

“Sequential Deliberation in Collective
Decision-Making: The Case of the FOMC”
by Gabriel Lopez-Moctezuma

Discussion prepared by Daniel L. Chen

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Research Question

Social Learning Via Deliberation

- Committee members speak in sequence
- Members modify recommendations by 36% after listening
- Model improves fit over non-deliberation models
- Mainly social learning, not strategic considerations

Model

- Exogenous sequential order
- Common prior
- Independent signals
- Common knowledge of expertise and bias

Important

- Policy-making body

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Identification

- **Common prior:** frequency with which the majority recommends the high rate
- **Preference:** low variability over meetings interpreted as more extreme biases
- **Expertise:** recommendations that follow majority interpreted as high expertise
- **Deliberation value:** how variation of previous speakers, across meetings, changes the recommendation

$$\log(\Psi(s_{jt}^d)) = \begin{cases} \log(\gamma_{jt,0}) - \log(\gamma_{jt,1}) & \text{if } r_{jt} = 1 \\ \log(1 - \gamma_{jt,0}) - \log(1 - \gamma_{jt,1}) & \text{if } r_{jt} = 0. \end{cases}$$

if I know the previous speaker is biased, I probably won't change my vote as a result

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FOMC historical transcripts

- *Everything is converted into binary 1's and 0's: state of economy, recommendation, Chairman's directive*
- More details please
 - "rely on policy scenarios distributed by staff to FOMC in advance of meeting, summarized before policy go-around" (p. 15)
 - Above/Below median proposal = 1/0 recommendation
- What does it mean for a decision to be "correct"?
 - $\gamma_{it,1}$ when $\omega_t = 1$ (p. 37) "directive that is consistent with the true state of the economy"
 - $\rho = Pr[\omega_t = 1]$ (p. 6) "prior beliefs about the state of the economy"
 - $\rho \approx \text{majority}$ (p.20) "prior is identified from .. the majority"
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Herding or Social Learning about Common Values

- $y_{i,p,r} = \mu_i + \theta \bar{y}_{<i,p,r} + \chi_{i,p,r} + \eta_{i,p,r}$
 - Speaker i in session r and party p
 - $\bar{y}_{<i,p,r}$ share of co-partisans who recommended H prior to i 's turn
 - μ_i speaker fixed effects
 - $\chi_{i,p,r}$ position fixed effects
- If there is learning, we would expect $\hat{\theta}$ to be positive
 - $\eta_{i,p,r}$ needs to be uncorrelated with regressors: else spuriously positive estimates of $\hat{\theta}$
 - Instead of asking if $\hat{\theta}$ is statistically distinguishable from 0, ask whether it is larger than one would expect under the null hypothesis of no social learning, conditional on session.
 - Randomly assign speakers to a particular spot. Keep the original recommendations, reestimate the equation after replacing $\bar{y}_{<i,p,r}$ with the placebo ordering. Repeat sufficiently to yield a null distribution. Random shuffling breaks the serial dependence in speakers. Under the null, nonzero $\hat{\theta}$ must be due to omitted variables or noise.

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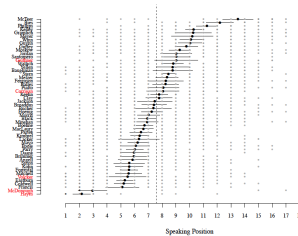
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Institutional Knowledge

Speaking order doesn't seem exogenous



- Longer tenure speakers go in earlier positions
- Speaking order determined at FOMC secretary discretion, without Chairman's knowledge

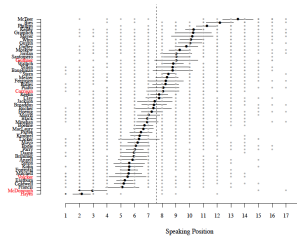
“Greenspan insisted on a unanimous vote”

- Pre-deliberation? Preferences over unanimity (legitimacy)?

“The reasons are not at all clear for the almost uncanny record of the Chairman in never having been on the losing side of a vote on the policy directive.” (Yohe 1966)

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Smaller points

- How much of the increase in fit is due to having additional degrees of freedom?
- Within the context of the model, is a simpler mechanism to give decision to the most experienced speaker?
- Is the estimated lack of importance of pivotality (strategic considerations) due to experienced speakers going first? Inexperienced speakers follow experienced speakers who are interpreted as expert (voting with majority)
- Could the ones who break with majority simply be expressive rather than inexperienced?
- Are there no spillovers across sessions?
- Did they know their pre-deliberations and votes would be made public?
- Variation in emphaticness, degree of deviation from median, etc.

"Let me just say that I agree 100 percent with Ed Boehne. He said it very well; he really reflected my position completely[. . .]. But my own feeling is the same as Ed Bohne's—that the risks are at least as great in not taking this action; I think there is a good chance that we would be seen as too cautious and too tentative."

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“Members want directive to match the state” (p. 5)

- “They act as if recommendations affect the directive” (p. 5)
- Members want recommendation to match the state
- Members want recommendation to match majority (p. 6, 20, 37)
- Does this mechanically lead to “social learning” (or herding)?

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- Or do they want to vote the same way as the previous speaker?
social utility
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