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| Report No. | HIAS-E-59 |
| Title | The Effect of Democratic Decision Making on Investment in Reputation |
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| Issued Date | November 2017 |
| Abstract | <p>Students wish to increase the probability of being admitted to a prestigious school. Job candidates are interested in the probability of getting a desirable job. Defendants are concerned about the probability of being acquitted. In all such binary settings, the probability of the desirable outcome to individuals can be affected by their reputation. Applying a standard uncertain dichotomous choice benchmark setting, we focus on how the nature of the applied decision-making rule affects the individuals' incentive to invest in improvement of their reputation. Our main results establish that a democratic (non - democratic) decision-making system based on the simple majority (unanimity) rule ensures maximal (minimal) marginal productivity of reputation that increases (decreases) with the size of the decision-making committee.</p> |
| Keywords | decision making structure, investment in reputation |
| JEL | D7 |
