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Preferences or Private Assessments on a Monetary Policy Committee?*

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Abstract

Using Bank of England voting data, we show empirically that members’ votes are driven by heterogeneous individual assessments of the economy as well as their individual policy preferences. Estimates indicate that internal committee members form more precise assessments than externals and are also more hawkish. The estimates allow the first quantification of the gain due to information aggregation on monetary policy committees. The marginal gain from additional committee members tapers quickly after five members. There is no evidence of gains through externals’ moderating internals’ preferences. A relatively small committee of highly informed internal members emerges as a desirable committee structure.

Keywords: Committees; monetary policy; private information.

JEL Codes: E52, E58, D78

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