

Optimal Disclosure Windows*

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Job Market Paper ([last version](#))

October 4, 2022

Abstract

I study a dynamic disclosure game between an agent and a decision maker in continuous time. Over time, the agent privately receives conclusive bad signals about an unknown state. He chooses a window of time over which this information flows to the decision maker who then takes an action. In a Markov perfect equilibrium, information asymmetry is (endogenously) generated by delayed start of disclosure. The later the agent starts disclosing, the longer he keeps disclosure open. While disclosure is in progress, the agent faces a tradeoff between a more favorable action and higher risks, which leads to delayed stopping by a more optimistic agent.

Keywords: dynamic disclosure, strategic timing, signaling.

JEL Codes: C73, D82, D83

*I am indebted to Bart Lipman and Chiara Margaria for their invaluable guidance and support throughout this project. I thank Juan Ortner, Allen Vong, and audience at Boston University and the 33rd Stony Brook International Conference on Game Theory for helpful comments and suggestions.

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