2008 Syllabus

**V450: Decision Making in Public and Private Contexts: The Good, the Bad, and The Ugly & V450: Governance in Public and Private Contexts: Herding Cats**

July 7 to August 1, 2008

---

Kenneth Richards  
**Home Office:** SPEA Rm. 410  
**Telephone:** 855-5971  
**Email:** kenricha@indiana.edu  
**Website:** http://classwebs.spea.indiana.edu/kenricha/  
**Location:** James Martin Institute Seminar Room, Said Business School, Oxford University  
**Times:** 10:00 AM (Decision Making) and 1:00 AM (Governance)

**Introduction**

The IU at Oxford V450 courses - Decision Making and Governance - are designed to provide you, the participants in Indiana University's summer program at Oxford, an overview of the contributions that the fields of economics, law, political science, management, public administration, sociology, and psychology have made in these two areas that are so central to public, business and personal affairs. As such it is impossible to provide a complete and detailed review of the work in these two fields. In fact, we can hope to develop little more than an introduction to the issues, the concepts, and the tools that are available and to invite ourselves to continue our inquiry after the conclusion of the course. My best analogy is that I am trying to help you develop a conceptual map of these two fascinating topics.

The design of these courses is, perhaps, more akin to a British course of study than an American class. Students have a great deal of freedom with respect to what types of readings they pursue and in what depth. While there are minimum requirements for the classes, they are rather open-ended with respect to the upper limit of inquiry. There is no neat packaging here. Students will have to find motivation from their own curiosity and drive to excel rather than from the courses' structure. If you are accustomed to being "spoon-fed" in courses, this will be a bit of a stretch for you. It will give you a foreshadowing of what graduate study might be like.

What makes the courses unique, I believe, is our use of guest lecturers. We have been fortunate enough to arrange lectures from some of the leading figures in the study and application of decision-making and governance, mostly drawn from Oxford University. I want us to remain open to the possibility that we may need to adjust our schedule as the month progresses to accommodate our speaker's needs and to take advantage of new opportunities that arise.

We will also be supplementing our class work with field trips, including visits to the Parliament in London, Magna Carta in Salisbury, and Blenheim Palace, the birthplace of Sir Winston Churchill, in Woodstock. Shorter local field trips may include a visit to the Oxford Museum and Bodleian Library. In addition, I will attempt to organize occasional dinner speakers on topics of interest.
Did you ever have to make up your mind
Pick up on one and leave the other behind
It's not often easy and not often kind
Did you ever have to make up your mind

Did you ever have to finally decide
Say yes to one and let the other one ride
There's so many changes and tears you must hide
Did you ever have to finally decide

The Lovin' Spoonful, 1966

Q: What do choosing dessert at a restaurant, picking a graduate program to attend, optimizing the design of an advertising campaign, planning your homework strategy, agreeing to invade a country, electing a president, and balancing the many competing interests involved in siting a new hazardous waste facility have in common?

A: They all involve one or more decisions, by one or more people, about one or more issues. The stakes vary dramatically, the type of information involved ranges from very familiar to the highly uncertain, and the complexity runs from simple to mind boggling. But all of these events ultimately involve a decision.

The oppressed are allowed once every few years to decide which particular representatives of the oppressing class are to represent and repress them. - Karl Marx

In this course we will survey the thinking that has emerged from a broad range of academic disciplines on the subject of decision making. To guide our review we will employ a simple typology. Decisions vary along many different characteristics. We will use two questions to help us organize our thinking: How many people are involved? One, two, many? How many issues are involved? One, two, many? Using this simple two-dimensional description of various types of decisions we will explore what the many academic disciplines – economics, political science, anthropology, sociology, psychology, law, history, and even decision analysis - have to say about how individuals and groups make simple and complex decisions. We will consider normative arguments (how would rational actors decide?) and positive models (how do decidedly imperfect humans actually decide?).

Majority rule only works if you're also considering individual rights. Because you can't have five wolves and one sheep voting on what to have for supper. (Larry Flynt)
GOVERNANCE IN PUBLIC AND PRIVATE CONTEXTS: HERDING CATS

To rule is easy, to govern difficult. - Johann W. von Goethe

Q: What do marriage vows, employment-at-will agreements, construction contracts, a not-for-profit organization’s by-laws, the United States Constitution, a law partnership agreement, international law, and Enron’s articles of incorporation have in common?

A: They are all ways of governing relationships in which individual parties with different information and different goals attempt to cooperate in the face of uncertain future events.

It almost looks like analysis were the third of those 'impossible' professions in which one can be quite sure of unsatisfying results. The other two, much older-established, are the bringing up of children and the government of nations. - Sigmund Freud, 1937

This class will study how individuals and organizations govern their cooperative relationships. Starting with starkly simple employment relations we will build on the concepts of principal-agent theory to explore the dimensions of cooperative efforts and particularly the key elements of incentives and information. From there we will explore how the tensions inherent in the simplest relationships are magnified (and sometimes abated) as the numbers of participants grow, the complexity of the goals expands, and the uncertainty in the future broadens.

We will examine the role that the legal system plays and the mechanisms that have been developed to protect and aid both principals and agents. We will consider the role of accountants for private organizations and watchdog groups for the government. We will look at the many policy instruments that the government has used to change private behavior and consider the analogous tools that are used in private relations. (Would a tax on undesirable behavior in the marriage relation be feasible?) We will explore what mechanisms and arrangements have worked well and under what circumstances, and we will explore some spectacularly unsuccessful attempts at cooperation. We will look at the role of reputation in relationships. (Why are people in small towns generally seem more pleasant than those in large cities?)

This course is necessarily interdisciplinary in nature. We will draw on political science, economics, law, international diplomacy, and other disciplines to develop an overview of the topic.

Corporation: An ingenious device for obtaining profit without individual responsibility. - Ambrose Bierce, The Devil's Dictionary
Course Objectives

- To introduce you to the basic concepts of decision making and governance.
- To help you further develop conceptual and analytical skills.
- To provide you with the opportunity to explore how the concepts can be applied in practice in a wide range of contexts.
- To help you appreciate generalizable principles that hold true across many applications in personal, business, and public arenas.
- To provide you with examples, drawing on British history, politics and culture, of how the principles in decision making and governance have been given practical expression.
- To provide you with experience in the complexities of implementing decisions and governance programs.
- To prepare you for the type of decision making and governance challenges met in both the government and private sectors.

Readings and Materials

This is a seminar course. How much reading you do is largely up to you. The more of the materials you read, the more you will know. The more you discuss the ideas among yourselves, the more you will understand.

The readings for each class meeting are organized into three categories: basic, intermediate, and advanced. It may have been more accurate to refer to these as primary, secondary and tertiary or core, closely related, exploratory. The basic readings comprise the minimal reading requirements for the course. To do well in the course you will have to do at least some of the intermediate readings. Choose which ones according to your interests. I encourage you to at least look at some of the advanced readings to get a sense of what peer reviewed research papers look like. This may help dissuade you from attending a Ph.D. program.

As the program develops, I may add some readings that I think will be particularly helpful to you. I will try to apprise you of new materials as they are added.

I will be relying heavily on the class website to disseminate readings, class materials, lecture notes and overhead graphics. Please check there regularly for new and updated materials.

Course Grades

I do not grade on a curve. For each of the assignments and the exam I will apply the following standard in evaluating your assignments. A grade of "A" indicates that you have demonstrated complete (or nearly complete) comprehension and have presented your ideas in a professional manner. A "B" indicates that you have demonstrated substantial comprehension and have presented your results in a nearly professional manner. A "C" indicates that you have demonstrated at least minimal comprehension and have presented your results in a manner that is minimally adequate.

The ability to write clearly is the most fundamental skill of a successful professional. I expect those assignments that involve prose or essays to be well written. Your grade on written assignments will consist of two components: one for content and substance and a second for writing and presentation. To get full marks on the latter your submissions will have to be well written, edited and presented. If I find
myself frustrated by the poor quality of a written assignment, I will simply stop reading. If you are unsatisfied with the second component of your grade when you receive your marked assignment, you may rewrite and resubmit your submission. I will re-grade the writing component only.

I encourage you, however, to submit well-written professional products the first time. First, a well written document virtually always does a better job of conveying the concepts of its author. You can't get full marks on substance if you haven't explained your ideas clearly. Second, it is more efficient for you to do a good job the first time. Third, getting it right the first time saves me time, too.

That said, if you want or need help with your writing, I will work with you.

Your grade for each class will be determined based on the following:

Homework #1 (Pre-arrival)................. 10 percent
Homework #2................................. 10 percent
Homework #3................................. 10 percent
Homework #4................................. 10 percent
Final Exam................................. 50 percent
Class Participation....................... 10 percent
Total ........................................ 100 percent

Class participation will be determined by a combination of class discussion, class attendance, and pop quizzes.

The final, which will be integrated for the two courses, will be of a take-home style. You will have 8 hours to answer a series of questions, most or all of which will be essay questions.

Late Assignments
Your grade on an assignment will be reduced by 5 percentage points for each day it is late. Once the answers for an assignment are discussed in class following the due date or posted on the website, however, I will no longer accept a late submission.

Economics is extremely useful as a form of employment for economists. - John Kenneth Galbraith

Attendance
You are expected to attend all classes. If you are unable to attend class please notify me ahead of time.

Academic Misconduct
I will not tolerate academic misconduct. The Indiana University Code of Student Rights, Responsibilities and Conduct, Section III A discusses student academic misconduct. You can find this information on the website at http://dsa.indiana.edu/Code/index1.html. Any student found cheating will receive a failing grade for the course and will be reported to the Dean of Student Affairs. Other sanctions are possible.
On average, I have had to fail one student per semester for the past several semesters due to academic misconduct. I hate doing this.

*When one bases his life on principle, 99 percent of his decisions are already made.* - Author Unknown

On homework, please limit your communication to conceptual discussions rather than comparing work products. If you find yourself providing to, or accepting from, other students’ printed or electronic materials related to these assignments, then you have engaged in academic dishonesty. If you are cooperatively developing answers to share on the case studies or tests, then you have engaged in academic dishonesty. "Borrowing" material from the web is strictly forbidden. Ideas or information that you have derived from the work of others must be cited. If you use wording taken from others it must be placed in quotation marks. If the quote is longer than a sentence, it should be indented and separated from your text, above and below.

On the final, you are not allowed to even discuss the exam with anyone but the professor while the exam is pending. The same rules for citations and quotes apply to exams as to homework.