Abstract
Financial markets are known for overreacting to public information. Central banks can reduce this overreaction either by disclosing information to only a fraction of market participants (partial publicity) or by disclosing information to all participants but with ambiguity (partial transparency). In theory, overreaction can be similarly reduced by either communication strategy. A laboratory experiment shows that both communication strategies succeed in reducing overreaction, though not as much as theory predicts. The opportunity in our information age for central banks to choose between partial publicity and partial transparency to control the market reaction is then discussed.

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