

Stochastic stability in signaling games with a large population*

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Abstract We study stochastic stability in two-type signaling games with a large population. Nöldeke and Samuelson (1997) investigated stochastic stability in two-type signaling games and showed that the model may lack unique predictions. We show that under suitable limit taking, in which vanishing perturbations are accompanied by a growing population size, our model selects unique equilibrium among sequential equilibria. We restrict our attention to one of the simplest games, two-type two-signal games, and discuss the difference from the literature.

Keywords: Stochastic stability; Signaling games; Large Populations.

JEL Classification Numbers: C73, D82, D83.

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