Is transparency to no avail? Committee decision-making, pre-meetings, and credible deals.

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Abstract

Transparent decision-making processes are widely regarded as a prerequisite for the working of a representative democracy. It facilitates accountability, and citizens may suspect that decisions, if taken behind closed doors, do not promote their interests. Why else the secrecy? We provide a model of committee decision-making that explains the public’s demand for transparency, and committee members’ aversion to it. In line with case study evidence, we show how pressures to become transparent induce committee members to organize pre-meetings away from the public eye. Outcomes of pre-meetings are less determined, more anarchic, than those of formal meetings, but within bounds. We characterize feasible deals that are credible and will be endorsed in the formal meeting.

Keywords: Committee decision-making, reputational concerns, transparency, pre-meetings, deliberation

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1 Introduction

Transparent decision-making processes are widely regarded as a prerequisite for the working of a representative democracy. One reason is that transparency facilitates democratic accountability. Another reason is that when representatives make decisions behind closed doors, the citizens may suspect that their interests are not fully promoted. Why else the secrecy? Against the background of the potential advantages of transparency, it is hardly surprising that legislation, like the Freedom of Information Act in the United States, tries to foster transparency. More generally, "over thirty countries have passed Open Government codes, which establish the principle that a citizen should be able to access any public document" (Prat, 2005, p.2). However, it is not always clear that this type of legislation succeeds in safeguarding transparency. Stiglitz (1998) was shocked by the focus on secrecy in the Clinton administration when he served as the chairman of the Council of Economic Advisers.

Even when a process is formally transparent, it is not always the case that the actual decision-making process is truly open. Illustrative in this respect is Greenspan’s response to the pressure from U.S. Congress that the Federal Open Market Committee (FOMC) should become more transparent. He conjectured that the request of Congress would induce an important change: “[a] tendency would arise for one-on-one pre-meeting discussions, with public meetings merely announcing already agreed-upon positions or each participant to enter the meeting with a final position not subject to the views of others” (Greenspan, as quoted in Meade and Stasavage 2004, pp. 18-19). When discussing decision-making within the European Council of Ministers, Stasavage (2005) also points to the possibility that more transparency may lead to more backroom discussions or deals over lunch.

This paper addresses two main questions. The first question is why decision makers wish to deliberate in private, or why, as Stiglitz (1998, p.17) puts it, "there remains an obsession with secrecy despite America’s social consensus in favor of openness". The second question goes one step further. Suppose that formally a decision-making process is transparent, but that a decision is pre-cooked behind closed doors. What can we say about the decision being taken?

To answer both questions we develop a model that describes a situation where
on behalf of the public a committee has to make a binary decision, deciding for change or maintaining the status quo. Whether change or the status quo is the proper decision from the public’s perspective depends on the consequences of the decision. At the moment the decision is made, these consequences are uncertain. Each member has a private view of the consequences. The more likely it is that someone is competent, the more likely it becomes that a member’s view provides an accurate picture of these consequence. A member does not know whether he is competent or not, only that he is competent with a certain probability. A crucial feature of our model is that a committee member would like to take the decision that is best from the public’s perspective, but also cares about how the public perceives his ability to foresee the consequences of a decision.

The decision is made in three stages. In the first stage, each member privately assesses or predicts the possible consequences of the decision. In the second stage, the communication stage, members discuss these assessments. Finally, in the voting stage, the committee makes a decision through voting. We assume that whether the decision taken was the correct one from the public’s perspective is not immediately apparent. Decisions on large infrastructure projects are an example. Once the decision has been taken, it may take years if not decades to find out whether the construction of tunnels, ports, and railway lines unlock an area or should be considered a waste. Also the consequences of changes in, say, the financing of the health care sector, the curriculum of schools, or the composition of the Army only become known years after the decision has been taken. As the consequences in these cases are not immediately apparent, the public cannot assess the decision-making competence of a committee member on the basis of the quality of his prediction. In section 6, we analyse the case in which the consequences do become clear quickly and can be used to assess the quality of a member’s assessment.

We begin by analysing a truly transparent decision-making process. In such a process, the public observes the exchange of views thanks to, say, the presence of cameras or the publication of verbatim transcripts. We show that members share their views and make decisions that are optimal from a social point of view. As the public does not learn the proper decision, it forms a perception of the members’ decision-making abilities by comparing their views. Disagreement signals lack of competence, as competent members view the consequences of the project in the
same way. Being an outlier damages one’s reputation. By stating in the formal meeting what he truly believes, a member acts in line with his reputational interest. It minimizes the probability of being an outlier. Once members have said what they truly think, their reputation is fixed. The decision whether to change or to maintain the status quo can then be taken in line with the public’s interest.

The analysis of a truly transparent decision-making process provides an explanation for the demand for transparency. However, it also hints at an explanation for why committee members are averse to it, and want to deliberate in private. Disagreement damages members’ reputations. As a result, committee members have an incentive to organize a pre-meeting. A pre-meeting can be used to collect all opinions, determine what decision is best, and conceal disagreement from the public by showing a united front favouring the decision. By a pre-meeting, we mean a meeting without cameras and of which no minutes are kept, and that can be used, therefore, to freely exchange views. Lunches and dinners before official meetings are examples, but also a quick exchange in a colleague’s office before entering the official, transcribed, meeting.

We next assume that a secret pre-meeting is held and that the public is aware of this. At first glance, one may think that a transparent decision-making process where the decision is pre-cooked in a pre-meeting is equivalent to a closed process where the public does not observe how a decision is reached. There are two subtle differences, however. First, in a formal closed process there are rules that stipulate how decisions are made. One important rule is the voting rule, which determines how many votes are required for a change. Pre-meetings often do not take place within a formal framework. No document states their terms of reference, nor the voting rule to be used. Instead, custom, a person’s rhetoric, prestige, and seniority may play an important role during the pre-meeting. The ability of a member to inflict damage on fellow members or to obtain his goal outside the pre-meeting may grant him power and limit the power of others. Second, deals made in pre-meetings have to be confirmed in the formal meeting. If, for example, in the pre-meeting members agree to form a united front and to vote for change, nobody should have an incentive to deviate from such an agreement in the formal meeting. To put it differently, deals made in a pre-meeting have to be credible.

To analyze the effect of pre-meetings on decisions we determine the range of fea-
sible deals made in a pre-meeting that will be endorsed in the formal meeting. We briefly summarize our main results. Recall that members want to conceal disagreement to avoid reputational damage. It directly follows that committee members want to speak with once voice in the formal meeting. This will be part of a deal. Another part of the deal is the decision to be favoured in the formal meeting. An important result is that reputational concerns give incentives to distort that decision. To see this, consider a situation where from a social point of view a decision for change is optimal only if all committee members individually believe that change is better than status quo. Suppose that the committee always takes the optimal decision. The public observes that the entire committee either supports a decision for change or supports a decision for status quo, as in the formal meeting the committee speaks with one voice. The public infers from a decision for change that all committee members have the same private view. By contrast, a decision for status quo could have been the result of disagreement among committee members. As disagreement damages reputations, a decision for change boosts reputations, whereas a decision for status quo damages reputations. The implication is that if from a social point of view a decision for change would be unwarranted, committee members face a trade-off. Deciding for change is attractive from a reputational point of view, but it is bad from a social point of view. The extent to which a committee member is concerned with his reputation determines how much he is willing to distort the decision.

To study the credibility of a deal made in the pre-meeting, we analyze committee members’ incentives to break the deal in the formal meeting. We argue that the only motivation to break the deal is to prevent a distorted decision. Moreover, we argue that breaking a deal usually damages one’s reputation. A direct implication is that the member who is least concerned about his reputation has the strongest incentives to break the deal. A member can break a deal in the formal meeting either by voting against the pre-cooked decision in the voting stage or by breaking the united front in the communication stage. A somewhat obvious, but important, result is that breaking the deal must alter the final decision. The loss in reputation has to be compensated by the benefit of a better decision. A direct implication is that unilaterally breaking the deal in the voting stage only makes sense when a decision for change requires unanimity. Relatedly, if a member breaks the deal in the
communication stage, a sufficient number of members (the exact number depends 
on the voting rule) must respond to this by voting against the agreed decision. Committee members may be willing to vote against the agreed decision, because once a member has broken the deal in the communication stage, the reputational benefits from a distorted decision are lower. Out-of-equilibrium beliefs play an important role in members’ decisions whether or not to support a deviating member. In general, the more distorted is the pre-cooked decision, the stronger is a member’s incentive to deviate in the formal meeting or to support a deviating member. The formal meeting thus limits the deals that can be made in the pre-meeting.

We discuss two extensions. We examine committee members’ incentives to shun the pre-meeting. There are two important differences between skipping a pre-meeting and deviating in the formal meeting. First, by attending the pre-meeting, a member learns the other members’ views. On the basis of these views a committee member can decide whether it is worth to deviate. Second, staying away from a pre-meeting forces a member to anticipate what kind of deal the other members will make in his absence. Skipping a pre-meeting only makes sense if it weakens the incentives of the other members to distort the decision. We show that this is not always the case. Especially, when a decision for change requires a lot of consensus, skipping a pre-meeting may strengthen the incentives to deviate.

We also examine the incentives to organize a pre-meeting if the public does observe the consequences, and can therefore use them to evaluate the quality of a member’s prediction. The consequences of the decision taken by, say, a committee that decides on investments in highly liquid markets like the stock market are easily observable. The inclination to organize a pre-meeting is still felt. The public compares the view a member has put forward in the meeting with the proper decision. A correct view boosts a member’s reputation. A false view damages it. Pre-meetings are a useful vehicle as they allow each member to form a better opinion and increase the probability that his statement in the formal meeting is in line with the proper decision. We also derive the conditions that guarantee endorsement in the formal meeting of the deal made in the pre-meeting.

Our analysis demonstrates that formal and real are two different things. Early 2005, The United Kingdom’s Freedom of Information Act was supposed to put an end to a culture of secrecy within the UK government. Our analysis suggests that
since such an act does not remove public servants’ incentives for secrecy, they will look for ways to escape from openness. In line with this result, Roberts (2006) discusses various ways in which governments have adapted to more transparency. This does not mean that formal transparency does not make sense. Pre-meetings reduce the benefits of transparency, but an open formal meeting does put a limit on what kind of deals can be made in a pre-meeting.

2 Related Literature

Our paper is, to the best of our knowledge, the first to analyse pre-meetings. It contributes to the literature on the benefits and costs of transparency. Political scientists have emphasized the importance of transparency in a deliberative democracy to foster accountability and legitimacy. Although it has been widely accepted that transparency is beneficial and that citizens have a right to know, transparency may come at a cost. Perry and Samuelson (1994) analyse a situation in which open-door (peace) negotiations allow constituents to intervene if they are apprehensive about the way the negotiations are evolving. Such is not possible in case of closed-door negotiations, in which case the end result may well be better. Other contributions show that a principal may not benefit from observing the action of his agent if the principal is uncertain about the agent’s competence: transparency may give rise to posturing. In Fingleton and Raith (2005), political delegates differ in their ability to obtain information about the opponent’s fallback option. If they care about their reputation as bargainers, open rather than closed bargaining leads to posturing and may harm the principal who sent the delegate. This mechanism is also highlighted in Stasavage (2007, forthcoming). Prat (2005) argues that a principal typically does not benefit from observing an agent’s action due to posturing, but does benefit from observing outcomes of actions. Patacconi (2007) argues that the requirement to publish information that is used in political decision-making gives rise to information manipulation by politicians who care about re-election.

The issue of transparency has been debated extensively in the realm of central banking.\(^1\) Two contributions are especially relevant for the present paper. Meade

\(^1\)Geraats (EJ paper) provides a taxonomy of dimensions in which a central bank can be transparent.
and Stasavage (2007 EJ) and Swank, Swank and Visser (2007), using data gathered by Meade (2005), discuss the changes in the nature of the deliberations at the FOMC that resulted from the pressure of U.S. Congress on the FOMC to publish verbatim transcripts with a five-year time lag. Meade and Stasavage argue that this pressure has strengthened the incentives to herd in a sequential decision-making process. Swank, Swank and Visser stress that it has shifted the locus of the real debate, away from the formal FOMC meeting to pre-meetings.\footnote{Add Gersbach and Hahn, E&P paper.}

This paper also adds to the literature on committee decision-making.\footnote{For a recent survey, see Gerling, Grüner, Kiel and Schulte (2005).} Expert decision-making in groups that deliberate before reaching a decision is studied by Levy (2006, 2007) and Visser and Swank (2007). Levy analyses ... Visser and Swank, in a model similar to the one used in the present paper, discuss closed decision process in which the committee decides what information to provide to the public.

### 3 The Model

On behalf of the public, a committee of $n$ persons, $i \in I = \{1, \ldots, n\}$ has to decide between maintaining the status quo, $X = 0$, and implementing a project, $X = 1$. By normalization, status quo delivers a payoff equal to zero. If the project is implemented, the project payoff to each member (and the public) equals $p + \mu$. The parameter $p$ is the ex ante expected payoff from $X = 1$. The stochastic term $\mu$ captures that the state of the environment, and therefore the payoff from $X = 1$, is uncertain. We assume that $\mu \in \{-h, h\}$, with equal prior probability. Moreover, we assume that (i) $p < 0$, implying that the committee has a bias against project implementation; (ii) $p + h > 0$, implying that the socially optimal decision depends on the state of the economy.

At the beginning of the game, each member $i \in I$ possesses a private signal about $\mu$, $s_i \in \{s^b, s^g\}$. A signal refers to a member’s assessment or prediction of $\mu$ ($b$ is bad and $g$ is good). Whether this signal is informative depends on a member’s type, $t_i$. Each member can be smart or dumb, $t_i \in \{sm, du\}$. The prior probability that a member is smart equals $\pi$. A smart member has a fully informative signal about $\mu$. 

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\footnote{Add Gersbach and Hahn, E&P paper.}
\footnote{For a recent survey, see Gerling, Grüner, Kiel and Schulte (2005).}
His view on $\mu$ is flawless, $\Pr(\mu = h \mid s^g, sm) = \Pr(\mu = -h \mid s^b, sm) = 1$. A dumb member receives an uninformative signal: $\Pr(\mu = h \mid s^g, du) = \Pr(\mu = h \mid s^b, du) = \frac{1}{2}$. He does not learn anything new about the expected value of the project. A member does not know his own competence, only the probability with which he is smart, $\pi$. The ex ante probabilities of $\mu$ and the prior probability $\pi$ are common knowledge.

Preferences of committee members over the alternatives consist of two parts, one reflecting the public interest, and one reflecting reputational concerns. Specifically, member $i$'s preferences are represented by:

$$U_i(X = 1) = p + \mu + \lambda_i \hat{\pi}_i(\Omega_1) \quad (1)$$

$$U_i(X = 0) = \lambda_i \hat{\pi}_i(\Omega_0), \quad (2)$$

where $\hat{\pi}_i$ denotes the posterior belief held by the ‘market’ or the ‘public’ that committee member $i$ is smart. We refer to this belief as member $i$’s reputation. This reputation is based on observed and inferred information, $\Omega_X$. The fact that the information set is indexed by the decision on the project, implies that the public observes at least this decision. It does not observe the state of the environment $\mu$. Depending on the way the decision-process is organized, the market may also observe how the project decision is arrived at. The parameter $\lambda_i$ measures how much committee member $i$ cares about his reputation. Committee members have homogenous preferences as to the project, but differ in the weight they attribute to their reputation, $\lambda_1 < \lambda_2 < ... < \lambda_n$. These weights are common knowledge. We use (1) and (2) with $\lambda_i = 0$ to represent the public’s interest.

The decision on the project is made in two stages. In the first stage, the communication stage, each member sends a message, $m_i \in \{m^b, m^g\}$. By this we mean that a member presents an analysis of $\mu$. In the second stage, the voting stage, the messages sent are common knowledge, and the members vote on the project decision, $v_i \in \{v^b, v^g\}$, where $v_i = v^b \ (v_i = v^g)$ denotes that $i$ votes against (in favour of) $X = 1$. We assume that messages are sent simultaneously, and that votes are cast simultaneously. We assume a voting rule, $f$, stipulating that $X = 1$ requires

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"Dumb" may mean "less smart". What matters for the results is that a smart type has a higher likelihood of correctly assessing the state of the economy than a dumb type.

A motivation for the assumption that messages are sent simultaneously, is that members...
that the number of favourable votes \(|v^g|\) is at least \(f\).

From the public’s perspective, it is best if members share their private information in the communication stage, and next decide to implement the project if the number of positive signals, denoted by \(|s^g|\), is sufficiently large. Let \(E (\mu \mid |s^g|)\) denote the expected value of \(\mu\) conditional on \(|s^g|\) (out of \(n\)) positive signals. Furthermore, let \(k^{FB}\) be the threshold value such that \(p + E (\mu \mid |s^g|) > 0\) for \(|s^g| \geq k^{FB}\) and \(p + E (\mu \mid |s^g|) < 0\) for \(|s^g| < k^{FB}\).

**Definition 1.** The first-best decision rule consists of two parts. First, information is shared. Second, the project is implemented if and only if \(|s^g| \geq k^{FB}\).

To ensure that the committee operates in an interesting environment, we assume that \(p + E (\mu \mid n) > 0\) holds, as otherwise implementation would never be in the public’s interest. The determination of \(k^{FB}\) is a statistical matter. As \(p < 0\), the optimal decision rule is characterized by \(k^{FB} \geq \frac{1}{2} (n + 1)\). The stronger is the bias against project implementation, the higher is \(k^{FB}\).

### 4 Transparency

We start by analysing a transparent decision-making process. In such a process, the public observes how a decision is arrived at: it observes \(m_i\) and \(v_i\) of each member. We first show that such a process guarantees the implementation of the first-best decision rule and full accountability. The public’s demand for transparency is therefore understandable. We then argue that because of transparency, committee members feel exposed as their reputation may get hurt. As a consequence, members would like to circumvent transparency.

To see that transparency guarantees accountability it suffices to show that members share their private information in the meeting. In the absence of information on \(\mu\), an assessment of a member’s ability can best be based on the degree of concurrence of individual statements. After all, if members share their private information in the meeting, then the information presented by smart members coincides, and conflicting statements are a clear indication that at least one member is dumb. The members prepare their analyses or statements before the meeting.
larger is the number of statements that corresponds with member $i$’s statement, the stronger is member $i$’s reputation,

$$\hat{\pi}_i \left( m^x_i, |m^x|_{-i} = k \right) > \hat{\pi}_i \left( m^x_i, |m^x|_{-i} = k - 1 \right), \text{ for } k \in \{1, \ldots, n - 1\},$$

for $x \in \{g, b\}$. As a result, if other members share their private information, then a member maximizes his expected reputation by also sharing his private information. This maximizes the likelihood that his statement equals those of a majority of fellow members.

Once members have shared information, a member’s reputation is fixed. It is then in every member’s interest to stick to the second part of the first-best decision rule, and to implement the project only if the number of positive messages exceeds the threshold, $|m^g| \geq k^{FB}$. As all agree and vote in the same way, the voting rule is immaterial.

**Proposition 1** Suppose committee decision-making is transparent. Then, in equilibrium the committee implements the first-best decision rule. The voting rule is immaterial.

Proposition 1 suggests that transparency is in the public’s interest. It serves the twin goals of guaranteeing accountability and quality decisions. However, a caveat is in order. As the public bases its assessment of a member’s ability on the degree of concurrence, each member’s reputation is hurt by the absence of a united front. Given these assessments, members have a mutual interest in a pre-meeting in which they share their information away from the public’s eye, and establish what decision on the project is best before gathering in the transparent meeting. Next, they can show a united front supporting that decision in the formal meeting.

## 5 Pre-meeting Deals

A pre-meeting results in a deal concerning how to act and what to “decide” in the formal meeting. We remain agnostic about the way in which members come to such a deal. We do not assign “bargaining weights” to each member, nor do we specify the procedures used to reach the deal. Part of the deal is for all members
to support whole-heartedly the decision, both verbally and in voting. This united front is a major obstacle to accountability, but the goal of quality decision-making is not necessarily lost. We define a Distortion-Free Pre-Meeting as follows.

**Definition 1** In a Distortion-Free Pre-Meeting (DFPM) with $\mu$ unobserved, each member $i \in I$ shares his signal $s_i$ in the pre-meeting, and reports $m_i$ and votes $v_i$ in the formal meeting using the following strategy:

$$
\begin{align*}
    m_i &= m^g \text{ and } v_i = v^g, \quad \text{if } |s^g| \geq k^{FB} \\
    m_i &= m^b \text{ and } v_i = v^b, \quad \text{if } |s^g| < k^{FB}.
\end{align*}
$$

A DFPM is a face-saving device in which members share information in private, but the decision reached is no different from what is best for the public. Members want to speak with one voice: disagreement signals lack of ability as competent members view the consequences of the project in the same way. That is, members collectively wish to make the same statement in public. Anybody deviating would hurt the reputation of everybody. Let $m^x_I$ denote that all members $i \in I$ report $m^x$, $x \in \{g, b\}$, and similarly for $v^x_I$. Thus, in case of a DFPM, the public observes either $(m^g_I, v^g_I)$ or $(m^b_I, v^b_I)$. On the basis of the DFPM strategy, the public reaches a conclusion about a member’s reputation, $\hat{\pi}(m^g_I, v^g_I, k^{FB})$ and $\hat{\pi}(m^b_I, v^b_I, k^{FB})$. Of course, the public sees through the members’ wish to be considered competent. It therefore realises that $m^g_I$ does not mean that all members held positive private opinions, but merely that this number was large enough to warrant project implementation, $|s^g| \geq k^{FB}$. Because $k^{FB} \geq (n + 1)/2$, favouring project implementation commands a higher reputation than favouring the status quo as the average degree of concurrence of private opinions is higher in the former than in the latter case.

To see this, suppose $k^{FB} = n$. In case of a DFPM, the public observes $m^g_I$ only if the degree of concurrence is maximal. This boosts each member’s reputation. Collectively favouring the status quo may mean all agreed the outlook was negative, $|s^g| = 0$ – again, the maximal degree of concurrence. However, it may also mean that members held differing opinions to varying degrees, $0 < |s^g| < n$, a sure sign that some, or all, are incompetent. This dilutes the reputation of a member.

When would a member $i$ wish to deviate from a DFPM? As a DFPM guarantees the highest expected project payoff, deviation from the DFPM must be with a view
to commanding a better reputation at the inevitable cost of project payoff. With \( \hat{\pi}(m_I^b, v_I^b, k^{FB}) > \hat{\pi}(m_I^g, v_I^g, k^{FB}) \), the temptation to deviate is felt most strongly if the number of positive private views falls just short of warranting project implementation, \( |s^g| = k^{FB} - 1 \). In this case, the costs from deviating in terms of expected project loss are the smallest, \( p + \mathbb{E}[\mu|k^{FB} - 1] \). The gains in terms of reputation for member \( i \) are \( \lambda_i = \lambda := \frac{p + \mathbb{E}[\mu|k^{FB} - 1]}{\hat{\pi}(m_I^g, v_I^g, k^{FB}) - \hat{\pi}(m_I^b, v_I^b, k^{FB})} \). So, for

\[
\lambda_i \leq \lambda := \frac{p + \mathbb{E}[\mu|k^{FB} - 1]}{\hat{\pi}(m_I^g, v_I^g, k^{FB}) - \hat{\pi}(m_I^b, v_I^b, k^{FB})},
\]

member \( i \) does not want to deviate from the DFPM. Hence, if \( \lambda_n \leq \lambda \), no member wants to deviate from a DFPM. As soon as \( \lambda_n > \lambda \), there is room for conflict about the decision to be supported in the formal meeting.

As said, we do not intend to describe the process in the pre-meeting. Rather, we limit ourselves to describing equilibrium deals. An equilibrium deal satisfies two conditions. It satisfies the feasibility condition. The pre-meeting as a whole cannot be more inclined to favour the decision to implement than its most ardent defender, nor can it be less inclined to support that decision than its most hesitant member. It should also satisfy the endorsement condition: the deal should be endorsed in the formal meeting. Any room the latter meeting offers to deviate from the deal struck in the pre-meeting may be exploited by a member or group of members who feels cajoled into that deal.

We start the analysis by limiting attention to situations in which all \( n \) members want to participate in the pre-meeting. Clearly, the anticipation of an unwelcome decision may lead a member to shun the pre-meeting, and to show up at the formal meeting only. In section 6, we discuss the efficacy of skipping the pre-meeting and the associated costs.\(^6\)

Any deal is characterized by a pair \((\bar{k}, \gamma)\), where \( \bar{k} \) is a threshold value and \( \gamma \) a probability. If the number of positive signals \( |s^g| \) exceeds \( \bar{k} \), the deal is to show a united front in favour of implementation in the formal meeting, both in the message stage and in the voting stage. If \( |s^g| = \bar{k} \), then implementation is favoured with

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\(^6\)Analyses of a single pre-meeting in which some members do not participate, or of situations in which committee members meet in different pre-meetings, run in parallel or sequentially, are interesting, but beyond the scope of this paper.
probability \( \gamma \), whereas if \(|s^o|\) falls short of \( \bar{k} \), the deal is to favour the status quo.

To determine the set \( D_F \) of feasible deals, we establish its bounds. The concept of a dictator proves useful. Member \( j \) is said to be a dictator if he can set the terms of the deal to maximize his own utility, unencumbered by the conditions of participation and endorsement.

**Proposition 2** Suppose that \( j \) is a dictator. His optimal deal \((\bar{k}_j, \gamma_j)\) is as follows.

(i) If he cares little about his reputation, \( \lambda_j \leq \bar{\lambda} \), the equilibrium deal is characterized by \((k_{FB}, 0)\).

(ii) If \( \lambda_j > \bar{\lambda} \), then one of the following holds.

(ii–a) [pure strategy optimal deal] Member \( j \) dictates all members to favour implementation if \(|s^o| \geq \bar{k}_j\), and to favour the status quo for \(|s^o| < \bar{k}_j\), where \( \bar{k}_j \) satisfies

\[
p + E[\mu|\bar{k}_j] + \lambda_j \hat{\pi} (m^b_I, v^b_I, \bar{k}_j) > \lambda_j \hat{\pi} (m^b_I, v^b_I, \bar{k}_j) \quad (6)
\]

\[
p + E[\mu|\bar{k}_j - 1] + \lambda_j \hat{\pi} (m^b_I, v^b_I, \bar{k}_j) < \lambda_j \hat{\pi} (m^b_I, v^b_I, \bar{k}_j). \quad (7)
\]

(ii–b) [mixed strategy optimal deal] Member \( j \) dictates all members to favour implementation if \(|s^o| > \bar{k}_j\), with probability one, to favour implementation if \(|s^o| = \bar{k}_j\) with probability \( \gamma_j \), and to favour the status quo for \(|s^o| < \bar{k}_j\), where \((\bar{k}_j, \gamma_j)\) satisfies

\[
p + E[\mu|\bar{k}_j] + \lambda_j \hat{\pi} (m^b_I, v^b_I, \bar{k}_j, \gamma_j) = \lambda_j \hat{\pi} (m^b_I, v^b_I, \bar{k}_j, \gamma_j). \quad (8)
\]

To understand why there are two types of optimal deals in case of \( \lambda_j > \bar{\lambda} \), note that (7) says that for given posterior beliefs \( \hat{\pi} (m^b_I, v^b_I, \bar{k}_j) \) and \( \hat{\pi} (m^b_I, v^b_I, \bar{k}_j) \) consistent with \( \bar{k}_j \), member \( j \) does not want to dictate project implementation in case the number of positive assessments equals \( \bar{k}_j - 1 \). He therefore does not mix in case of \(|s^o| = \bar{k}_j - 1 \). In case (ii–b), the situation is different. Now for given beliefs that are consistent with implementation with probability one for \(|s^o| \geq \bar{k}_j\), member \( j \) would like to implement for \(|s^o| = \bar{k}_j - 1 \). But if the posterior beliefs were based on the committee implementing with probability one for \(|s^o| \geq \bar{k}_j - 1 \), then he would like to refrain from implementing if \(|s^o| = \bar{k}_j - 1 \). As a result, there is a probability \( \gamma_j \) with which the project is implemented in case of \(|s^o| = \bar{k}_j\), with \((\bar{k}_j, \gamma_j)\) characterized by (8).
Strong reputational concerns, $\lambda_j > \bar{\lambda}$, lead member $j$ to prefer deviations from the DFPM. The stronger these concerns are, the larger the deviation becomes. There is a limit, though, to the extent to which member $j$ prefers deviating from the DFPM. The deviation is driven by the value attached to the ‘reputational gap’, the difference in reputation commanded in case of favouring implementation on the one hand and supporting the status quo on the other. This can most easily be seen by rewriting (8):

$$\lambda_j \left( \hat{\pi} \left( m_j^b, v_j^b, \tilde{k}_j, \gamma_j \right) - \hat{\pi} \left( m_j^b, v_j^b, \tilde{k}_j, \gamma_j \right) \right) = - \left( p + \mathbb{E} \left[ \mu | \tilde{k}_j \right] \right).$$

Recall that with $k^{FB} > (n + 1)/2$, the reputational gap exists because the average degree of signal concurrence in case of implementation is higher than in case of maintaining the status quo. In equilibrium, the higher is the value of $\lambda_j$, the larger is the deviation from the DFPM, the lower is the average degree of signal concurrence in case of implementation, and the larger it is in case of maintaining the status quo. As a result, the equilibrium reputational gap becomes smaller with an increase in $\lambda_j$. It would disappear if member $j$ were to dictate implementation as often as the status quo. Given that in equilibrium the reputational gap is needed to compensate for the loss in project value, member $j$ stops well short of a situation in which the gap would vanish.

Proposition 2 specifies the pairs $(\tilde{k}_n, \gamma_n)$ and $(\tilde{k}_1, \gamma_1)$ that set the bounds for the set of feasible deals $D_F$.\footnote{Formally, $D_F = \{ (\tilde{k}, \gamma) | \tilde{k} \in \{ \tilde{k}_n, \ldots, \tilde{k}_1 \}, \gamma \in [0, 1] \} \setminus \{ (\tilde{k}_n, \gamma) | \gamma > \gamma_n \} \cup \{ (\tilde{k}_1, \gamma) | \gamma < \gamma_1 \}$.} Of course, $\tilde{k}_n \leq \tilde{k}_1$. We do not impose that a feasible deal is the optimal deal of some member $j$. Any feasible deal will satisfy two conditions. First, implementation commands a higher reputation than maintaining the status quo. Second, if there is a distortion, it is in the direction of unwarranted implementation. In what follows, we limit analysis to deals in $D_F$. Given a feasible deal, what conditions should hold for the deal to be endorsed in the formal meeting?

### 5.1 Endorsement

In this section, we assume that participation in the pre-meeting is unproblematic, and that a deal is feasible. Which conditions guarantee endorsement in the formal meeting? We say that a deal is endorsed in the formal meeting if no individual
A member or coalition of members has an incentive to deviate in the formal meeting, for any number of favourable signals $|s^g|$. Two members are potentially most inclined to obstruct a deal, member $n$ who values his reputation more than anybody else, and member 1 who cares the least about his reputation. Member $n$ is most likely to be dissatisfied with a deal to maintain the status quo, as he is most attracted by the higher reputation commanded by project implementation. Member 1 might want to oppose a deal to favour implementation if the higher reputation this decision commands does not outweigh the loss in project payoff. If neither member 1 nor $n$ wants to oppose a deal, then all members endorse it. A member considering obstructing the deal asks himself two questions: will I be successful, and how much does obstruction cost me? Stopping a pre-cooked decision requires breaking the united front. This inevitably implies a loss of reputation. Clearly, then, a deal favouring the status quo will never be opposed as the gains hoped for cannot be realized. Member 1, however, might be willing to accept the low reputation that comes with a broken front. A necessary condition is that his deviation guarantees that the deal to implement is turned into support for the status quo in the formal meeting.

As we focus on equilibrium deals that are endorsed, the reputation a member would hold in case of deviation in the formal meeting equals an out-of-equilibrium belief. For these beliefs to be plausible, they should satisfy certain conditions. As mentioned, breaking a united front hurts the reputation of everybody as it signals lack of concurrence. Furthermore, if member $i$ deviates from a united front favouring implementation, the public does not assume that $i$’s private view was negative, but that $i$ felt that too little favourable information $|s^g|$ was presented in the pre-meeting. Finally, there is no comfort in numbers: the more members deviate from a united front, the lower the reputation of every member, deviating or not, will be. The more members deviate, the larger is the highest degree $\lambda_i$ to which a deviating member cares about his reputation, and thus the smaller the evidence $|s^g|$ presented in the pre-meeting must have been. To understand why this hurts reputation, observe that the lack of signal concurrence is maximal if there are as many positive as negative signals, $|s^g| = (n + 1)/2$. The less evidence $|s^g|$ there is, the more this situation is approached, and the worse it is for reputation.
5.1.1 Endorsement in the Voting Stage

To analyse endorsement in the voting stage, assume that endorsement of the deal in the communication stage is unproblematic. The voting stage offers little room for an individual member to stop the project from being implemented. First, it requires unanimity, \( f = n \). Second, it hurts reputation. Let \( \hat{\pi}_i \left( m^g_i, v^g_i, v^b_i \right) \) denote the out-of-equilibrium belief the public holds if it were to observe that member \( i \) breaks the united front in the voting stage. The incentive to vote against implementation is felt most strongly in case of \( |s^g| = \bar{k} \). The member most inclined to block implementation is member 1.

**Proposition 3** The deal will be endorsed in the voting stage in the absence of unanimity voting. In case of unanimity, it will be endorsed if

\[
p + \mathbb{E} \left[ \mu | \bar{k} \right] + \lambda_1 \hat{\pi} \left( m^g_i, v^g_i, \bar{k}, \gamma \right) < \lambda_1 \hat{\pi}_i \left( m^g_i, v^g_i, v^b_i \right).
\]

Endorsement in the Communication Stage The main advantage that deviating in the communication stage has over deviating in the voting stage is that an individual deviation in the former stage can act as a lever to induce widespread defection from the deal in the latter stage. This is particularly useful if a single member cannot veto project implementation. For the deal to be endorsed in the communication stage, then, either no individual is willing to break the united front in that stage, or the leverage of his deviant behaviour is too small. It is too small, if the decisive member \( d = n + 1 - f \) continues voting favourably.\(^8\)

To derive the condition that must hold for the deviation in the communication stage to have too little leverage, assume that member 1 broke the united front in the communication stage. This can be written as \( \left( m^g_{I \setminus 1}, m^b_1 \right) \). After this exchange, committee members face a new situation. Independent of the decision that is taken next on the project, the reputation of each member has been damaged relative to what it would have been had the deal to support implementation been endorsed. This is so, because \( \hat{\pi} \left( m^g_i, v^g_i, \bar{k}, \gamma \right) \) is based on the possibility that signal concurrence

\(^8\)If he votes favourably, so do all members \( i > d \) who are more willing to give up project value for a strengthened reputation. As a result, the project is implemented. If he votes against, so do all members \( i < d \) who care less about their reputation, implying that the required majority is not attained and the status quo is maintained.
was high, with at least $|s^g| \geq k^{FB}$ equal, positive signals. After the deviation, the public knows that such can no longer be the case. All but member 1 may want to keep up appearances by voting favourably.

To understand the behaviour of the decisive member in the voting stage, one has to specify plausible out-of-equilibrium beliefs. We posit that out-of-equilibrium beliefs will depend on $\left( m_{i_{1,1}}^g, m_1^b \right)$ and on the final decision $X$ on the project only, $\hat{\pi}_i \left( m_{i_{1,1}}^g, m_1^b, X \right)$. In particular, for a given decision $X$, it will not depend on the actual distribution of votes. If it would, members could costlessly, i.e., without affecting the decision on the project, improve their reputations. The public would see through this cheap talk behaviour. The out-of-equilibrium belief does depend on the decision on the project, $X$. A change in decision affects project payoffs, a costly signal. Consistent with the conditions we impose on out-of-equilibrium beliefs, implementation commands a higher out-of-equilibrium reputation than the status quo, $\hat{\pi}_i \left( m_{i_{1,1}}^g, m_1^b, X = 1 \right) > \hat{\pi}_i \left( m_{i_{1,1}}^g, m_1^b, X = 0 \right)$. The idea is that the decision that members favour in the aftermath of a broken front reveals further information about the actual number $|s^g|$. The lower is the value of $|s^g|$, the smaller is the expected value of the project. Below some critical value, the committee chooses to maintain the status quo. Thus, signal concurrence will be lower in case of $X = 0$ than in case of $X = 1$.

We are now ready to state the conditions that should hold for the deal to be endorsed. The defection from the united front by member 1 in the communication stage remains unsuccessful if member $d$ still prefers implementation over status quo. But even if member $d$ is willing to maintain the status quo if member 1 were to deviate, it could be that member 1 finds it prohibitively costly to take this route to oppose the deal.

**Proposition 4** Stopping a deal requires both that a member breaks the united front in the deliberation stage, and that the decisive member $d$ votes against implementation. Endorsement is guaranteed (i) if member $d$ continues to vote for implementation if member 1 were to break the united front in the deliberation stage,

$$ p + E \left( \mu | \tilde{k} \right) + \lambda_d \hat{\pi}_d \left( m_1^b, m_{i_{1,1}}^g, X = 1 \right) \geq \lambda_d \hat{\pi}_d \left( m_1^b, m_{i_{1,1}}^g, X = 0 \right), $$

or (ii) if member 1 does not want to break the united front in the deliberation stage...
although member $d$ would then decide to maintain the status quo,

$$p + E (\mu|\tilde{k}) + \lambda_1 \pi (m^g_I, v^g_I) \geq \lambda_1 \pi_1 \left( m^b_1, m^g_{I\backslash 1}, X = 0 \right).$$

5.2 Coalition deviations possible

The voting stage offers little room to block implementation if a member can only consider a unilateral deviation. We now assume that members can find out whether other members are disenchanted with the result of the pre-meeting. For example, while leaving the pre-meeting, it may be quite clear who is happy with the deal and who is not. This creates more room for successful deviations. If implementation requires $f$ favourable votes, a coalition $C$ including the decisive member $d = n+1-f$ can successfully block it. There is however one major obstacle to forming such a coalition, as plausible out-of-equilibrium beliefs are decreasing in the size of the coalition breaking the united front. Therefore, if member 1 on his own is not willing to break the united front, the formation of a coalition does not help. A larger coalition can only help to overcome lack of numbers, but does so by compromising every members’ reputation. The project is endorsed if member $d$ is unwilling to be part of a coalition breaking the united front.

**Proposition 5** Suppose that coalitions can be formed, and that the voting rule is characterized by $f$. The deal will be endorsed in the voting stage if member $d = n+1-f$ is unwilling to be part of a coalition that breaks the united front,

$$p + E [\mu|\tilde{k}] + \lambda_d \pi (m^g_I, v^g_I, \tilde{k}, \gamma) < \lambda_d \pi_d \left( m^g_I, v^g_{I,C}, v^b_C \right),$$

where $C = \{1, \ldots, d\}$.

6 Extensions

6.1 Participation in the pre-meeting

A member might be tempted to stay away from the pre-meeting if he feels that the deal that would otherwise be struck is against his interests. The question is of
course to what extent behaviour in the pre-meeting improves thanks to his absence. Often, there is no conflict of interest at all in the pre-meeting, e.g. when at least $k^{FB}$ members or less than $\bar{k}$ members hold a positive view. And even if there had been a conflict if he would have participated, would it grow smaller in his absence? After all, committee members who do show up at the pre-meeting might deduce from the absence of a member how this member felt about the state of the environment. Moreover, as shunning the pre-meeting implies foregoing the possibility of consciously forming a united front, a member who stays away may hurt his reputation. This implies that only members who care little about their reputation may consider skipping the pre-meeting, and that they do so to stop project implementation. Rather than deriving the exact condition that guarantees that every member participates in the pre-meeting, we illustrate how behaviour in the pre-meeting may change as a result of somebody’s absence.

Consider a pre-meeting in which everybody participates and the deal is characterized by $(\bar{k}, \gamma)$. Once member 1 has received his signal, he can decide whether to join the pre-meeting or not. Suppose $s_1 = s^b$, and suppose he decides to show up at the formal meeting only. Of course, he will report $m^b_1$ in the formal meeting. Those who join the pre-meeting deduce from the absence of member 1 his signal and anticipate his statement. They therefore act in full knowledge of the total number of positive signals $|s^q|$. Let us assume, then, that they continue using $(\bar{k}, \gamma)$ to decide on the deal. For $|s^q| < \bar{k}$, they decide to favour the status quo, and the public will observe a united front just as if member 1 is participating in the pre-meeting. Nothing changes. If, instead, the deal is to support project implementation, members in the pre-meeting know that a united front is no longer possible. The public deduce from $(m^q_{1\setminus 1}, m^b_1)$ that $|s^q| = n$ is impossible. This will hurt every member’s reputation, and dampens the inclination of the members in the pre-meeting to distort the implementation decision. Member 1’s action can therefore have the desired effect of reducing the distortion.

### 6.2 Consequences of final decision become observable

So far, we have assumed that the consequences of the final decision are not observed by the public. They cannot be used to evaluate the quality of the predictions mem-
bers stated in the meeting. In this section, we turn to the case that the consequences do become observable. We describe the incentives to organize a pre-meeting and the conditions that should hold for deals to be endorsed in the formal meeting. NB: All results obtained, but no time to present them here.

7 Conclusion

If decisions are made behind closed doors, those who have delegated decision power may suspect that the decisions made are not in their interest. Why else the secrecy? Requiring transparency is then a logical reaction. Some case studies suggest that committees shy away from deliberating in transparent meetings. The real deliberation seems to move to a pre-meeting, where a deal is reached as to the decision to be unanimously supported in the formal meeting. In this paper, we have presented a theory that explains the public’s demand for transparency; the committee members’ aversion to it; and the emergence of a pre-meeting. Rather than imposing structure on the decision process in the pre-meeting, we have focused on deals that ‘survive’ (are endorsed in) the formal meeting. We have also analysed the willingness to participate in the pre-meeting. The fact that members can choose to break the united front in the formal meeting or decide not to take part in the pre-meeting puts limits on distortionary deals. Such limits can, however, be very weak or even absent, if reputational concerns weigh heavily.

8 References (more or less complete)


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