

# Optimal Structure of Monetary Policy Committees\*

Keiichi Morimoto<sup>†</sup>

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## Abstract

This paper explores an optimal personnel organization problem of monetary policy committees. First, I construct an analytically tractable model for monetary policy analysis which starts from decision-making in the monetary policy committee. Using the model, I investigate the relationship between preference heterogeneity among the committee members and the optimal structure of the monetary policy committee. The result shows that it is optimal in general cases to appoint not only inflation-minded (hawkish) persons but also output-minded (dovish) persons. This is a theoretical justification for the fact that the actual monetary policy committees (e.g. MPC of Bank of England and FOMC) usually consist of both type members as the empirical researches suggest. It also explains why the committees have replaced the single policy makers in the actual central banks.

Keywords: monetary policy, committee, delegation, imperfect information, higher order expectations

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