

Dynamic Disclosure with Uncertain Disclosure Costs

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Abstract

This paper extends the canonical single-period model of voluntary costly disclosure to a dynamic setting with asymmetric information over disclosure costs. I show that dynamic incentives have an ambiguous effect on firms' disclosure decisions and that the cost of disclosure no longer prevents full disclosure.

My main results show that (1) dynamic incentives increase the probability of disclosure for low-cost firms and decrease the probability of disclosure for high-cost firms and (2) when the variance of the disclosure-cost distribution is high and the expected disclosure cost is low, dynamic incentives lead firms to use a strategy of full disclosure.

Keywords: Dynamic voluntary disclosure; Uncertain disclosure costs.

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