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Meet the lemons: An experiment on how cheap-talk overcomes adverse selection in decentralized markets

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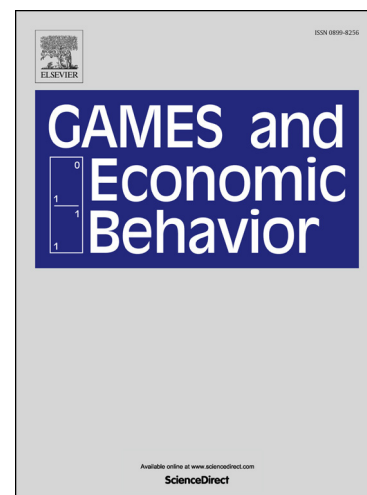
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Highlights

- An experiment on the efficiency of decentralized markets is conducted.
- Cheap-talk improves efficiency relative to the adverse selection benchmark.
- Experimental subjects select a partially separating sequential equilibrium.
- The effectiveness of cheap-talk hinges on the presence of market frictions.

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