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Overcoming Coordination Failure in a Critical Mass Game: Strategic Motives and Action Disclosure[☆]

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Abstract

We study whether coordination failure is more often overcome if players can disclose their actions at a lower cost. In an experiment subjects first choose their action and then choose whether to disclose this action to other group members, and disclosure costs are varied between treatments. We find that no group overcomes coordination failure when action disclosure costs are high, but half of the groups do so when the costs are low. Simulations with a belief learning model can predict which groups will overcome coordination failure, but only if it is assumed that players are either farsighted, risk-seeking or pro-social. To distinguish between these explanations we collected additional data on individual preferences and the degree of farsightedness. We find that in the low cost treatment players classified as more farsighted more often deviate from an inefficient convention and disclose this action, while the effect of risk and social preferences is not significant.

Keywords: lock-in, coordination failure, learning, strategic teaching, farsightedness, collective action, critical mass, response time
JEL classification: C72, C92, D83

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