Society for Judgment and Decision Making

Newsletter

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Contents

When making a decision of minor importance, I have always found it advantageous to consider all the pros and cons. In vital matters, however, such as the choice of a mate or a profession, the decision should come from the unconscious, from somewhere within ourselves. In the important decisions of personal life, we should be governed, I think, by the deep inner needs of our nature.
Sigmund Freud

In any decision situation, the amount of relevant information available is inversely proportional to the importance of the decision. (Cooke's Law)
Paul Dickson, *The Official Rules*

Flash!

SJDM Call for Abstracts

(submission deadline 15 July 2004)

for

Annual meeting 20-22 November 2004

Minneapolis, Minnesota

See page 9 for details

2004 Executive Board

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The *JDM Newsletter*, published four times a year (March, June, September, and December), welcomes submissions from individuals and groups. However, we do not publish substantive papers. Book reviews will be published. If you are interested in reviewing books and related materials, please write to or email the editor. There are few ground rules for submissions. The best way to send your contribution is via EMAIL or a 3.5" diskette. Send an IBM-compatible text file or word-processed document up to versions WordPerfect 10 or Word 2000. If you must send hard copy (e.g., if you are using special graphics or do not have computer access), the copy should be typed single-spaced on white 8½ by 11 paper. Please mail flat -- do not fold.

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President's Column: Decision Research Online[1]

Eric Johnson
Columbia University

With all the deserved excitement surrounding new developments in neuroscience, particularly technologies such as fMRI and PET scanning, it is easy to lose track of other important, but much more subtle, changes that are occurring in research techniques. I will focus this President's Column on some of these, focusing on how changing information technology is changing decision research. I have written about this elsewhere (Johnson, 2001), but here I offer an update, with some specific implications for decision research

The basic idea is that the World Wide Web is producing a fundamental change in how we do research. Most research has, for quite some time, focused on student respondents and occasionally, other convenience samples (people waiting in airports), and typically uses hypothetical scenarios. This is not a bad thing, and we have made quite a bit of progress. What I argue though is that there are considerable advantages in moving from paper to on-line methods, in that we can move from student subjects to more varied groups, and from simply observing choices to observing process. While each of these points might seem like a methodological wrinkle, they are, perhaps, more important than that.

Exploring Individual Differences

We are seeing increased interest in something more than the modal response. Instead, we are starting to focus on how people differ in their responses. One nice example of this is Stanovich and West's (1998) exploration of the pattern of relationships in answers to a series of standard decision research items and their correlation with standardized measures of individual differences.

Web based research brings two major advantages to these queries. First, moving beyond students markedly increases the variance in the both dependent and independent measures. We all hope to teach at schools that are staggeringly successfully at recruiting the best available undergraduates. I am reminded of Cal Tech's modal quantitative SAT score of 800. However if we want to study how people vary, getting good students is a bit of a disaster. While the web is not a random sample, it offers quite a bit more variance than most student subject pools. As our interest increases in individual differences in variables such as intelligence, mathematical skills or age, it becomes a convenient way to go off campus.

Second, the web can be a very cost-effective means of gathering large samples, a necessity for exploring individual differences. As I sit here writing this, my collaborators and I are running 200 people in a half hour questionnaire that consists of 5 studies. It is much easier to be sitting here writing this than to be pleading for participants at the local science museum!

Globalizing Decision Research.

Doing cross cultural research used to mean having to travel. It still does if you are planning to examine small scale societies. However, if you would simply like to compare samples from

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[1] This column has benefited by comments and suggestions from Michael Schulte, Elke Weber and Martijn Willemsen. Remaining errors are of course, mine.

developed societies, then I suspect that the web may save some airfare. Internet penetration in South Korea, Hong Kong, Australia, the Netherlands, and Sweden all exceed 60%, while the US penetration is 67%. While the web does not remove the challenges of translation, the appeal of having respondents in cybercafés in Beijing is substantial.

Process and Chronometric Measures in the Living Room.
One of the studies that we are currently running uses a methodology, called *MouselabWeb,* developed by Martijn Willemsen and myself. This allows a researcher to do on the web what *Mouselab* (Johnson, Payne, Schkade, & Bettman, 1996) and similar systems have done in laboratories. Like *Mouselab*, it presents the decision-maker with a problem and allows them to access information about the problem by moving the cursor into a region of the screen that then displays the information.. Because it uses the clock on the user's computers, it does not suffer from network delays, and allows us to measure, to the 60th of a second, how long one is looking at each piece of information. There are already interesting applications of other reaction time techniques (McGraw, Tew, & Williams, 2000) using the web, and the evidence suggests that the increase in sample size overcomes any possible increase in noise or loss in precision. Martijn and I hope to have distributable version of our software available for other researchers by the end of the summer.

Increasing External Validity.
Have you ever been at a conference, as I recently was, and are told by a skeptic "All those demonstrations of irrationality are shown on a bunch of college sophomores"? While this particular eminent scholar from another field should have known better, we have made great progress in many field studies demonstrating important effects in the field. Work in behavioral finance goes a long way to responding to qualms about incentives. However, there is something convincing about people making decisions for real stakes, and we have started to make sure that many of our studies end with subjects making real decisions about how they want to allocate their subject fees. We often give them a choice between a gamble and their fee, or let them buy or sell a prize that they have won. It is clear that the web is 'real' to them. After all, their next click might be to buy something on Amazon, or to gamble at a web casino!

Getting Started.
This column is simply meant as an introduction to web-based research. There are many resources for learning more. Below I offer an incomplete list of places to start. From there, many other links are available:
http://psych.hanover.edu/research/exponnet.html : A list of experiments on the web
http://www.sas.upenn.edu/~baron/ : Jon Baron's webpage
http://psych.fullerton.edu/mbirnbaum/home.htm : Michael Birnbaum's site (some tools for building simple web experiments on his site)
http://www.psychologie.unizh.ch/sowi/Ulf/Lab/WebExpPsyLab.html : Ulf Reips' site.
http://psych-wextor.unizh.ch/wextor/en/index.php
http://pedpsypc70.unifr.ch/webdip_page/ : Michael Schulte's site.

Conclusion.
While the excitement surrounding fMRI and other scanning research is understandable, it is interesting to contrast the strengths and weaknesses of the methods. fMRI and related techniques

require many, many blocks of trials, and a dozen represents a large sample size. While this is a great new form of process tracing, the simple convenience of online experimentation should not be forgotten. At last year's SPUDM conference, for example, Ulf-Dietrich Reips replicated a result he had seen in a session that afternoon, running the study that night, and presented his results the next day. I am reminded of Sarah Lichtenstein's description of Amos Tversky and Danny Kahneman running studies almost daily when they were visiting Decision Research. Thought is still the limiting factor in developing good theory, but quick, easily acquired data doesn't hurt. With all these advantages, I hope there are a few pennies and a little attention left for the development better online tools.

Johnson, E. J. (2001). Digitizing consumer research. *Journal of Consumer Research, 28*(2), 331-336.

Johnson, E. J., Payne, J. W., Schkade, D. A., & Bettman, J. R. (1996). *The Last Whole Mouselab manual.*, from http://www.cebiz.org/mouselab/mouselab.htm

McGraw, K. O., Tew, M. D., & Williams, J. E. (2000). The intergrity of web-delivered experiments: Can you trust the data? *Psychological Science, 11*(6), 502-506.

Stanovich, K. E., & West, R. F. (1998). Individual differences in rational thought. *Journal of Experimental Psychology-General*, *127*(2), 161-188.

The Social Dilemma of Exaggerating the Positive—of People and of Policies

Robyn M. Dawes
Carnegie Mellon University

Let me demonstrate by example the concept of a *social dilemma*. Eleven strangers come into a room and each is given a $10 "stake." Subsequently, each person decides individually and anonymously whether to keep this $10 or to "contribute" it to the group—in which case the *remaining* ten people receive a total of $20. These people received a $2 payoff for each other person who chooses to give—whether or not they themselves have chosen to keep or give away the money. Looking at each choice separately, this game is a *social dilemma* one because every player is $10 better off keeping the money (which can be termed "defecting") rather than giving it away ("cooperating"), yet everyone is collectively better off if everyone cooperates, because then each person receives $20—$2 from each of the remaining ten people—rather than the $10 that results from universal defection. Nevertheless, the $10 benefit for defecting by keeping the money is independent of the number of other people who choose to give it away.

Now suppose that this game is repeated over a number of "trials." What happens? Many colleagues around the world and I have conducted similar games, and the results are quite predictable. Especially if people are able to communicate with each other and make commitments prior to the first trial, almost all give the money away. But what happens on later trials where people know what they did on the previous trial and can infer from their payoff what other people did collectively? The rate of cooperation (giving) over trials is highly predictable. If this rate does not reach 100% on the first trial, some people note that they are making less money than those who keep their $10 stake and they then switch from being cooperators to being defectors. Subsequently, more people do so—often at an accelerating rate. By the end of ten trials, virtually no one is giving away the money. What has happened is that behavior has stabilized on the "sink" of universal defection. The one exception is that if people don't find out what happened after the first trial—where generally a majority honor the commitments to cooperate—subjects avoid the sink. When a few people know, however, that they are being "suckered" by others when they give away their $10 they stop doing it. (It is even possible to "reset" the situation by having an additional discussion prior to some trial, but even then over trials without discussion, the group ends up in the sink.)

An observer looking at behavior at the beginning of this degenerating process and ascribing the results to personality characteristics would conclude that people are altruistic and cooperative, while someone observing the end of the process and making similar personality attributions would conclude that people are generally selfish and uncooperative. But it is the situation itself that yields the behavior—at least on the part of anyone attempting to behave "rationally."

These types of social dilemma situations are found often in society. For example, academic institutions all agreed a number of years ago that they would not demand commitments from potential candidates until the 15th of April, but when a few institutions initiated an "early admissions" procedure and required the best candidates to make a commitment to them prior to April 15th, the whole system started falling apart (ditto agreements about commitments to residency after medical school). For example, people pass laws against bribing public officials and feel committed to these laws, but as contractors start realizing that they are "one down" to others if they do not provide a bribe, such bribery becomes endemic. For example, parents may individually decide that foot binding of their daughters is a very bad idea, but then when they discover that their daughters are less eligible as wives because their feet are bigger than the daughters of others, foot binding is sustained—ditto, female castration, just so long as parents are convinced that if they do not subject their daughters to this operation, their daughters will be less marriageable than will the daughters of other parents.

In the game I outlined, a single individual who gives away the money when others don't simply ends up with nothing; the single individual who does not bind her daughter's feet ends up with a daughter that cannot get married; the parents who do not allow female castration in the society that views female sexual pleasure negatively also ends up with an unmarriageable daughter. The single contractor who does not bribe goes broke.

I suggest in this editorial that the social dilemma structure now endemic in our culture occurs when people have a choice between realistic appraisals of others or of a proposed public policy versus a hyper-optimistic appraisal that is not justified. Consider, first, writing letters of recommendation. When I was head of a graduate admissions committee at the University of Oregon in the late 1960's, people recommending our potential students were asked to rate them on a scale consisting of: outstanding, excellent, very good, good, average, below average, or poor. I sampled 300 letters. One professor rated a single potential graduate student as "below average," but no other raters could bring themselves to check even such a mildly negative evaluation as "average." Other investigators looking at such letter ratings at other universities found similar results. Moreover, over the years (I have served as the department heads for twelve at two different universities), this "inflation" of positive statements and ratings has increased. In reading letters recommending graduate students or young assistant professors, I recently have discovered that they do not all just walk on water, but that they have all come to a barren desert, waved their magic research wands to create a beautiful lake, and only then walked across the water. Writers do not just "accentuate the positive"; they try to thrust it deep in the readers' minds.

It is fine that in Lake Wobegon all its children are considered to be above average, but with these letters of recommendations and ratings, we have created a real social dilemma for ourselves. It cannot be blamed on the "Buckley Amendment," which allows the person being recommended the right to see the letter unless that person specifically waives that right, because almost everybody waives the right to see the letter. What it can be blamed on is the structure of the situation. If every other professor is writing about their potential students as if they did in fact walk on water, then a realistic appraisal of mine would selectively hurt my students. Moreover, the degree to which other professors do tell the truth rather than exaggerate, an inflated assessment of my students selectively benefits them. (But not to worry much about that possibility, given that the process has reached a point where almost nobody writes a realistic letter or makes realistic evaluations.) The result is that the "information" contained in such a letter—aside from very specific reference to very specific accomplishments—becomes worthless. But that means that the most sincere overall impressions of professors also becomes worthless, which is not great for the selection procedure. The well known, and equally well bemoaned, recent phenomenon of "grade inflation" is another social dilemma resulting from essentially the same factors. (The irony here is that with such inflation for students, the only method for distinguishing those of greater or lesser promise is to rely on test scores—a reliance which many of the “kindly” professors who give nothing but A’s and B’s and write nothing but glowing comments abhor.)

The reader might not care that much about grades or selecting graduate students or young assistant professors, but we all should be concerned about selecting public policy. What appears to have happened is that the same social dilemma situation yielding inflation of recommendations and grades has led political leaders to make completely unjustified positive statements about the probable (or even actual) success of their policies. Recall the “cakewalk” predicted for the invasion of Iraq? Professor Leonard Adelmen gave a talk here at Carnegie Mellon in which he claimed that the Iraqi people would be on the rooftops cheering the U.S. airplanes, and he denigrated those of us who (in my case vehemently) expressed “pessimistic” counter-arguments. All our politicians are “upbeat” about the wonderful things they are going to accomplish (or have already accomplished); they try to make it appear that their policies are much more positive and productive than they are. Well, isn’t that part of human nature? The problem is that it appears to have reached the same extreme that letters of recommendation and grades have reached, which makes the “information” contained in such statements close to meaningless.

It is a true social dilemma. We might all prefer that politicians—and professors—tell the truth to the alternative that they all exaggerate real or potential virtues of their favorite policies or students. But there is no strategically rational argument for truth telling, when others don’t. Worse yet, while the audiences may realize that all “spin” is almost always “spin upward,” they have no rational way of deciding how much to modify it downward, and hence may decide to ignore it completely—or even not to vote.

The situation is not totally gloomy. Chinese mothers no longer bind their daughters’ feet, and the practice of female circumcision is on the wane. What happens is that once a sufficient number of other people decide to reverse their behavior—by not binding, or not circumcising, or not bribing—then people who cooperate are not “suckered,” because defection is no longer the societal norm. Colleagues of mine such as Professor Gerald Mackie at Notre Dame, Professor John Orbell at the University of Oregon, and Professor Cristina Bicchieri here at Carnegie Mellon have demonstrated how it is possible to have a sudden social “tilt” from almost universal defection to a high level of cooperation, although this change often comes about in an odd way (such as convincing people who believe in the results of “Western medicine” that female circumcision can lead to a lot of bleeding and hence mental retardation in later life). It is my hope that we can somehow “tilt” the social norm to cooperation—as regards the simple telling of the truth, rather than the exaggeration of the virtues of what “we” (our students, etc.) are like or what our policies have garnered or will produce. Unfortunately, truth appears to have become politically unpalatable right now, but the situation might change so that it—rather than exaggeration—becomes the norm. I myself do not possess enough unrealistic optimism to believe that simply writing this editorial will have that effect, but pointing out the nature of the dilemma might be a start.

Annual Meeting of the
Society for Judgment and Decision Making

Call for Abstracts

The Society for Judgment and Decision Making (SJDM) invites abstracts for symposia, oral presentations, and posters on any theoretical, empirical, or applied topic related to judgment and decision making. Completed manuscripts are not required.

Location, Dates, and Program

SJDM's silver anniversary conference will be held at the Millennium Hotel in Minneapolis MN, November 20–22, 2004. We've added a full day (Saturday) to the schedule to make room for more presentations and for *two* excellent keynote speakers:

- Malcolm Gladwell, science writer for *The New Yorker* and author of *The Tipping Point: How Little Things Can Make a Big Difference* (Little, Brown and Company).
- Robert Zajonc, Professor of Psychology, Stanford University, and author of many path-breaking articles on the cognitive, affective, and social determinants of behavior.

Submissions

The deadline for submissions is July 15, 2004.

Submissions for symposia, oral presentations, and posters should be made through the SJDM website at http://sql.sjdm.org. Technical questions can be addressed to the webmaster, Alan Schwartz, at www@sjdm.org. All other questions can be addressed to the chair of the program committee, Craig Fox, at craig.fox@anderson.ucla.edu.

Eligibility

At least one author of each presentation must be a member of SJDM. Joining at the time of submission will satisfy this requirement. A membership form may be downloaded from the SJDM website at http://www.sjdm.org. An individual may give only one talk (podium presentation) and present only one poster, but may be a co-author on multiple talks and/or posters.

Awards

- The Hillel Einhorn New Investigator Award is given for the best paper by a graduate student or recent PhD. It is awarded in even years, including 2004. Materials should be submitted by July 15, 2004 to Professor Rick Larrick, Fuqua School of Business, Duke University, Box 90120, Durham, NC 27708. For eligibility criteria and submission details, see the separate announcement elsewhere in this newsletter.
- The Best Student Poster Award is given for the best poster presentation whose first author is a student member of SJDM.
- The Jane Beattie Travel Memorial Scholarship subsidizes travel to the United States for scholarly pursuits related to JDM research, including attendance of the annual meeting.

Further details regarding these awards are available at http://www.sjdm.org.

Program Committee

Craig Fox (Chair), Dan Ariely, Rachel Croson, Mike DeKay, Julie Irwin, Jennifer Lerner, Ellen Peters, and Alex Wearing.

The Hillel Einhorn New Investigator Award for 2004

The Society for Judgment and Decision Making is soliciting submissions for the **Hillel Einhorn New Investigator Award**. The purpose of this award is to encourage outstanding work by new researchers. Individuals are eligible if they have not yet completed their Ph.D. or if they have completed their Ph.D. within the last five years (on or after July 1, 1999). To be considered for the award, please submit four copies of a journal-style manuscript on any topic related to judgment and decision making. Submissions should be accompanied by (1) four copies of a summary or extended abstract of the paper, not to exceed four pages in length and (2) a cover letter that includes the name of the investigator's graduate advisor and the date that the Ph.D. was awarded (if applicable). In the case of co-authored papers, if the authors are all new investigators they can be considered jointly; otherwise, the new investigator(s) must be the primary author(s) and should be the primary source of ideas. Submissions in dissertation format will not be considered, but articles based on a dissertation are encouraged. Both reprints of published articles and manuscripts that have not yet been published are acceptable. Submissions will be judged by a committee appointed by the Society and chaired by Rick Larrick. To be considered, submissions must be received by July 15, 2004. The committee will announce the results to the participants by September 15, 2004. The award will be announced and presented at the annual meeting of the Society for Judgment and Decision Making, which will be held in Minneapolis, MN November 20-22. The winner will be invited to give a presentation at that meeting. If the winner cannot obtain full funding from his/her own institution to attend the meeting, an application may be made to the Society for supplemental travel needs.

Materials should be submitted by July 15, 2004 to:
Professor Rick Larrick
Fuqua School of Business
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Journal of Behavioral Decision Making
Special Issue
Call for manuscripts: The role of affect in decision making:

Submission due date: September 1, 2004

Guest Editors:
Tommy Garling, Daniel Vastfjall, Paul Slovic, and Ellen Peters

The field of Behavioral Decision Theory originated in the mid-20th century and followed the lead of economics, by focusing predominantly on concepts related to the deliberative system. The field drew heavily from probability theory and statistics. Attempts to derive more psychological models of information processing tended to be analytical, rather than affective. More recently, the importance of affect has been recognized by decision researchers. A strong early proponent of the importance of affect in decision making was Zajonc (1980), who argued that affective reactions to stimuli are often the very first reactions, occurring automatically and subsequently guiding information processing and judgment. If Zajonc is correct, then affective reactions may serve as orienting mechanisms, helping us navigate quickly and efficiently through a complex, uncertain, and sometimes dangerous world. While the research literature also shows many examples of decisions being made through a reason-based approach, many decisions appear to involve affect in some manner. Recent research has differentiated between "types" of affect including integral affect (e.g., affect towards an object) versus incidental affect (e.g., mood states) and positive and negative valence versus specific emotions. What are the "rules" that govern the impact of these different types of affect on judgments and decisions? How are they integrated when more than one type of affect is present? What is the role of anticipated affect such as regret versus experienced/anticipatory affect? Measurement issues also exist. How can affect be measured? How do you know it's affect and not something else (e.g., cognitive evaluation)? Researchers also generally agree that there is a strong interaction between affect and deliberation. What impact does this interaction have on judgments and decisions? Sometimes decision makers are aware of the impact of affect on decisions; other times they are not. What role does awareness of affect play in judgments and decisions? Finally, what is the value of affect in prescriptive decision making? The purpose of this special issue of the *Journal of Behavioral Decision Making* is to shed light on the separate roles of various "types" of affect and their interaction with deliberative reason.

Manuscripts should be sent as email attachments to the associate editor, J. Frank Yates (jfyates@umich.edu). Manuscripts should conform to the specifications described in the 'Notes for Contributors' that appear in each issue of the journal and should be accompanied by a cover letter indicating a desire for consideration for the special issue on affect in decision making.

For further information, please contact the guest editors, Tommy Garling (Tommy.Garling@psy.gu.se), Daniel Vastfjall (daniel.vastfjall@psy.gu.se), Paul Slovic (pslovic@darkwing.uoregon.edu), or Ellen Peters (empeters@uoregon.edu), or the associate editor, J. Frank Yates (jfyates@umich.edu).

20th Annual International Meeting of the Brunswik Society

Call for Papers and Participation

Dear friends and colleagues,

The 20th Annual International Meeting of the Brunswik Society will be held on Thursday and Friday, November 18-19, 2004 in Minneapolis, MN, at the Millennium Hotel. The program begins at 1:30 on Thursday afternoon. We invite proposals for papers on your recent research and panel discussions on any theoretical or empirical/applied topic related to Egon Brunswik's philosophy and paradigm. Please send a brief abstract (50 words), and indicate whether the paper/discussion is theoretical or empirical, to Jim Holzworth by Friday, July 16th. Kindly respect this submission due date. The organizing committee is: Jim Holzworth holz@uconn.edu, Mandeep K. Dhami mkdhami@uvic.ca, Elise Weaver eweaver@wpi.edu, and Tom Stewart t.stewart@albany.edu. The meeting is held concurrently with the Psychonomic Society Annual Meeting and just before the Judgment and Decision Society meeting. More details about the

2004 meeting, including registration instructions, will be posted on the Brunswik Society website, http://brunswik.org.

Jim Holzworth
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Recent publications by Society members

1. McElroy, T., & Seta, J. J. (In Press). On the Other Hand am I Rational?: Hemispheric Activation and the Framing Effect. *Brain and Cognition*.

   In this paper we discuss two experiments that were conducted to determine whether the functional specializations of the left and the right hemispheres would produce different responses to a traditional framing task. In Experiment 1, a behavioral task of finger tapping was used to induce asymmetrical activation of the respective hemispheres. In Experiment 2, a monaural listening procedure was used. In both experiments, framing effects were found when the right hemisphere was selectively activated whereas they were not observed when the left hemisphere was selectively activated. The results are interpreted in light of hemispheric contributions to decision-making.

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   fax: (336) 758-4733

2. M. Cabanac *La cinquieme influence, ou la Dialectique du plaisir*. Quebec: Presses de l'Universite Laval, 2003. ISBN 2-7637-7995-6

   This book is about determinism of human behavior-of all human behaviors. In it, I hark back to the utilitarianism of Bentham, Stuart Mill, and others since Aristotle who have seen us as being driven by one key driving force: pleasure. As I see it, the main difference between me and my predecessors is that my utilitarian conclusions are not based on intuitions that flow from a philosopher's introspection. They flow from experimental studies that are replicable and produce "shareable" evidence. The path of my experimental research has led me across the boundaries of several disciplines: Bernard's physiology, cellular electrophysiology, the study of behavior and objective psychology, "mentalist" psychology, and thence to the subdisciplines of decision-making mechanisms and nature of consciousness. This book presents my conclusions and the hypotheses based on them. These hypotheses are based not on intuitions but on objective arguments. My conclusions have long been made available by the passing of time since my philosophical predecessors. Indeed, each of us can understand the contents of this book thanks to our life experiences. However, understanding intuitively is not necessarily the same as knowing. The originality of this book is to bring such intuitive understanding into the field of science. The scientific method turns "I understand" into "I know." By shedding new light on old questions, I hope my efforts will be sufficiently convincing that you will forgive me whenever I must restate what others have long said before. The general conclusion is that pleasure, that moves the human brain -the third infinite of Nature, the infinite complex- is the fifth influence of the universe, after gravitational, electromagnetic, strong, and weak nuclear, forces.

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3. Albrecht, W.S., Albrecht, C.C., & Albrecht, C.O. (2004). Fraud and Corporate Executives: Agency, stewardship and broken trust. *Journal of Forensic Accounting*, 5, 109-130.

The purpose of this paper is to explore the relationship between theories of management and recent financial statement frauds. To accomplish this, we address three areas: First, we examine prevailing theories of management that seek to explain the complex relationship between various stakeholders in an organization, with particular attention to the role of the CEO and other executive managers. While varying in degree, and in the steps that may be taken to obviate conflicts, all of the theories considered share the common element of the transference of *some measure* of trust from shareholders to executive level managers. Next, we analyze recent frauds and the conditions and elements that led to these frauds. Why, in so many cases, have executives been willing to break the trust, betray shareholders, and commit fraud? Lastly, we examine various dimensions of corporate organization and propose a model to identify fraud risk factors that may predict fraudulent behavior. We conclude that there is an optimal combination of organizational dimensions to reduce the likelihood of fraud; and suggest that, to a meaningful degree, executives self-identify with behavior either more consistent with the agency theory or stewardship theory of management, and that those whose behavior is, in fact, more consistent with stewardship theory are more trustworthy and generally less likely to commit fraud.

Book Reviews

Warren Thorngate, Carleton University

Schwartz, B. (2004). *The paradox of choice: Why more is less*. New York: Harper-Collins. ISBN 0-06-000568-8

Speculation about the psychological consequences of too many choices has been around at least since the early days of existential philosophy, Eric Fromm's (1941) *Escape from Freedom*, and the capitalist/communist debates about the difference between "freedom to" and "freedom from". Barry Schwartz adds to the speculation a highly readable account of recent psychological theory and research related to choice and satisfaction. Gleaned from his account is a familiar inverted-U relationship between the number of alternatives and the amount of satisfaction with the chosen one, looking a bit like Yerkes-Dodson's Law. Schwartz discusses individual differences between maximizers and satisficers, noting why the latter are more likely to be satisfied than the former, and presents an engaging discussion of how regret, adaptation and social comparison conspire to limit satisfaction. Some of his prescriptions for reducing the distress and increasing the satisfaction of choice suffer the curse of generality; a few sound homiletic. All of his prescriptions suggest that people change themselves rather than their environment – normally a task as difficult as dieting. Even so, Schwartz gives a nice example of how to translate good judgement and decision research into interesting and useful stories for the general public.

Smith, K., Shanteau, J., & Johnson, P. (Eds.) (2004). *Psychological investigations of competence in decision making*. New York: Cambridge University Press. ISBN 0-521-58306-3

When historical accidents and campus politics of the early 20th Century turned North American psychology towards the study of behaviour rather than experience, much was lost as well as gained. Now that experience is slowly re-emerging as a legitimate topic of enquiry, much of interest can be found in studies of the experience of judgement and decision making. Smith, Shanteau and Johnson's edited volume presents a fine collection of attempts to explore the decision making experiences of experts and professionals, investigated by case studies and interviews. Their volume showcases analyses of two forms of metacognition, personal and social, that can reveal the competence of decision makers faced with pressing choices in novel, complex and ambiguous situations. Chapters analysing interviews with surgeons, weather forecasters, currency traders, and offshore oil platform safety personnel illustrate the insights developed from experiential research techniques. A final section of the book examines the importance of argument, and of representations of uncertainty and change, in the development of consistent judgements and decisions necessary for competent judgment and choice. The book is not an quick read, but it is a rewarding one.

Hamilton, J. (2004). All the news that's fit to sell: How the market transforms information into news. Princeton, NJ: Princeton University Press. ISBN 0-691-11680-6

Economist James Hamilton is a professor the Terry Sanford Institute of Public Policy at Duke University who normally does not indulge in our flavours of judgement and decision making research. Yet much can be learned from his work. Hamilton has produced a fascinating description of the choice processes that contribute to what is selected as news, processes governed at least as much by desire for an audience and the income it generates as by desire for relevance or truth. Many important public policy issues are included or excluded from an agenda of choice as the result of news coverage. So it is worthwhile for those of us interested in the psychological aspects of policy judgement and decision making to learn more about what determines what is covered and uncovered as news. Hamilton's book gives good lessons, well worth a read.

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