Coordination Behavior and Optimal Committee Size*

Keiichi Morimoto‡

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Abstract

How many members should committees consist of? This paper addresses this question in view of imperfect information and coordination behavior among the members. First, using a simple microeconomic model, I show that the existence of the coordination motive dismisses Condorcet's (1785) suggestion and the finite optimal size of the committee is determined. Second, I provide an application of the mechanism to monetary policy committees in a basic New Keynesian model. The result suggests that the monetary policy committees should be relatively small under central bank transparency. This example will inspire other applications to policy issues in the dynamic stochastic general equilibrium framework.

Keywords: committee, optimal size, Condorcet jury theorem, coordination behavior, higher order expectations, monetary policy

JEL Classification: D71; D84; E58

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†Japan Society for the Promotion of Science.

‡Graduate School of Economics, Osaka University, 1-7, Machikaneyama, Toyonaka, Osaka 560-0043, Japan. E-mail address: gge014mk@mail2.econ.osaka-u.ac.jp