Motivated *versus* Skeptical Beliefs

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Abstract

This study investigates a new, *psychological*, explanation for the fact that the unraveling of information fails in many markets contrary to what standard theory predicts (Milgrom, 1981). It considers that agents may be able to interpret skeptically the lack of positive evidence, but may just *not want* to do it in some situations where information to unravel is undesirable. To study whether such motivated beliefs can explain failure of unraveling, we use a laboratory experiment in the context of a sender-receiver game. In a "neutral treatment", we will see if the receiver is able to undo the sender's communication strategy to discover the truth as predicted by economic theory. In a "loaded treatment", we will see if this reasoning is made harder by the fact that the information disclosed is about the receiver's own performance. We also manipulate exogenously whether the sender and the receiver's incentives are aligned or not, and thereby whether being skeptical is psychologically detrimental or beneficial for the receiver.