

Dynamic Evidence Disclosure: Delay the Good to Accelerate the Bad

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Abstract :

We analyze the dynamic tradeoff between the generation and the disclosure of evidence. Agents are tempted to delay investing in a new technology in order to learn from information generated by the experiences of others. This informational free-riding is collectively harmful as it slows down innovation adoption. A welfare-maximizing designer can delay the disclosure of previously generated information in order to speed up adoption. The optimal policy transparently discloses bad news and delays good news. This finding resonates with regulation demanding that fatal breakdowns be reported promptly. Remarkably, the designer's intervention makes all agents better off.