

Formal Requirements on Costly Information

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Abstract

There is empirical evidence that government advisory committees generate biased policy decisions. The literature has primarily focused on assessing the influence of procedural restrictions imposed by government agencies on these advisory committees, assuming that their preferences are biased. Little theoretical research has been done to understand the inner workings of these committees and the origins of bias in their decision-making. In our study, we highlight a flaw in the operating procedures of advisory committees, specifically the allowance for the proposer to determine the amount of public information gathered. This flaw leads to biased decisions, even when the decision-maker is unbiased. We explore the optimal mechanism for procedural requirements within the advisory committee and show how it improves the final policy choice and the overall welfare. We analyze delegated information acquisition with a biased agent who also has private information about the state of the world. The information acquired is public and its informativeness increases with a costly effort. When the agent decides the effort level, the low type abstains from acquiring any public information, whereas the high type acquires just enough public information to separate itself from the low type. In the optimal mechanism with formal requirements, the principal incentivizes the low-type agent to truthfully reveal her private information by requiring a relatively low amount of costly effort, while the high private report has to be followed by the maximum effort in public signal.

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