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| <b>Report No.</b>  | HIAS-E-21                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Title</b>       | Is Diversity in Capabilities Desirable When Adding Decision Makers?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <b>Issued Date</b> | March 16, 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Abstract</b>    | When the benefit of making a correct decision is sufficiently high, even a slight increase in the probability of making such a decision justifies an increase in the number of decision makers. Applying a standard uncertain dichotomous choice benchmark setting, this study focuses on the relative desirability of two alternatives: adding individuals with capabilities identical to the existing ones and adding identical individuals with mean-preserving capabilities that depend on the states of nature. Our main result establishes that when the group applies the simple majority rule, variability in the capabilities of the new decision makers under the two states of nature, which is commonly observed in various decision-making settings, is less desirable in terms of the probability of making the correct decision. |
| <b>Keywords</b>    | decisional capabilities, group extension, asymmetry, homogeneity, diversity, mean preservation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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