that patiently stable strategy profiles are Nash equilibria follows the proof strategy of Fudenberg and Levine (1993), which derived a contradiction via excess option values. We provide a proof sketch here: Suppose $\pi^*$ is patiently stable but not a Nash equilibrium. From Proposition 4, the receiver strategy is a best response to the aggregate strategy of the senders, and the senders optimize given correct beliefs about the responses to on-path signals. So there must be an unsent signal $s'$ that would be a profitable deviation for some type $\theta'$. Because priors are non-doctrinaire, they assign a non-negligible probability to receiver responses that would make $s'$ a better choice for type $\theta'$ than the signals she sends with positive probability under $\pi^*$, so when type $\theta'$ is very patient she should perceive a persistent option value to experimenting with $s'$. But this contradicts the fact that the option values evaluated at sufficiently long histories must go to 0.\footnote{The option values for the receivers are all identically equal to 0 as they get the same information regardless of their play.}

In Fudenberg and Levine (1993), this argument relies on the finite lifetime of the agents only to ensure that “almost all” histories are long enough, by picking a large enough lifetime. We can achieve the analogous effect in our geometric-lifetime model by picking $\gamma$ close to 1. Our proof uses the fact that if $\delta$ is fixed and $\gamma \to 1$, then the number of experiments that a sender needs to exhaust her option value is negligible relative to her expected lifespan, so that most senders are playing approximate best responses to their current beliefs. The same conclusion does not hold if we fix $\gamma$ and let $\delta \to 1$, even though the optimal sender policy only depends on the product $\delta \gamma$. This is because for a fixed sender policy the induced distribution on sender play depends on $\gamma$ but not on $\delta$. Thus our results strictly speaking only apply to the case where $\gamma$ goes to one much more quickly than $\delta$ does.

### 5.3 Patient stability implies the compatibility criterion

We will now prove our main result: patiently stability selects a strict subset of the Nash equilibria, namely those that satisfy the compatibility criterion.

**Definition 12.** For a fixed strategy profile $\pi^*$, let $u_1(\theta; \pi^*)$ denote the payoff to type $\theta$ under $\pi^*$, and let

$$J(s, \pi^*) := \left\{ \theta \in \Theta : \max_{a \in A} u_1(\theta, s, a) > u_1(\theta; \pi^*) \right\}$$
be the set of types for which some response to signal $s$ is better than their payoff under $\pi^*$.

Note that the reverse strict inequality would mean that $s$ is “equilibrium dominated” for $\theta$ in the sense of Cho and Kreps (1987).

**Definition 13.** The admissible beliefs at signal $s$ under profile $\pi^*$ are

$$P(s, \pi^*) := \bigcap \{P_{\theta'\theta''} : \theta' \succ_s \theta'' \text{ and } \theta' \in J(s, \pi^*)\}$$

where $P_{\theta'\theta''}$ is defined in Equation (3).

That is, $P(s, \pi^*)$ is the joint belief restriction imposed by a family of $P_{\theta'\theta''}$ for $(\theta', \theta'')$ satisfying two conditions: $\theta'$ is more type-compatible with $s$ than $\theta''$, and furthermore the more compatible type $\theta'$ belongs to $J(s, \pi^*)$. If there are no pairs $(\theta', \theta'')$ satisfying these two conditions, then (by convention of intersection over no elements) $P(s, \pi^*)$ is defined as $\Delta(\Theta)$.

In any signalling game and for any $\pi^*$, the set $P(s, \pi^*)$ is always non-empty because it always contains the prior $\lambda$.

**Definition 14.** Strategy profile $\pi^*$ satisfies the compatibility criterion if $\pi_2(s|\cdot) \in \Delta(\text{BR}(P(s, \pi^*), s))$ for every $s$.

Like divine equilibrium but unlike the Intuitive Criterion or Cho and Kreps (1987)’s $D1$ criterion, the compatibility criterion says only that some signals should not increase the relative probability of “implausible” types, as opposed to requiring that these types have probability 0.

One might imagine a version of the compatibility criterion where the belief restriction $P_{\theta'\theta''}$ applies whenever $\theta' \succ_s \theta''$. To understand why we require the additional condition that $\theta' \in J(s, \pi^*)$ in the definition of admissible beliefs, recall that Lemma 2 only gives a learning guarantee in the receiver’s problem when $\pi_1(s|\theta')$ is “large enough” for the more type-compatible $\theta'$. In the extreme case where $s$ is a strictly dominated signal for $\theta'$, she will never play it during learning. If $s$ is only equilibrium dominated for $\theta'$, then $\theta'$ may still not experiment very much with $s$. On the other hand, the next lemma provides a lower bound on the frequency that $\theta'$ experiments with $s'$ when $\theta' \in J(s', \pi^*)$ and $\delta$ and $\gamma$ are close to 1.

**Lemma 3.** Fix a regular prior $g$ and a strategy profile $\pi^*$ where for some type $\theta'$ and signal $s'$, $\theta' \in J(s', \pi^*)$.

There exist a number $\epsilon$ and functions $N \mapsto \delta(N)$ and $(N, \delta) \mapsto \gamma(N, \delta)$, all valued in $(0, 1)$, such that whenever:

- $\delta \geq \delta(N)$, $\gamma \geq \gamma(N, \delta)$
- $\pi \in \Pi^*(g, \delta, \gamma)$
• $\pi$ is no further away than $\epsilon$ from $\pi^*$ in $\ell_1$ norm, we have $\pi_1(s'|\theta') \geq (1 - \gamma) \cdot N$.

By $\ell_1$ norm we mean the norm generated by the metric

$$d(\pi, \pi^*) = \sum_{\theta \in \Theta} \sum_{s \in S} |\pi(s|\theta) - \pi^*(s|\theta)| + \sum_{s \in S} \sum_{a \in A} |\pi_2(a|s) - \pi^*_2(a|s)|.$$  (4)

Note that since $\pi_1(s|\theta')$ is between 0 and 1, we know that $(1 - \gamma(N, \delta)) \cdot N < 1$ for each $N$.

The proof of this lemma is in Section OA5 of the Online Appendix. To gain an intuition for it, suppose that not only is $s'$ equilibrium undominated in $\pi^*$, but furthermore $s'$ can lead to the highest signalling game payoff for type $\theta'$ under some receiver response $a'$. Because the prior is non-doctrinaire, the Gittins index of each signal $s'$ in the learning problem approaches its highest possible payoff in the stage game as the sender becomes infinitely patient. Therefore, for every $N \in \mathbb{N}$, when $\gamma$ and $\delta$ are close enough to 1, a newborn type $\theta'$ will play $s'$ in each of the first $N$ periods of her life, regardless of what responses she receives during that time. These $N$ periods account for roughly $(1 - \gamma) \cdot N$ fraction of her life, proving the lemma in this special case. It turns out even if $s'$ does not lead to the highest potential payoff in the signalling game, long-lived players will have a good estimate of their steady state payoff. So, type $\theta'$ will still play any $s'$ that is equilibrium undominated in strategy profile $\pi^*$ at least $N$ times in any steady states that are sufficiently close to $\pi^*$, though these $N$ periods may not occur at the beginning of her life.

**Theorem 2.** Every patiently stable strategy profile $\pi^*$ satisfies the compatibility criterion.

The proof combines Lemma 1, Lemma 2, and Lemma 3. Lemma 1 shows that types that are more compatible with $s'$ play it more often. Lemma 3 says that types for whom $s'$ is not equilibrium dominated will play it “many times.” Finally, Lemma 2 shows that the “many times” here is sufficiently large that most receivers correctly believe that more compatible types play $s'$ more than less compatible types do, so their posterior odds ratio for more versus less compatible types exceeds the prior ratio.

**Proof.** Suppose $\pi^*$ is patiently stable under regular prior $g$. Fix a $s'$ and an action $\hat{a} \notin \text{BR}(P(s', \pi^*), s')$. Let $h > 0$ be given. We will show that $\pi^*_2(\hat{a}|s') < h$. Since the choices of $s'$, $\hat{a}$, and $h > 0$ are arbitrary, we will have proven the theorem.

**Step 1:** Setting some constants.

In the statement of Lemma 2, for each pair $\theta', \theta''$ such that $\theta' \succ_{s'} \theta''$ and $\theta' \in J(s', \pi^*)$, put $\epsilon = \frac{h}{2|\Theta|^2}$ and find $C_{\theta', \theta''}$ and $\gamma_{\theta', \theta''}$ so that the result holds. Let $C$ be the maximum of all such $C_{\theta', \theta''}$ and $\gamma$ be the maximum of all such $\gamma_{\theta', \theta''}$. Also find $n \geq 1$ so that

$$1 - \frac{1}{n} > 1 - \frac{h}{2|\Theta|^2}. \tag{5}$$

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In the statement of Lemma 3, for each \( \theta' \) such that \( \theta' \succ_{s'} \theta'' \) for at least one \( \theta'' \), find \( \epsilon_{\theta'}, \delta_{\theta'}(nC), \gamma_{\theta'}(nC, \delta) \) so that the lemma holds. Write \( \epsilon^* > 0 \) as the minimum of all such \( \epsilon_{\theta'} \) and let \( \delta^*(nC) \) and \( \gamma^*(nC, \delta) \) represent the maximum of \( \delta_{\theta'} \) and \( \gamma_{\theta'} \) across such \( \theta' \).

**Step 2:** Finding a steady state profile with large \( \delta, \gamma \) that approximates \( \pi^* \).

Since \( \pi^* \) is patiently stable under \( g \), there exists a sequence of strategy profiles \( \pi^{(j)} \to \pi^* \) where \( \pi^{(j)} \) is \( \delta_j \)-stable under \( g \) with \( \delta_j \to 1 \). Each \( \pi^{(j)} \) can be written as the limit of steady state strategy profiles. That is, for each \( j \) there exists \( \gamma_{j,k} \to 1 \) and a sequence of steady state profiles \( \pi^{(j,k)} \in \Pi^*(g, \delta_j, \gamma_{j,k}) \) such that \( \lim_{k \to \infty} \pi^{(j,k)} = \pi^{(j)} \).

The convergence of the array \( \pi^{(j,k)} \) to \( \pi^* \) means we may find \( j \in \mathbb{N} \) and function \( k(j) \) so that whenever \( j \geq j \) and \( k \geq k(j) \), \( \pi^{(j,k)}(\pi) \) is no more than \( \min(\epsilon^*, \frac{h}{2|\Theta|^2}) \) away from \( \pi^* \). Find \( j^0 \geq j \) large enough so \( \delta^0 := \delta_{j^0} > \delta^*(nC) \), and then find a large enough \( k^0 \geq k(j^0) \) so that \( \gamma^0 := \gamma_{j^0,k^0} > \max(\gamma^*(nC, \delta^0), \gamma) \). So we have identified a steady state profile \( \pi^0 := \pi^{(j^0,k^0)} \in \Pi^*(g, \delta^0, \gamma^0) \) which approximates \( \pi^* \) to within \( \min(\epsilon^*, \frac{h}{2|\Theta|^2}) \).

**Step 3:** Applying properties of \( \mathcal{R}_1 \) and \( \mathcal{R}_2 \).

For each pair \( \theta', \theta'' \) such that \( \theta' \succ_{s'} \theta'' \) and \( \theta' \in J(s', \pi^*) \), we will bound the probability that \( \pi_2^0(\cdot | s') \) does not best respond to \( P_{\theta' \theta''} \) by \( \frac{h}{2|\Theta|^2} \). Since there are at most \( |\Theta| \cdot (|\Theta| - 1) \) such pairs in the intersection defining \( P(s', \pi^*) \), this would imply that \( \pi_2^0(\cdot | s') < |\Theta| \cdot (|\Theta| - 1) \cdot \frac{h}{2|\Theta|^2} \) since \( a \notin \text{BR}(P(s', \pi^*), s') \). And since \( \pi_2^0 \) is no more than \( \frac{h}{2|\Theta|^2} \) away from \( \pi_2 \), this would show \( \pi_2(\cdot | s') < h \).

By construction \( \pi^0 \) is closer than \( \epsilon_{\theta'} \) to \( \pi^* \), and furthermore \( \delta^0 \geq \delta_{\theta'}(nC) \) and \( \gamma^0 \geq \gamma_{\theta'}(nC, \delta^0) \). By Lemma 3, \( \pi_1^0(s' | \theta') \geq nC(1 - \gamma^0) \). At the same time, \( \pi_1^0 = \mathcal{R}_1[\pi_2^0] \) and \( \theta' \succ_{s'} \theta'' \), so Lemma 1 implies that \( \pi_1^0(s' | \theta') \geq \pi_1^0(s' | \theta'') \). Turning to the receiver side, \( \pi_2^0 = \mathcal{R}_2[\pi_1^0] \) with \( \pi_1^0 \) satisfying the conditions of Lemma 2 associated with \( \epsilon = \frac{h}{2|\Theta|^2} \) and \( \gamma^0 \geq \gamma \). Therefore, we conclude

\[
\pi_2^0(\text{BR}(P_{\theta' \theta''}, s') | s') \geq 1 - \frac{1}{n} - \frac{h}{2|\Theta|^2}.
\]

But by construction of \( n \) in (5), \( 1 - \frac{1}{n} > 1 - \frac{h}{2|\Theta|^2} \). So the LHS is at least \( 1 - \frac{h}{2|\Theta|^2} \), as desired.

**Remark 4.** More generally, consider any model for our populations of agents with geometrically distributed lifetimes that generates aggregate response functions \( \mathcal{R}_1 \) and \( \mathcal{R}_2 \). Then the proof of Theorem 2 applies to the steady states of Proposition 2 provided that:

(a). \( \mathcal{R}_1 \) satisfies the conclusion of Lemma 1.

(b). \( \mathcal{R}_2 \) satisfies the conclusion of Lemma 2.

(c). For \((\theta', s')\) pairs such that \( \theta' \succ_{s'} \theta'' \) for at least one \( \theta'' \) and \( \theta' \in J(s', \pi^*) \), Lemma 3 is valid for \((\theta', s')\).

We outline two such more general learning models below.
**Corollary 1.** Every patiently stable strategy profile under either of the following learning models satisfies the compatibility criterion.

(a) **Heterogeneous priors.** There is a finite collection of regular sender priors \( \{g_{1,k}\}_{k=1}^{n} \) and a finite collection of regular receiver priors \( \{g_{2,k}\}_{k=1}^{n} \). Upon birth, an agent is endowed with a random prior, where the distributions over priors are \( \mu_1 \) and \( \mu_2 \) for senders and receivers. An agent’s prior is independent of her payoff type, and furthermore no one ever observes another person’s prior.

(b) **Social learning.** Suppose \( 1 - \alpha \) fraction of the senders are “normal learners” as described in Section 2, but the remaining \( 0 < \alpha < 1 \) fraction are “social learners.” At the end of each period, a social learner can observe the extensive-form strategies of her matched receiver and of \( c > 0 \) other matches sampled uniformly at random. Each sender knows whether she is a normal learner or a social learner upon birth, which is uncorrelated with her payoff type. Receivers cannot distinguish between the two kinds of senders.

**Proof.** It suffices to verify the three conditions of Remark 4 for these two models.

(a) **Heterogeneous priors.** Write \( \mathcal{R}_1^{(\mu,\delta,\gamma)} \) and \( \mathcal{R}_2^{(\mu,\delta,\gamma)} \) to represent the ASR and ARR respectively in this model with heterogeneous priors.

It is easy to see that

\[
\mathcal{R}_1^{(\mu,\delta,\gamma)}[\pi_2] = \sum_{k=1}^{n} \mu_1(g_{1,k}) \cdot \mathcal{R}_1^{(g_{1,k},\delta,\gamma)}[\pi_2]
\]

for every \( 0 \leq \delta, \gamma < 1 \), where by \( \mathcal{R}_1^{(g_{1,k},\delta,\gamma)} \) we mean the ASR in the unmodified model where all senders have prior \( g_{1,k} \). Each \( \mathcal{R}_1^{(g_{1,k},\delta,\gamma)} \) satisfies Lemma 1, meaning if \( \theta' \succ_{\gamma} \theta'' \), then \( \mathcal{R}_1^{(g_{1,k},\delta,\gamma)}[\pi_2](s'|\theta') \geq \mathcal{R}_1^{(g_{1,k},\delta,\gamma)}[\pi_2](s'|\theta'') \). So Lemma 1 continues to hold for \( \mathcal{R}_1^{(\mu,\delta,\gamma)} \), which is a convex combination of these other ASRs.

Analogously, we have \( \mathcal{R}_2^{(\mu,\delta,\gamma)} = \sum_{k=1}^{n} \mu_2(g_{2,k}) \cdot \mathcal{R}_2^{(g_{2,k},\delta,\gamma)} \). Each \( \mathcal{R}_2^{(g_{2,k},\delta,\gamma)} \) satisfies Lemma 2, that is to say for each \( \theta', \theta'', s' \) and \( \epsilon \) there exists \( C_k \) and \( \gamma_k \) such that the lemma holds.

So Lemma 2 must also hold for the convex combination \( \mathcal{R}_2^{(\mu,\delta,\gamma)} \), taking \( C := \max_k C_k \) and \( \gamma := \max_k \gamma_k \).

Finally, in the proof of Lemma 3 we may separately analyze the experimentation rates of senders born with different priors. Fix a strategy profile \( \pi^* \) where \( \theta \in J(s,\pi^*) \) for some type \( \theta \) and signal \( s \). The conclusion is that for each \( k \) there exists \( \epsilon_k \) and functions \( \delta_k, \gamma_k \) so that whenever \( \delta \geq \delta_k(N), \gamma \geq \gamma_k(N,\delta), \pi \) is a steady state of the heterogeneous priors model no further away than \( \epsilon_k \) from \( \pi^* \) in \( L_1 \) norm, then at least \( (1 - \gamma)N \) fraction of the type \( \theta \) senders who were born with \( g_{1,k} \) prior will be playing \( s' \) each period. By taking \( \epsilon := \min_k \epsilon_k, \delta(\cdot) := \max_k \delta_k(\cdot), \) and \( \gamma(\cdot,\cdot) := \max_k \gamma_k(\cdot,\cdot), \) we conclude that \( (1 - \gamma)N \) fraction of the entire type \( \theta' \) population must play \( s' \) each period.
(b) **Social learning.** Write $R^*_1$ for the ASR in this modified model and write $R^*_1$ for the ASR in a model where all senders are social learners. Social learners play myopic best responses to their current belief each period since they receive the same information regardless of their signal choice. But from the definition of $\theta' \succ s' \theta''$, whenever $s'$ is a myopic weak best response for $\theta'$, it is also a myopic strict best response for $\theta'$. Fixing the receiver’s aggregate play at $\pi_2$, both types of social learners face the same distribution over their beliefs. This shows $R^*_1[\pi_2](s'|\theta') \geq R^*_1[\pi_2](s'|\theta'')$ whenever $\theta' \succ s' \theta''$, so $R^*_1$ satisfies Lemma 1 and since $R^*_1[\pi_2] = \alpha R^*_1[\pi_2] + (1 - \alpha) R_S[\pi_2]$, $R^*_1$ also satisfies Lemma 1.

Since receivers cannot distinguish between the two kinds of senders, we have not modified the receivers’ learning problem. So $R_2$ continues to satisfy Lemma 2. Moreover, the experimentation behavior of the $1 - \alpha$ fraction of “normal learners” satisfies the conclusion of Lemma 3. More precisely, there exists $\epsilon$ and functions $\hat{\delta}, \hat{\gamma}$ so that whenever $\delta \geq \hat{\delta}(N)$, $\gamma \geq \hat{\gamma}(N, \delta)$, $\pi$ is a steady state of the heterogeneous priors model no further away than $\epsilon$ from $\pi^*$ in $L_1$ norm, then at least $(1 - \gamma)N$ fraction of normal learner senders will be playing $s'$ each period. But if we set $\delta(N) := \hat{\delta}(N/(1 - \alpha))$ and $\gamma(N, \delta) := \hat{\gamma}(N/(1 - \alpha), \delta)$, then whenever $\delta \geq \delta(N)$, $\gamma \geq (N, \delta)$ and other relevant conditions are satisfied, the overall steady state play of the type $\theta'$ population will place weight at least $(1 - \gamma) \cdot (1 - \alpha) \cdot (N/(1 - \alpha)) = (1 - \gamma) \cdot N$ on $s'$.

**Example 3.** The beer-quiche game of Example 1 has two components of Nash equilibria: “beer-pooling equilibria” where both types play B with probability 1, and “quiche-pooling equilibria” where both types play Q with probability 1. The latter component requires the receiver to play F with positive probability after signal B.

No quiche-pooling equilibrium satisfies the compatibility criterion. This is because when $\pi^*$ is a quiche-pooling equilibrium, type $\theta_{\text{strong}}$’s equilibrium payoff is 2, so $\theta_{\text{strong}} \in J(B, \pi^*)$ since $\theta_{\text{strong}}$’s highest possible payoff under B is 3. We have also shown in Example 1 that $\theta_{\text{strong}} \succ B \theta_{\text{weak}}$. Thus,

$$P(B, \pi^*) = \left\{ p \in \Delta(\Theta) : \frac{p(\theta_{\text{weak}})}{p(\theta_{\text{strong}})} \leq \frac{\lambda(\theta_{\text{weak}})}{\lambda(\theta_{\text{strong}})} = 1/9 \right\}.$$

F is not a best response after B to any such belief, so equilibria in which F occurs with positive probability after B do not satisfy the compatibility criterion. Since the compatibility criterion is a necessary condition for patient stability by Theorem 2, no quiche-pooling equilibrium is patiently stable. Since the set of patiently stable outcomes is a non-empty subset of the set of Nash equilibria by Proposition 5, pooling on beer is the unique patiently stable outcome.

By Remark 4, quiche-pooling equilibria are still not patiently stable in more general learning models involving either heterogeneous priors or social learners.

\[\diamondsuit\]
5.4 Patient stability and equilibrium dominance

In generic games, equilibria where the receiver plays a pure strategy must satisfy a stronger condition than the compatibility criterion to be patiently stable.

**Definition 15.** Let

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

If \( \tilde{J}(s', \pi^*) \) is non-empty, define the strongly admissible beliefs at signal \( s' \) under profile \( \pi^* \) to be

\[ \tilde{P}(s', \pi^*) := \Delta(\tilde{J}(s', \pi^*)) \cap \left\{ P_{\theta' \theta''} : \theta' \succ_s \theta'' \right\} \]

where \( P_{\theta' \theta''} \) is defined in Equation (3). Otherwise, define \( \tilde{P}(s', \pi^*) := \Delta(\Theta) \).

Here, \( \tilde{J}(s, \pi^*) \) is the set of types for which **some** response to signal \( s \) is at least as good as their payoff under \( \pi^* \). Note that \( \tilde{P} \), unlike \( P \), assigns probability 0 to equilibrium dominated types, which is the belief restriction of the Intuitive Criterion.

**Definition 16.** 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 \( u_2(s^*, a^*, \pi_1) > \max_{a \neq a^*} u_2(s^*, a, \pi_1) \).

Of course, the receiver cannot have strict ex-ante preferences over play at unreached information sets; this condition is called “on-path strict” because we do not place restrictions on the receiver’s incentives after off-path signals. In generic signalling games, all pure-strategy equilibria are on-path strict for the receiver, but the same is not true for mixed-strategy equilibria.

**Definition 17.** A strategy profile \( \pi^* \) satisfies the strong compatibility criterion if at every signal \( s' \) we have

\[ \pi^*_2(\cdot \mid s') \in \Delta(BR(\tilde{P}(s', \pi^*), s')). \]

It is immediate that the strong compatibility criterion implies the compatibility criterion, since it places more stringent restrictions on the receiver’s behavior. It is also immediate that the strong compatibility criterion implies the Intuitive Criterion.

**Theorem 3.** Suppose \( \pi^* \) is on-path strict for the receiver and patiently stable. Then it satisfies the strong compatibility criterion.

The proof of this theorem appears in Appendix A.4. Here we provide an outline of the arguments.
We first show there is a sequence of steady state strategy profiles \( \pi^{(k)} \in \Pi^*(g, \delta_k, \gamma_k) \) with \( \gamma_k \to 1 \) and \( \pi^{(k)} \to \pi^* \), where the rate of on-path convergence of \( \pi^{(k)}_2 \) to \( \pi^*_2 \) is of order \( (1 - \gamma_k) \).

That is, there exists some \( N_{\text{wrong}} \in \mathbb{N} \) so that \( \pi^{(k)}_2(s^*|s^*) \) converges to \( \pi^*_2(s^*|s^*) \) at the rate of \( (1 - \gamma_k) \cdot N_{\text{wrong}} \) for every \( k \) and each on-path signal \( s^* \).

Next, we consider a type \( \theta^D \) for whom \( s^* \) equilibrium dominates the off-path \( s' \). We show the probability that a very patient \( \theta^D \) ever switches away from \( s^* \) after trying it for the first time is bounded by a multiple of the weight that \( \pi^2_2(s^*|s^*) \) assigns to non-equilibrium responses to \( s^* \). Together with the fact that \( \pi^{(k)}_2(s^*|s^*) \) converges to \( \pi^*_2(s^*|s^*) \) at the rate of \( (1 - \gamma_k) \), this lets us find some \( N \in \mathbb{N} \) so that \( \pi^{(k)}_1(s'|\theta^D) < N \cdot (1 - \gamma_k) \) for every \( k \) and each \( s' \in \tilde{J}(s^*, \pi^*) \), Lemma 3 shows for any \( N' \in \mathbb{N} \), for large enough \( k \) we will have \( \pi^{(k)}_1(s'|\theta^D) > N' \cdot (1 - \gamma_k) \). So by choosing \( N' \) sufficiently large relative to \( N \), we can show that \( \lim_{k \to \infty} \pi^{(k)}_1(s'|\theta') = \infty \). Finally, we apply Theorem 2 of Fudenberg, He, and Imhof (2017) to deduce that a typical receiver has enough data to conclude someone who sends \( s' \) is arbitrarily more likely to be \( \theta' \) than \( \theta^D \), thus eliminating completely any belief in equilibrium dominated types after \( s' \).

**Remark 5.** As noted by Fudenberg and Kreps (1988) and Sobel, Stole, and Zapater (1990), it seems “intuitive” that learning and rational experimentation should lead receivers to assign probability 0 to types that are equilibrium dominated, so it might seem surprising that this theorem needs the additional assumption that the equilibrium is on-path strict for the receiver. However, in our model senders start out initially uncertain about the receivers’ play, and so even types for whom a signal is equilibrium dominated might initially experiment with it. Showing that these experiments do not lead to “pervasive” responses by the receivers requires some arguments about the relative probabilities with which equilibrium-dominated types and non-equilibrium-dominated types play off-path signals. When the equilibrium involves on-path receiver randomization, a non-trivial fraction of receivers could play an action that a type finds strictly worse than her worst payoff under an off-path signal. In this case, we do not see how to show that the probability she ever switches away from her equilibrium signal tends to 0 with patience, since the event of seeing a large number of these unfavorable responses in a row has probability bounded away from 0 even when the receiver population plays exactly their equilibrium strategy. However, we do not have a counterexample to show that the conclusion of the theorem fails without on-path strictness for the receiver.

**Example 4.** In the following modified beer-quiche game, we still have \( \lambda(\theta_{\text{strong}}) = 0.9 \), but the payoffs of fighting a type \( \theta_{\text{weak}} \) who drinks beer have been substantially increased:
Consider the Nash equilibrium $\pi^*$ where both types play Q, supported by the receiver playing F after B. Since F is a best response to the prior $\lambda$ after B, it is not ruled out by the compatibility criterion.

This pooling equilibrium is on-path strict for the receiver, because the receiver has a strict preference for NF at the only on-path signal, Q. Moreover, it does not satisfy the strong compatibility criterion, because $\tilde{J}(B, \pi^*) = \{\theta_{\text{strong}}\}$ implies the only strongly admissible belief after B assigns probability 1 to the sender being $\theta_{\text{strong}}$. So NF is the only off-path response after B that satisfies the strong compatibility criterion. Thus Theorem 3 implies that this equilibrium is not patiently stable.

6 Discussion

Our learning model supposes that the agents have geometrically distributed lifetimes, which is one of the reasons that the senders’ optimization problems can be solved using the Gittins index. If agents were to have fixed finite lifetimes, as in Fudenberg and Levine (1993, 2006), their optimization problem would not be stationary. For this reason, the finite-horizon analog of the Gittins index is only approximately optimal for the finite-horizon multi-armed bandit problem (Niño-Mora, 2011). Applying the geometric lifetime framework to steady-state learning models for other classes of extensive-form games could prove fruitful, especially for games where we need to compare the behavior of various players or player types.

Our results provide an upper bound on the set of patiently stable strategy profiles in a signalling game. In Fudenberg and He (2017), we will provide a lower bound for the same set, as well as a sharper upper bound under additional restrictions on the priors. But together these results will not give an exact characterization of patiently stable outcomes. Nevertheless,
our results do show how the theory of learning in games provides a foundation for refining the set of Nash equilibria in signalling games.

In future work, we hope to investigate a learning model featuring temporary sender types. Instead of the sender’s type being assigned at birth and fixed for life, at the start of each period each sender takes an i.i.d. draw from $\lambda$ to discover her type for that period. When the players are impatient, this yields different steady states than the fixed-type model here, as noted by Dekel, Fudenberg, and Levine (2004). This model will require different tools to analyze, since the sender’s problem now becomes a restless bandit.

Theorem 1 may also find applications in studies of other sorts of dynamic decisions. Consider any multi-armed bandit problem where each arm $m$ is associated with an unknown distribution over prizes $Z_m$. Given a discount factor, a prior belief over prize distributions, and a utility function over prizes $u : \cup_m Z_m \rightarrow \mathbb{R}$, we can characterize the agent’s optimal dynamic behavior using the Gittins index. Theorem 1 essentially provides a comparison between the dynamic behavior of two agents based on their static preferences $u$ over the prizes. As an immediate application, consider a principal-agent setting where the principal knows the agent’s utility $u$, but not the agent’s beliefs over the prize distributions of different arms or agent’s discount factor. Suppose the principal observes the agent choosing arm 1 in the first period. The principal can impose taxes and subsidies on the different prizes and arms, changing the agent’s per-period utility to $\tilde{u} : \cup_m Z_m \rightarrow \mathbb{R}$. For what taxes and subsidies would the agent still have chosen arm 1 in the first period, robust across all specifications of her initial beliefs and discount factor? According to Theorem 1, the answer is roughly those taxes and subsidies such that arm 1 is more type-compatible with $\tilde{u}$ than $u$.

References


\footnote{This is precisely the answer when the compatibility relation is irreflexive.}


A Appendix – Relegated Proofs

A.1 Proof of Proposition 1

Proposition 1:

(a). \( \succsim_s \) is transitive.

(b). Except when \( s' \) is either strictly dominant for both \( \theta' \) and \( \theta'' \) or strictly dominated for both \( \theta' \) and \( \theta'' \), \( \theta' \succsim_s \theta'' \) implies \( \theta'' \not\succsim_s \theta' \).

Proof. To show (a), suppose \( \theta' \succsim_s \theta'' \) and \( \theta'' \succsim_s \theta''' \). 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 \( \theta' \succsim_s \theta''' \).

To establish (b), partition the set of receiver strategies as \( \Pi_2 = \Pi^+_2 \cup \Pi^0_2 \cup \Pi^-_2 \), 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 \( \Pi^0_2 \) is nonempty, then \( \theta' \succsim_s \theta'' \) implies \( \theta'' \not\succsim_s \theta' \). This is because against any \( \pi_2 \in \Pi^0_2 \), 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 \( \Pi^0_2 \) is nonempty. This is because both \( \pi_2 \mapsto u_1(\theta'', s', \pi_2(|s'|)) \) and \( \pi_2 \mapsto \max_{s'' \neq s'} u_1(\theta'', s'', \pi_2(|s''|)) \) 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 \( \alpha \pi^+_2 + (1 - \alpha) \pi^-_2 \in \Pi^0_2 \). If only \( \Pi^+_2 \) is nonempty and \( \theta' \succsim_s \theta'' \), then \( s' \) is strictly dominant for both \( \theta' \) and \( \theta''' \). If only \( \Pi^-_2 \) is nonempty, then we can have \( \theta'' \succsim_s \theta' \) only when \( s' \) is never a weak best response for \( \theta' \) against any \( \pi_2 \in \Pi_2 \).

A.2 Proof of Theorem 1

Theorem 1: \( \theta' \succsim_s \theta'' \) if and only if for every \( \beta \in [0, 1] \) and every \( \nu \), \( I(\theta'', s', \nu, \beta) \geq \max_{s'' \neq s'} I(\theta'', s'', \nu, \beta) \) implies \( I(\theta', s', \nu, \beta) > \max_{s'' \neq s'} I(\theta', s'', \nu, \beta) \).
Proof. Step 1: (If)
For every $\nu$, define the induced average receiver strategy $\bar{\pi}_2^\nu \in \Pi_2$ as

$$\bar{\pi}_2^\nu(a|s) := \int_{\pi_2,s \in \Delta(A)} \pi_2,s(a) d\nu(\pi_2,s),$$

where the domain of integration is the set of all mixed responses $\pi_2,s$ to $s$, distributed according to $\nu$.

If $\theta' \neq s \theta''$, then there is $\pi_2 \in \Pi_2$ such that

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

and

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

But when $\beta = 0$, the Gittins index of signal $s$ is just its myopic payoff, $I(\theta, s, \nu, \beta) = u_1(\theta, s, \pi^\nu_2(\cdot|s))$, so by choosing a prior $\nu$ such that $\pi^\nu_2 = \pi_2$, we have the contradiction $I(\theta'', s', \nu, \beta) \geq \max_{s'' \neq s'} I(\theta'', s'', \nu, \beta)$ yet $I(\theta', s', \nu, \beta) \leq \max_{s'' \neq s'} I(\theta', s'', \nu, \beta)$.

Step 2: (Only if)

Step 2.1: Induced mixed actions.
A belief $\nu_s$ and a stopping time $\tau_s$ together define a stochastic process $(A_t)_{t \geq 0}$ over the space $A \cup \{\emptyset\}$, where $A_t \in A$ corresponds to the receiver action seen in period $t$ if $\tau_s$ has not yet stopped ($\tau_s > t$), and $A_t := \emptyset$ if $\tau_s$ has stopped ($\tau_s \leq t$). Enumerating $A = \{a_1, ..., a_n\}$, we write $p_{t,i} := \mathbb{P}_{\nu_s}[A_t = a_i]$ for $1 \leq i \leq n$ to record the probability of seeing receiver action $a_i$ in period $t$ and $p_{t,0} := \mathbb{P}_{\nu_s}[A_t = \emptyset] = \mathbb{P}_{\nu_s}[\tau_s \leq t]$ for the probability of seeing no receiver action in period $t$ due to $\tau_s$ having stopped.

Given $\nu_s$ and $\tau_s$, we define the induced mixed actions after signal $s$, $\pi_{2,s}(\nu_s, \tau_s, \beta)$,

$$\pi_{2,s}(\nu_s, \tau_s, \beta)(a) := \begin{cases} \sum_{t=0}^{\tau_s} \beta^t p_{t,i} / \sum_{t=0}^{\tau_s} \beta^t & \text{if } a = a_i \\ 0 & \text{else} \end{cases}.$$

As $\sum_{i=1}^n p_{t,i} = 1 - p_{t,0}$ for each $t \geq 0$, it is clear that $\pi_{2,s}(\nu_s, \tau_s, \beta)$ puts non-negative weights on actions in $A$ that sum to 1, so $\pi_{2,s}(\nu_s, \tau_s, \beta) \in \Delta(A)$ may indeed be viewed as a mixture over receiver’s actions.

Step 2.2: Induced mixed actions and per-period payoff.
We now show that, for any $\beta$ and any stopping time $\tau_s$ for signal $s$, the utility of playing against $\pi_{2,s}(\nu_s, \tau_s, \beta)$ is exactly the corresponding normalized payoff under $\tau_s$,

$$u_1(\theta, s, \pi_{2,s}(\nu_s, \tau_s, \beta)) = \mathbb{E}_{\nu_s}\left\{\sum_{t=0}^{\tau_s-1} \beta^t \cdot u_1(\theta, s, a_s(t)) \right\} / \mathbb{E}_{\nu_s}\left\{\sum_{t=0}^{\tau_s-1} \beta^t \right\}.$$
To see why this is true, rewrite the denominator of the right-hand side as

$$E_{\nu_s} \left\{ \sum_{t=0}^{\tau_s-1} \beta^t \right\} = E_{\nu_s} \left\{ \sum_{t=0}^{\infty} [1_{\tau_s > t}] \cdot \beta^t \right\} = \sum_{t=0}^{\infty} \beta^t \cdot \mathbb{P}_{\nu_s} [\tau_s > t] = \sum_{t=0}^{\infty} \beta^t (1 - p_t,0),$$

and rewrite the numerator as

$$E_{\nu_s} \left\{ \sum_{t=0}^{\tau_s-1} \beta^t \cdot u_1(\theta, s, a_s(t)) \right\} = \sum_{t=0}^{\infty} \beta^t \cdot \left( p_{t,0} \cdot 0 \right)_{\text{get 0 if already stopped}} + \sum_{i=1}^{n} p_{t,i} \cdot u_1(\theta, s, a_i)_{\text{else, take average expected payoff}}$$

$$= \sum_{i=1}^{n} \left( \sum_{t=0}^{\infty} \beta^t \cdot p_{t,i} \right) \cdot u_1(\theta, s, a_i).$$

So overall,

$$E_{\nu_s} \left\{ \sum_{t=0}^{\tau_s-1} \beta^t \cdot u_1(\theta, s, a_s(t)) \right\} / E_{\nu_s} \left\{ \sum_{t=0}^{\tau_s-1} \beta^t \right\} = \sum_{i=1}^{n} \left( \sum_{t=0}^{\infty} \beta^t \cdot p_{t,i} \right) / \sum_{t=0}^{\infty} \beta^t (1 - p_t,0) \cdot u_1(\theta, s, a_i) = u_1(\theta, s, \pi_{2,s}(\nu_s, \tau_s, \beta)).$$

Thus under the optimal stopping time $\tau^\theta_s$ for the stopping problem of type $\theta$ and signal $s$,

$$u_1(\theta, s, \pi_{2,s}(\nu_s, \tau^\theta_s, \beta)) = E_{\nu_s} \left\{ \sum_{t=0}^{\tau^\theta_s-1} \beta^t \cdot u_1(\theta, s, a_s(t)) \right\} / E_{\nu_s} \left\{ \sum_{t=0}^{\tau^\theta_s-1} \beta^t \right\} = I(\theta, s, \nu, \beta)$$

by the definition of $I(\theta, s, \nu, \beta)$ as the value of the optimal stopping problem.

**Step 2.3: Applying the definition of $\theta' \succ_s \theta''$.**

Suppose now $\theta' \succ_s \theta''$ and fix some $\beta \in [0,1)$ and prior belief $\nu$. Suppose $I(\theta'', s', \nu, \beta) \geq \max_{s'' \neq s'} I(\theta'', s'', \nu, \beta)$. We show that $I(\theta', s', \nu, \beta) > \max_{s'' \neq s'} I(\theta', s'', \nu, \beta)$.

On any arm $s'' \neq s'$ type $\theta''$ could use the (suboptimal) stopping time $\tau^\theta_{s''}$, so
Proposition 2

A.3 Proof of Proposition 2

\[ I(\theta'', s'', \nu, \beta) \geq \mathbb{E}_{\nu''} \left\{ \sum_{t=0}^{\tau_{R}''-1} \beta^t \cdot u_1(\theta'', s'', a_{\delta''}(t)) \right\} / \mathbb{E}_{\nu''} \left\{ \sum_{t=0}^{\tau_{R}''-1} \beta^t \right\} \]

= \[ u_1(\theta'', s'', \pi''(\nu'', \tau_{R}''^{T}, \beta)). \]

By the hypothesis \( I(\theta'', s', \nu, \beta) \geq \max_{s'' \neq s'} I(\theta'', s'', \nu, \beta) \), we get

\[ I(\theta'', s', \nu, \beta) \geq \max_{s'' \neq s'} u_1(\theta'', s'', \pi''(\nu'', \tau_{R}''^{T}, \beta)). \]

Now define \( \pi_2 \in \Pi_2 \) by \( \pi_2(s') := \pi'_2(\nu'_2, \tau_{R}''^{T}, \beta), \pi_2(s'' := \pi'_2(\nu'', \tau_{R}''^{T}, \beta) \) for all \( s'' \neq s' \). Then \( u_1(\theta'', s', \pi_2(s')) \geq \max_{s'' \neq s'} u_1(\theta'', s'', \pi_2(s'')). \) By the definition of \( \theta' \succ \theta'' \), this implies \( u_1(\theta', s', \pi_2(s')) > \max_{s'' \neq s'} u_1(\theta'', s'', \pi_2(s'')). \) But since \( \pi_2(s'') = \pi'_2(\nu'', \tau_{R}''^{T}, \beta) \), we get \( u_1(\theta', s'', \pi_2(s'')) = I(\theta', s'', \nu, \beta) \) for all \( s'' \neq s' \). This means \( u_1(\theta', s', \pi_2(s', \tau_{R}''^{T}, \beta)) > \max_{s'' \neq s'} I(\theta', s'', \nu, \beta). \)

On the left-hand side, \( u_1(\theta', s', \pi_2(s', \tau_{R}''^{T}, \beta)) \) is attained by taking the suboptimal stopping time \( \tau_{R}''^{T} \) in the optimal stopping problem of type \( \theta' \) and signal \( s' \), so we get \( I(\theta', s', \nu, \beta) \geq u_1(\theta', \pi_2(\nu'' \tau_{R}''^{T}, \beta)). \) This shows \( I(\theta', s', \nu, \beta) > \max_{s'' \neq s'} I(\theta', s'', \nu, \beta). \)

A.3 Proof of Proposition 2

Proposition 2: \( \pi^* \in \Pi^*(g, \delta, \gamma) \) if and only if \( R_{1,2}^{\delta, \gamma}[\pi^*_2] = \pi^*_1 \) and \( R_{2}^{\delta, \gamma}[\pi^*_1] = \pi^*_2. \)

Proof: Suppose \( \pi^* \) is such that \( R_{1,2}^{\delta, \gamma}[\pi^*_2] = \pi^*_1 \) and \( R_2^{\delta, \gamma}[\pi^*_1] = \pi^*_2. \) Consider the state \( \psi^*_1 := \psi^*_1 \) for each \( \theta \) and \( \psi^*_2 := \psi^*_2 \). Then by construction \( \sigma(\psi^*_2) = \psi^*_1 \) and \( \sigma(\psi^*_1) = \psi^*_2, \) so the state \( \psi^* \) gives rise to \( \pi^*. \) To verify that \( \psi^* \) is a steady state, we can expand by the definition of \( \psi^*_1 \),

\[ f_\theta(\psi^*_1, \pi^*_2) = f_\theta \left( \lim_{T \to \infty} f_\theta^T (\tilde{\psi}_\theta, \pi^*_2), \pi^*_2 \right), \]

where \( \tilde{\psi}_\theta \) is any arbitrary initial state.

Since \( f_\theta \) is continuous\(^{19}\) at \( \psi^*_2 \) in the \( \ell_1 \) metric defined in (4), \( \lim_{T \to \infty} f_\theta^T (\tilde{\psi}_\theta, \pi^*_2) = \psi^*_2 \) is a fixed point of \( f_\theta(\cdot, \pi^*_2). \) To see this, write \( \psi^{(T)}_\theta := f_\theta^T (\tilde{\psi}_\theta, \pi^*_2) \) for each \( T \geq 1 \) and let \( \epsilon > 0 \) be given. Continuity of \( f_\theta \) implies there is \( \zeta > 0 \) so that \( d(f_\theta(\psi^{(T)}_\theta), f_\theta(\psi^{(T)}_\theta), \pi^*_2)) < \epsilon/2 \)

\(^{19}\)This is implied by Step 1 of the proof of Proposition 3 in the Online Appendix, which shows \( f_\theta \) is continuous at all states that assign \((1 - \gamma)\gamma^\ell \) mass to the set of length-\( \ell \) histories.
that a (Hoeffding’s inequality) Suppose Fact. Throughout this subsection, we will make use of the following version of Hoeffding’s inequality.

\[ d(f_\theta(\psi^*_{\theta}), \pi^*_2, \psi^*_{\theta}) \leq d(f_\theta(\psi^*_{\theta}, \pi^*_2), f_\theta(\psi^*_{\theta}), f_\theta(\psi^*_{\theta})) + d(\psi^*_{\theta}, \psi^*_{\theta}) < \epsilon/2 + \epsilon/2. \]

Since \( \epsilon > 0 \) was arbitrary, we have shown that \( f_\theta(\psi^*_{\theta}, \pi^*_2) = \phi^*_{\theta} \) and a similar argument shows \( f_2(\psi^*_1, \pi^*_1) = \phi^*_2. \) This tells us \( \psi^* = ((\psi^*_{\theta})_{\theta \in \Theta}, \phi^*_2) \) is a steady state.

**Only if:** Conversely, suppose \( \pi^* \in \Pi^*(g, \delta, \gamma) \). Then there exists a steady state \( \psi^* \in \Psi^*(g, \delta, \gamma) \) such that \( \pi^* = \sigma(\psi^*). \) This means \( f_\theta(\psi^*_{\theta}, \pi^*_2) = \psi^*_{\theta} \), so iterating shows

\[ \psi^*_{\theta} := \lim_{T \to \infty} f_\theta^T(\psi^*_{\theta}, \pi^*_2) = \psi^*_{\theta}. \]

Since \( \mathcal{R}_1[\pi^*_2](\cdot|\theta) := \sigma^*_\theta(\psi^*_2) \), the above implies \( \mathcal{R}_1[\pi^*_2](\cdot|\theta) = \sigma^*_{\theta}(\psi^*_2) = \pi^*_1(\cdot|\theta) \) by the choice of \( \psi^* \). We can similarly show \( \mathcal{R}_2[\pi^*_1] = \pi^*_2 \).

### A.4 Proof of Theorem 3

Throughout this subsection, we will make use of the following version of Hoeffding’s inequality.

**Fact.** (Hoeffding’s inequality) Suppose \( X_1, \ldots, X_n \) are independent random variables on \( \mathbb{R} \) such that \( a_i \leq X_i \leq b_i \) with probability 1 for each \( i \). Write \( S_n := \sum_{i=1}^n X_i \). Then,

\[ P[|S_n - \mathbb{E}[S_n]| \geq d] \leq 2 \exp \left( -\frac{2d^2}{\sum_{i=1}^n (b_i - a_i)^2} \right). \]

**Lemma A.1.** In strategy profile \( \pi^* \), suppose \( s^* \) is on-path and \( \pi^*_2(a^*|s^*) = 1 \), where \( a^* \) is a strict best response to \( s^* \) given \( \pi^* \). Then there exists \( N \in \mathbb{R} \) so that, for any regular prior and any sequence of steady state strategy profiles \( \pi^{(k)}(g, \delta_k, \gamma_k) \) where \( \gamma_k \to 1, \pi^{(k)} \to \pi^* \), there exists \( K \in \mathbb{N} \) such that whenever \( k \geq K \), we have \( \pi^*_2(a^*|s^*) \geq 1 - (1 - \gamma_k) \cdot N \).

**Proof.** Since \( a^* \) is a strict best response after \( s^* \) for \( \pi^*_1 \), there exists \( \epsilon > 0 \) so that \( a^* \) will continue to be a strict best response after \( s^* \) for any \( \pi^*_1 \in \Pi_1 \) where for every \( \theta \in \Theta, |\pi^*_1(s^*|\theta) - \pi^*_1(s^*|\theta)| < 3\epsilon \).

Since \( \pi^{(k)} \to \pi^* \), find large enough \( K \) such that \( k \geq K \) implies for every \( \theta \in \Theta, |\pi^{(k)}_1(s^*|\theta) - \pi^*_1(s^*|\theta)| < \epsilon. \)

Write \( \epsilon_{n,\theta}^{\text{obs}} \) for the probability that an age-\( n \) receiver has encountered type \( \theta \) fewer than \( \frac{1}{2} n \lambda(\theta) \) times. We will find a number \( N^{\text{obs}} < \infty \) so that

\[ \sum_{\theta \in \Theta} \sum_{n=0}^\infty \epsilon_{n,\theta}^{\text{obs}} \leq N^{\text{obs}}. \]
Fix some $\theta \in \Theta$. Write $Z_t^{(0)} \in \{0,1\}$ as the indicator random variable for whether the receiver sees a type $\theta$ in period $t$ of his life and write $S_n := \sum_{t=1}^n Z_t^{(0)}$ for the total number of type $\theta$ encountered up to age $n$. We have $\mathbb{E}[S_n] = n\lambda(\theta)$, so we can use Hoeffding’s inequality to bound $e_{n,\theta}^{\text{obs}}$.

$$e_{n,\theta}^{\text{obs}} \leq \mathbb{P} \left[ |S_n - \mathbb{E}[S_n]| \geq \frac{1}{2} n \lambda(\theta) \right] \leq 2 \exp \left( - \frac{2 \cdot \left[ \frac{1}{2} n \lambda(\theta) \right]^2}{n} \right).$$

This shows $e_{n,\theta}^{\text{obs}}$ tends to 0 at the same rate as $\exp(-n)$, so

$$\sum_{n=0}^{\infty} e_{n,\theta}^{\text{obs}} \leq \sum_{n=0}^{\infty} 2 \exp \left( - \frac{2 \cdot \left[ \frac{1}{2} n \lambda(\theta) \right]^2}{n} \right) = N_{\theta}^{\text{obs}} < \infty.$$ 

So we set $N_{\theta}^{\text{obs}} := \sum_{\theta \in \Theta} N_{\theta}^{\text{obs}}$.

Next, write $e_{n,\theta}^{\text{bias},k}$ for the probability that, after observing $\left[ \frac{1}{2} n \lambda(\theta) \right]$ i.i.d. draws from $\pi_1^{(k)}(\cdot|\theta)$, the empirical frequency of signal $s^*$ differs from $\pi_1^{(k)}(s^*|\theta)$ by more than $2\epsilon$. So again, write $Z_t^{\theta,k} \in \{0,1\}$ to indicate if the $t$-th draw resulted in signal $s^*$, with $\mathbb{E}[Z_t^{\theta,k}] = \pi_1^{(k)}(s^*|\theta)$, and put $S_{n,k} := \sum_{t=1}^{\left[ \frac{1}{2} n \lambda(\theta) \right]} Z_t^{\theta,k}$ for total number of $s^*$ out of $\left[ \frac{1}{2} n \lambda(\theta) \right]$ draws. We have $\mathbb{E}[S_{n,k}] = \left[ \frac{1}{2} n \lambda(\theta) \right] \cdot \pi_1^{(k)}(s^*|\theta)$, but $|\pi_1^{(k)}(s^*|\theta) - \pi_1^{(k)}(s^*|\theta)| < \epsilon$ whenever $k \geq K$. That means,

$$e_{n,\theta}^{\text{bias},k} := \mathbb{P} \left[ \left| \frac{S_{n,k}}{\left[ \frac{1}{2} n \lambda(\theta) \right]} - \pi_1^{(k)}(s^*|\theta) \right| \geq 2\epsilon \right] \\
\leq \mathbb{P} \left[ \left| \frac{S_{n,k}}{\left[ \frac{1}{2} n \lambda(\theta) \right]} - \pi_1^{(k)}(s^*|\theta) \right| \geq \epsilon \right] \text{ if } k \geq K \\
= \mathbb{P} \left[ |S_{n,k} - \mathbb{E}[S_{n,k}]| \geq \left[ \frac{1}{2} n \lambda(\theta) \right] \cdot \epsilon \right] \\
\leq 2 \exp \left( - \frac{2 \cdot \left( \frac{1}{2} n \lambda(\theta) \right) \cdot \epsilon^2}{\left[ \frac{1}{2} n \lambda(\theta) \right]} \right) \text{ by Hoeffding’s inequality.}$$

Let $N_{\theta}^{\text{bias}} := \sum_{n=1}^{\infty} 2 \exp \left( - \frac{2 \cdot \left( \frac{1}{2} n \lambda(\theta) \right) \cdot \epsilon^2}{\left[ \frac{1}{2} n \lambda(\theta) \right]} \right)$, with $N_{\theta}^{\text{bias}} < \infty$ since the summand tends to 0 at the same rate as $\exp(-n)$. This argument shows whenever $k \geq K$, we have $\sum_{n=1}^{\infty} e_{n,\theta}^{\text{bias},k} \leq N_{\theta}^{\text{bias}}$. Now let $N_{\theta}^{\text{bias}} := \sum_{\theta \in \Theta} N_{\theta}^{\text{bias}}$.

Finally, since $g$ is regular, we appeal to Proposition 1 of Fudenberg, He, and Imhof (2017) to see that there exists some $N$ so that whenever the receiver has a data set of size $n \geq N$ on type $\theta$’s play, his Bayesian posterior as to the probability that $\theta$ plays $s^*$ differs from the empirical distribution by no more than $\epsilon$. Put $N_{\text{age}} := \frac{2N}{\min_{\theta \in \Theta} \lambda(\theta)}$. 

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Consider any steady state $\psi^{(k)}$ with $k \geq K$. With probability no smaller than $1 - \sum_{\theta \in \Theta} e^{bias,k}_{n,\theta}$, an age-$n$ receiver who has seen at least $\frac{1}{2} n \lambda(\theta)$ instances of type $\theta$ for every $\theta \in \Theta$ will have an empirical distribution such that every type’s probability of playing $s^*$ differs from $\pi^*_1(s^*|\theta)$ by less than $2\epsilon$. If furthermore $n \geq N^{age}$, then in fact $\frac{1}{2} n \lambda(\theta) \geq N$ for each $\theta$ so the same probability bound applies to the event that the receiver’s Bayesian posterior on every type $\theta$ playing $s^*$ is closer than $3\epsilon$ to $\pi^*_1(s^*|\theta)$. By the construction of $\epsilon$, playing $a^*$ after $s^*$ is the unique best response to such a posterior.

Therefore, for $k \geq K$, the probability that the sender population plays some action other than $a^*$ after $s^*$ in $\psi^{(k)}$ is bounded by

$$N^{age}(1 - \gamma_k) + (1 - \gamma_k) \cdot \sum_{n=0}^{\infty} \sum_{\theta \in \Theta} e^{ob}_{n,\theta} \cdot \left( e^{obs}_{n,\theta} + e^{bias,k}_{n,\theta} \right).$$

To explain this expression, receivers aged $N^{age}$ or younger account for no more than $N^{age}(1 - \gamma_k)$ of the population. Among the age $n$ receivers, no more than $\sum_{\theta \in \Theta} e^{obs}_{n,\theta}$ fraction has a sample size smaller than $\frac{1}{2} n \lambda(\theta)$ for any type $\theta$, while $\sum_{\theta \in \Theta} e^{bias,k}_{n,\theta}$ is an upper bound on the probability (conditional on having a large enough sample) of having a biased enough sample so that some type’s empirical frequency of playing $s^*$ differs by more than $2\epsilon$ from $\pi^*_1(s^*|\theta)$.

But since $\gamma_k \in [0,1)$,

$$\sum_{n=0}^{\infty} \gamma^n_k \cdot \sum_{\theta \in \Theta} e^{obs}_{n,\theta} < \sum_{n=0}^{\infty} \sum_{\theta \in \Theta} e^{obs}_{n,\theta} \leq N^{obs}$$

and

$$\sum_{n=0}^{\infty} \gamma^n_k \cdot \sum_{\theta \in \Theta} e^{bias,k}_{n,\theta} < \sum_{n=0}^{\infty} \sum_{\theta \in \Theta} e^{bias,k}_{n,\theta} \leq N^{bias}.$$

We conclude that whenever $k \geq K$,

$$\pi^{(k)}_2(a^*|s^*) \geq 1 - (1 - \gamma_k) \cdot (N^{age} + N^{obs} + N^{bias}).$$

Finally, observe that none of $N^{age}, N^{obs}, N^{bias}$ depends on the sequence $\pi^{(k)}$, so $N$ is chosen independent of the sequence $\pi^{(k)}$. \hfill \Box

**Lemma A.2.** Assume $g$ is regular. Suppose there is some $a^* \in A$ and $v \in \mathbb{R}$ so that $u_1(\theta, s^*, a^*) > v$. Then, there exist $C_1 \in (0,1), C_2 > 0$ so that in every sender history $y$, $\#(s^*, a^*|y) \geq C_1 \cdot \#(s^*|y) + C_2$ implies $\mathbb{E}[u_1(\theta, s^*, \pi_2(\cdot|s^*))|y] > v$.

**Proof.** Write $\underline{u} := \min_{a \in A} u_1(\theta, s^*, a)$. There exists $q \in (0,1)$ so that

$$q \cdot u_1(\theta, s^*, a^*) + (1 - q) \cdot \underline{u} > v.$$

Find a small enough $\epsilon > 0$ so that $0 < \frac{q}{1-\epsilon} < 1$. 

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Since $g$ is regular, Proposition 1 of Fudenberg, He, and Imhof (2017) tells us there exists some $C_0$ so that the posterior mean belief of sender with history $y_\theta$, is no less than

$$(1 - \epsilon) \cdot \frac{\#(s^*, a^*|y_\theta)}{\#(s^*|y_\theta) + C_0}.$$  

Whenever this expression is at least $q$, the expected payoff to $\theta$ playing $s^*$ exceeds $v$. That is, it suffices to have

$$(1 - \epsilon) \cdot \frac{\#(s^*, a^*|y_\theta)}{\#(s^*|y_\theta) + C_0} \geq q \iff \#(s^*, a^*|y_\theta) \geq \frac{q}{1 - \epsilon} \cdot \#(s^*|y_\theta) + \frac{q}{1 - \epsilon} \cdot C_0.$$

Putting $C_1 := \frac{q}{1 - \epsilon}$ and $C_2 := \frac{q}{1 - \epsilon} \cdot C_0$ proves the lemma. \hfill \Box

**Lemma A.3.** Let $Z_t$ be i.i.d. Bernoulli random variables, where $E[Z_t] = 1 - \epsilon$. Write $S_n := \sum_{t=1}^n Z_t$. For $0 < C_1 < 1$ and $C_2 > 0$, there exist $\bar{\epsilon}, G_1, G_2 > 0$ such that whenever $0 < \epsilon < \bar{\epsilon}$,

$$P[S_n \geq C_1 n + C_2 \forall n \geq G_1] \geq 1 - G_2 \epsilon.$$  

**Proof.** We make use of a lemma from Fudenberg and Levine (2006), which in turn extends some inequalities from Billingsley (1995).

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

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

Then for any $n, \bar{n} \in \mathbb{N}$,

$$P\left[\max_{2 \leq n \leq \bar{n}} S_n > \epsilon\right] \leq \frac{27}{3} \cdot \frac{1}{n} \cdot \frac{\mu}{\epsilon^4}.$$  

For every $G_1 > 0$ and every $0 < \epsilon < 1$,

$$P[S_n \geq C_1 n + C_2 \forall n \geq G_1] = 1 - P\left[\exists n \geq G_1 \sum_{t=1}^n Z_t < C_1 n + C_2\right]$$

$$= 1 - P\left[\exists n \geq G_1 \sum_{t=1}^n (X_t - \epsilon) > (1 - \epsilon - C_1)n - C_2\right],$$  

where $X_t := 1 - Z_t$. Let $\bar{\epsilon} := \frac{1}{2}(1 - C_1)$ and $G_1 := 2C_2/\bar{\epsilon}$. Suppose $0 < \epsilon < \bar{\epsilon}$. Then for every $n \geq G_1$, $(1 - \epsilon - C_1)n - C_2 \geq \bar{\epsilon}n - C_2 \geq \frac{1}{2}\bar{\epsilon}n$. Hence,

$$P[S_n \geq C_1 n + C_2 \forall n \geq G_1] \geq 1 - P\left[\exists n \geq G_1 \sum_{t=1}^n (X_t - \epsilon) > \frac{1}{2}\bar{\epsilon}n\right]$$

...
and, by FL06 Lemma A.1, the probability on the right-hand side is at most $G_2 \varepsilon$ with $G_2 := 2^{11}/(3G_1 \varepsilon^4)$.

We now prove Theorem 3.

**Theorem 3:** Suppose $\pi^*$ is on-path strict for the receiver and patiently stable. Then it satisfies the strong compatibility criterion.

**Proof.** Let some $\alpha' \notin BR(\Delta(\tilde{J}(s', \pi^*)), s')$ and $h > 0$ be given. We will show that $\pi^*_2(\alpha' | s') \leq 3h$.

**Step 1:** Defining the constants $\xi, \theta^I, a_\theta, s_\theta, C_1, C_2, G_1, G_2,$ and $N_{\text{recv}}$.

(i) For each $\xi > 0$, define the $\xi$-approximations to $\Delta(\tilde{J}(s', \pi^*))$ as the probability distributions with weight no more than $\xi$ on types outside of $\tilde{J}(s', \pi^*)$,

$$\Delta_\xi(\tilde{J}(s', \pi^*)) := \{ p \in \Delta(\Theta) : p(\theta) \leq \xi \forall \theta \notin \tilde{J}(s', \pi^*) \}.$$ 

Because the best-response correspondence has closed graph, there exists some $\xi > 0$ so that $\alpha' \notin BR(\Delta_\xi(\tilde{J}(s', \pi^*)), s')$.

(ii) Since $\tilde{J}(s', \pi^*)$ is non-empty, we can fix some $\theta^I \in \tilde{J}(s', \pi^*)$.

(iii) For each equilibrium dominated type $\theta \in \Theta \setminus \tilde{J}(s', \pi^*)$, identify some on-path signal $s_\theta$ so that $\pi^*_1(s_\theta | \theta) > 0$. By assumption of on-path strictness for receiver, there is some $a_\theta \in A$ so that $\pi^*_2(a_\theta | s_\theta) = 1$ and furthermore $a_\theta$ is the strict best response to $s_\theta$ in $\pi^*$. By the definition of equilibrium dominance,

$$u_1(\theta, s_\theta, a_\theta) > \max_{a \in A} u_1(\theta, s', a) =: v_\theta.$$

By applying Lemma A.2 to each $\theta \in \Theta \setminus \tilde{J}(s', \pi^*)$, we obtain some $C_1 \in (0, 1), C_2 > 0$ so for every $\theta \in \Theta \setminus \tilde{J}(s', \pi^*)$ and in every sender history $y_\theta$, $\#(s_\theta, a_\theta | y_\theta) \geq C_1 \cdot \#(s_\theta | y_\theta) + C_2$ implies $\mathbb{E}[u_1(\theta, s_\theta, \pi_2(\cdot | s_\theta)) | y_\theta] > v_\theta$.

(iv) By Lemma A.3, find $\bar{\varepsilon}, G_1, G_2 > 0$ such that if $\mathbb{E}[Z_t] = 1 - \varepsilon$ are i.i.d. Bernoulli and $S_n := \sum_{t=1}^n Z_t$, then whenever $0 < \varepsilon < \bar{\varepsilon}$,

$$\mathbb{P}[S_n \geq C_1 n + C_2 \forall n \geq G_1] \geq 1 - G_2 \varepsilon.$$

(v) Because at $\pi^*$, $a_\theta$ is a strict best response to $s_\theta$ for every $\theta \in \Theta \setminus \tilde{J}(s', \pi^*)$, from Lemma A.1 we may find a $N_{\text{recv}}$ so that for each sequence $\pi^{(k)} \in \Pi^*(g, \delta_k, \gamma_k)$ where $\gamma_k \rightarrow 1, \pi^{(k)} \rightarrow \pi^*$, there corresponds $K_{\text{recv}} \in \mathbb{N}$ so that $k \geq K_{\text{recv}}$ implies $\pi^{(k)}_2(a_\theta | s_\theta) \geq 1 - (1 - \gamma_k) \cdot N_{\text{recv}}$ for every $\theta \in \Theta \setminus \tilde{J}(s', \pi^*)$.

**Step 2:** Two conditions to ensure that all but $3h$ receivers believe in $\Delta_\xi(\tilde{J}(s', \pi^*))$.

Consider some steady state $\psi \in \Psi^*(g, \delta, \gamma)$ for $g$ regular, $\delta, \gamma \in [0, 1]$.

In Theorem 2 of Fudenberg, He, and Imhof (2017), put $c = \frac{2}{\xi} \cdot \frac{\max_{a \in A} \lambda(\theta)}{\lambda(\theta')}^{\delta}$ and $\delta = \frac{1}{2}$. We conclude that there exists some $N_{\text{rare}}$ (not dependent on $\psi$) such that whenever $\pi_1(s' | \theta') \geq$
c \cdot \pi_1(s' \mid \theta^D) \) for every equilibrium dominated type \( \theta^D \notin \bar{J}(s', \pi^*) \) and

\[
n \cdot \pi_1(s' \mid \theta^J) \geq N^\text{rare},
\]

then an age-\(n\) receiver in steady state \(\psi\) where \(\pi = \sigma(\psi)\) has probability at least \(1 - \epsilon\) of holding a posterior belief \(g_2(\cdot \mid y_2)\) such that \(\theta^J\) is at least \(\frac{1}{2}c\) times as likely to play \(s'\) as \(\theta^D\) is for every \(\theta^D \notin \bar{J}(s', \pi^*)\). Thus history \(y_2\) generates a posterior belief after \(s', p(s' \mid y_2)\) such that

\[
\frac{p(\theta^D \mid s' \mid y_2)}{p(\theta^J \mid s' \mid y_2)} \leq \frac{\lambda(\theta^D)}{\lambda(\theta^J)} \cdot \xi \cdot \frac{\lambda(\theta)}{\max_{\theta \in \Theta} \lambda(\theta)} \leq \xi.
\]

In particular, \(p(s' \mid y_2)\) must assign weight no greater than \(\xi\) to each type not in \(\bar{J}(s', \pi^*)\), therefore the belief belongs to \(\Delta_\xi(\bar{J}(s', \pi^*))\). By construction of \(\xi\), \(a'\) is then not a best response to \(s'\) after history \(y_2\).

A receiver whose age \(n\) satisfies Equation (6) plays \(a'\) with probability less than \(h\), provided \(\pi_1(s' \mid \theta^J) \geq c \cdot \pi_1(s' \mid \theta^D)\) for every \(\theta^D \notin \bar{J}(s', \pi^*)\). However, to bound the overall probability of \(a'\) in the entire receiver population in steady state \(\psi\), we ensure that Equation (6) is satisfied for all except \(2h\) fraction of receivers in \(\psi\). We claim that when \(\gamma\) is large enough, a sufficient condition is for \(\pi = \sigma(\psi)\) to satisfy \(\pi_1(s' \mid \theta^J) \geq (1 - \gamma)N^*\) for some \(N^* \geq N^\text{rare}/h\). This is because under this condition, any agent aged \(n \geq \frac{h}{1 - \gamma}\) satisfies Equation (6), while the fraction of receivers younger than \(\frac{h}{1 - \gamma}\) is \(1 - \left(\frac{h}{1 - \gamma}\right) \leq 2h\) for \(\gamma\) near enough to 1.

To summarize, in Step 2 we have found a constant \(N^\text{rare}\) and shown that if \(\gamma\) is near enough to 1, then \(\pi = \sigma(\psi)\) has \(\pi_2(a' \mid s') \leq 3h\) if the following two conditions are satisfied:

(C1) \(\pi_1(s' \mid \theta^J) \geq c \cdot \pi_1(s' \mid \theta^D)\) for every equilibrium dominated type \(\theta^D \notin \bar{J}(s', \pi^*)\)
(C2) \(\pi_1(s' \mid \theta^J) \geq (1 - \gamma)N^*\) for some \(N^* \geq N^\text{rare}/h\).

In the following step, we show there is a sequence of steady states \(\psi^{(k)} \in \Psi^*(g, \delta_k, \gamma_k)\) with \(\delta_k \to 1, \gamma_k \to 1, \) and \(\sigma(\psi^{(k)}) = \pi^{(k)} \to \pi^*\) such that in every \(\pi^{(k)}\) the above two conditions are satisfied. Using the fact that \(\gamma_k \to 1\), we conclude for large enough \(k\) we get \(\pi^{(k)}_2(a' \mid s') \leq 3h\), which in turn shows \(\pi^*(a' \mid s') \leq 3h\) due to the convergence \(\pi^{(k)} \to \pi^*\).

**Step 3:** Extracting a suitable subsequence of steady states.

In the statement of Lemma 3, put \(\theta' := \theta^J\). We obtain some number \(\epsilon\) and functions \(\delta(N), \gamma(N, \delta)\). Put \(N^\text{ratio} := \frac{2}{\xi} G_2 \cdot N^\text{recv} \frac{\max_{\theta \in \Theta} \lambda(\theta)}{\lambda(\theta^J)}\) and \(N^* := \max(N^\text{ratio}, N^\text{rare}/h)\).

Since \(\pi^*\) is patienty stable, it can be written as the limit of some strategy profiles \(\pi^* = \lim_{k \to \infty} \pi^{(k)}\), where each \(\pi^{(k)}\) is \(\delta_k\)-stable with \(\delta_k \to 1\). By the definition of \(\delta\)-stable, each \(\pi^{(k)}\) is the limit \(\pi^{(k)} = \lim_{j \to \infty} \pi^{(k,j)}\) with \(\pi^{(k,j)} \in \Pi^*(g, \delta_k, \gamma_{k,j})\) with \(\lim_{j \to \infty} \gamma_{k,j} = 1\). It is without loss to assume that for every \(k \geq 1, \delta_k \geq \delta(N^*)\) and that the \(\ell_1\) distance between \(\pi^{(k)}\) and \(\pi^*\) is less than \(\epsilon/2\). Now for each \(k\), find a large enough index \(j(k)\) so that (i) \(\gamma_{k,j(k)} \geq \gamma(N^*, \delta_k)\), (ii) \(\ell_1\) distance between \(\pi^{(k,j)}\) and \(\pi^{(k)}\) is less than \(\min(\frac{\epsilon}{2}, \frac{1}{k})\), and (iii) \(\lim_{k \to \infty} \gamma_{k,j(k)} = 1\). This generates a sequence of \(k\)-indexed steady states, \(\psi^{(k,j(k))} \in \Psi^*(g, \delta_k, \gamma_{k,j(k)})\). We will henceforth
drop the dependence through the function \( j(k) \) and just refer to \( \psi^{(k)} \) and \( \gamma_k \). The sequence \( \psi^{(k)} \in \Psi^*(g, \delta_k, \gamma_k) \) satisfies: (1) \( \delta_k \to 1, \gamma_k \to 1 \); (2) \( \delta_k \geq \delta(N^*) \) for each \( k \); (3) \( \gamma_k \geq \gamma(N^*, \delta_k) \) for each \( k \); (4) \( \pi^{(k)} \to \pi^* \); (5) the \( \ell_1 \) distance between \( \psi^{(k)} \) and \( \pi^* \) is no larger than \( \epsilon \). Lemma 3 implies that, for every \( k, \pi^1(s' \mid \theta^J) \geq (1 - \gamma_k)N^* \). So, every member of the sequence thus constructed satisfies condition \( (C2) \).

**Step 4:** An upper bound on experimentation probability of equilibrium-dominated types.

It remains to show that eventually condition \( (C1) \) is also satisfied in the sequence constructed in **Step 3**.

We first bound the rate at which the receiver’s strategy \( \pi_2^{(k)} \) converges to \( \pi_2^* \). By Lemma A.1, there exists some \( K^{\text{recv}} \) so that \( k \geq K^{\text{recv}} \) implies \( \pi_2^{(k)}(a_\theta | s_\theta) \geq 1 - (1 - \gamma_k) \cdot N^{\text{recv}} \) for every \( \theta \in \Theta \setminus J(s', \pi^*) \). Find next a large enough \( K^{\text{error}} \) so that \( k \geq K^{\text{error}} \) implies \( (1 - \gamma_k) \cdot N^{\text{recv}} < \bar{\epsilon} \) (where \( \bar{\epsilon} \) was defined in **Step 1**).

We claim that when \( k \geq \max(K^{\text{recv}}, K^{\text{error}}) \), a type \( \theta \notin J(s', \pi^*) \) sender who always sends signal \( s_\theta \) against a receiver population that plays \( \pi_2^{(k)}(\cdot | s_\theta) \) has less than \( (1 - \gamma_k) \cdot N^{\text{recv}} \cdot G_2 \) chance of ever having a posterior belief that the expected payoff to \( s_\theta \) is no greater than \( v_\theta \) in some period \( n \geq G_1 \). This is because by Lemma A.3,

\[
P[S_n \geq C_1 n + C_2 \forall n \geq G_1] \geq 1 - G_2 \cdot \pi_2^{(k)}(\{a \neq a_\theta\} | s_\theta) \geq 1 - G_2 \cdot (1 - \gamma_k) \cdot N^{\text{recv}}
\]

where \( S_n \) refers to the number of times that the receiver population responded to \( s_\theta \) with \( a_\theta \) in the first \( n \) times that \( s_\theta \) was sent. But Lemma A.2 guarantees that provided \( S_n \geq C_1 n + C_2 \), sender’s expected payoff for \( s_\theta \) is strictly above \( v_\theta \), so we have established the claim.

Finally, find a large enough \( K^{\text{Gittins}} \) so that \( k \geq K^{\text{Gittins}} \) implies the effective discount factor \( \delta_k \gamma_k \) is so near 1 that for every \( \theta \notin J(s', \pi^*) \), the Gittins index for signal \( s_\theta \) cannot fall below \( v_\theta \) if \( s_\theta \) has been used no more than \( G_1 \) times. (This is possible since the prior is non-doctrinaire.) Then for \( k \geq \max(K^{\text{recv}}, K^{\text{error}}, K^{\text{Gittins}}) \), there is less than \( G_2 \cdot (1 - \gamma_k) \cdot N^{\text{recv}} \) chance that the equilibrium dominated sender \( \theta \notin J(s', \pi^*) \) will play \( s' \) even once. To see this, we observe that according to the prior, the Gittins index for \( s_\theta \) is higher than that of \( s' \), whose index is no higher than its highest possible payoff \( v_\theta \). This means the sender will not play \( s' \) until her Gittins index for \( s_\theta \) has fallen below \( v_\theta \). Since \( k \geq K^{\text{recv}} \), this will not happen before the sender has played \( s_\theta \) at least \( G_1 \) times, and since \( k \geq \max(K^{\text{error}}, K^{\text{recv}}) \), the previous claim establishes that the probability of the expected payoff to \( s_\theta \) (and, *a fortiori*, the Gittins index for \( s_\theta \)) ever falling below \( v_\theta \) sometime after playing \( s_\theta \) for the \( G_1 \)-th time is no larger than \( G_2 \cdot (1 - \gamma_k) \cdot N^{\text{recv}} \).

This shows for \( k \geq \max(K^{\text{recv}}, K^{\text{error}}, K^{\text{Gittins}}) \), \( \pi_1^{(k)}(s' \mid \theta) \leq G_2 N^{\text{recv}} \cdot (1 - \gamma_k) \) for every \( \theta \notin J(s', \pi^*) \). But since \( \pi_1^{(k)}(s' \mid \theta^J) \geq N^* \cdot (1 - \gamma_k) \) where \( N^* \geq N^{\text{ratio}} = \frac{\xi G_2 \cdot N^{\text{recv}} \max_{\delta, \gamma} \gamma(\theta)}{\lambda(\theta)^2} \), we see that condition \( (C1) \) is satisfied whenever \( k \geq \max(K^{\text{recv}}, K^{\text{error}}, K^{\text{Gittins}}) \). \( \square \)