

In a system developed by Milgrom et. al. (1990) to model the Champagne fairs of Medieval Europe, private judges both adjudicated disputes and report on whether players have unpaid debts, but lack enforcement capability. An iterated prisoner's dilemma models a trading encounter where there is a short-term incentive to cheat but a long-term incentive to cooperate. Players have the option to learn about each other's past behavior at some cost. This system is meant to help the cooperators find each other as well as encourage cooperation. Under specified conditions, the system forms a sequential equilibrium strategy and the players should cooperate and pay its costs. This paper generalizes the model so as to allow for errors. Errors place further restraints on the conditions under which the system remains in equilibrium and the players should follow it. Different conditions are found under which the system is more sensitive to false positives or false negatives; a greater sensitivity to false positives corresponds to a stronger presumption of innocence. When the players pay the costs of the information, the system provide it can serve as a correlating mechanism to pair cooperators in the prisoner's dilemma.