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| Course Title | Rational Decision-Making and Negotiation |
| Category | Religion, Ethics & Law |
| Class Time | Session 2, July 22nd – August 16th 2019 Track C Weekly schedule Tuesday: 1.30 pm – 3 pm & 3.30 pm – 5 pm Wednesday: 1.30 pm – 3 pm & 3.30 pm – 5 pm Friday: 9 am – 10.30 am & 11.00 am – 11.45 am |
| Course Level & Target Group | Advanced undergraduate students (at least 2 nd year) and students with an academic background that qualifies them to participate in the course. The case studies discussed will not exclusively take the perspective of a lawyer. The course is recommendable and explicitly open for students of all subjects. Except basic probability calculation skills, no prior knowledge is required. |
| Course Language | This course is taught in English, including readings in English. For the understanding of the texts and the discussions in class a language level B2 (Common European Framework of Reference for Languages) is required. |
| ECTS | 5 ECTS (45 contact hours) |
| Instructor | Tim Engel, LL.M. |

Course Description

Every day's challenge of attorneys is to reach settlements and court decisions most favourable for the client. For this purpose, they do not only have to apply the law, but must take strategic decisions and engage in complex negotiations. This course introduces theories of and methods for rational decision-making and negotiation. It provides an insight into probabilistic decision-analysis, theories for interdependent decision-making, bounded rationality, and, last but not least, interest-based negotiation theory. The course puts an emphasis on behavioural decision science. You will learn about behavioural patterns, biases and heuristics and the predictability of risk preferences in decision-making and negotiation.

The course will not be a teacher-centred theory and reading class but an experiential and highly interactive learning experience. There will be lots of team-exercises and class games, in which you will have to make wise decisions, develop winning strategies, learn effective collaboration, settle disputes and make good deals. In the last two weeks, you will have the unique chance to apply the theories learnt and practice your negotiation skills. We will engage in moot negotiation practices, starting from simple two-party encounters to complex multi-party deal-making. There will be an expert report by a professional negotiator as well, giving insight into recent challenges in political negotiations of the German government (*tba*).

Course Objective & Learning Outcomes

The course's objective is to learn probabilistic decision-analysis, deal with interdependencies in decision-making, understand supposedly irrational behaviour and its predictability, and learn and practice effective negotiation. After taking the course you will have learnt among other things,

- how to calculate expected values and use techniques of decision-analyses,
- how to cope with information asymmetries and interdependencies in decision-making,
- how to prospect your own and counterparties biases and risk preferences,
- how to create value and mutual gain by negotiation, and
- how to apply the theories and methods learnt in different negotiation scenarios.

In practice, negotiations are one-time events. The course provides the unique chance to run negotiation scenarios in different groups of students under the same conditions. It allows you to test and evaluate various negotiation strategies, to compare the challenges and results of the different negotiation groups and, thus, to learn from other's experiences.

Suggested Readings

For preparation students are required to read the following book sections:

1. Jackson et al., *Analytical Methods for Lawyers*, 2nd ed (2011), Ch. 1.1. to 1.2. (p. 1-21), Ch. 2.1 to 2.6 (p. 33-58).
2. Kahneman, *Thinking, Fast and Slow* (2012), Ch. 1 (p. 19-30), Ch. 25-27 (p. 269-299), Ch. 29 (310-321);
3. Fisher/Ury/Patton, *Getting to Yes – negotiating an agreement without giving in*, revised ed., 2012, Ch. I and II (p. 3 – 96).

For additional, facultative reading I suggest:

- Risse, *Procedural Risk Analysis: An ADR-Tool in Arbitration Proceedings*, in: *Austrian Arbitration Yearbook 2009*, S. 461
- Victor, *Mark: The Proper Use of Decision Analysis to Assist Litigation Strategy*, in: *The Business Lawyer* (1985), S. 617 ff.
- A. Akerlof: *The Market for „Lemons“: Quality Uncertainty and the Market Mechanisms*. In: *Quarterly Journal of Economics*. Vol. 84(3), 1970, S. 488–500
- Axelrod, *Robert and Hamilton, William D.* 'The Evolution of the Corporation' *Science*, New Series, Vol. 211, No. 4489. (Mar. 27, 1981), pp. 1390
- Herbert A. Simon: *Theories of Decision Making in Economics and Behavioural Science*. In: *American Economic Review*. Vol. 49, No. 3, 1959, S. 253–283
- Richard Thaler, *Misbehaving – The Making of Behavioral Economics* (New York: Norton Paperback, 2016)
- Kahneman, Tversky – *Prospect Theory: An Analysis of Decision under Risk*, *Econometrica*, Vol. 47, No. 2. (Mar., 1979), pp. 263-292
- Sunstein, Cass and Thaler, Richard, *Nudge – Improving Decisions about Health, Wealth and Happiness* (New York: Penguin Books, 2008)
- Post, Thierry and van den Assem, Martijn J. and Baltussen, Guido and Thaler, Richard H., *Deal or No Deal? Decision Making under Risk in a Large-Payoff Game Show* (February 20, 2012). *American Economic Review*, Vol. 98, No. 1, pp. 38-71, March 2008
- Malhotra, Deepak and Bazerman, Max H., *Negotiation Genius*, Bantam Books, 2008
- 'Ch. 8: Fairness and Ethics in Decision-Making', in: Max Bazerman and Don Moore, *Judgment in Managerial Decision Making*, 2017
- Gigerenzer, *Guts Feelings: The Intelligence of the Unconscious* (New York: Penguin Books, 2008)
- Ury, William, *Getting Past No: Negotiating with difficult people* (New York: Bantam Books, 1991)
- Fisher, Roger and Shapiro, Daniel, *Beyond Reason: Using Emotions as You Negotiate* (New York: Penguin Books, 2005)
- Hannah Riley Bowles, *Psychological Perspectives on Gender in Negotiations*, HKS Faculty Research Paper Series, RWP12-046 (2012)
- Lawrence Susskind, *Making the Most of Multiparty Negotiations*, HBS Working Knowledge Archive (2004)

The required reading material and a selection from the suggested (facultative) reading list will be provided in a reader and given to the students in advance of the first lecture.

Course Schedule

I. Part: Probabilistic Decision Analysis

- Expected Value, Risk and Uncertainty; Procedural Risk Analysis, Decision-Analysis in Litigations; Construction of Decision Trees
- Value Creation by Contracting

II. Part: Information Asymmetry and Interdependence

- Adverse Selection Problems and Moral Hazard
- Prisoner's Dilemma, Introduction to Game Theory (Simultaneous and Sequential Games, Zero-Sum and Mixed-Motive Games, Strategies and Equilibria)

III. Part: Bounded Rationality

- Introduction to Behavioural Economics (The Relevance of Supposedly Irrelevant Factors in Human Decision-Making, Utility and Value functions)
- Heuristics and Biases
- Endowment Effect, *Kahneman's* and *Tversky's* 'Prospect theory' and its Application
- Fairness Considerations
- Anchoring and Framing

IV. Part: Negotiation Theory & Practice

- Introduction to the Interest-based Negotiation Theory (Harvard PON),
 - Negotiation Exercises on Rational Standards in Negotiations, Creating Value by Negotiation and Multiparty Negotiations
 - Biases and Stereotypes in Negotiations
 - Emotional negotiations and Difficult Tactics
 - Expert report by a professional negotiator (*tba*)
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Assignments

Students are expected to participate in class discussions and team-games and to write an essay (3000 words), analysing experiences and outcomes of a class game by referring to the theories and concepts learnt in the course.

Assessment Components

A minimum of 80% class attendance is required. The final grade will be composed of active participation during class discussions (2 ECTS points) and an essay (3000 words), analysing experiences and outcomes of a class game by referring to the theories and concepts learnt in the course (3 ECTS points). Failure to fulfil one of the mentioned components results in failure of the course.

Expectations & Policies

Preparation for lively discussions in the classroom: be on time, have at least the required readings completed and points in mind for discussion or clarification.

Assignments: complete all assignments according to the specified requirements on schedule including handing over to the lecturer.

Commitment in class: pay particular attention to the lecturer and respect differences of opinions (classmates', lecturers, local constituents engaged with on the visits).

Academic guidelines: Comply with academic integrity policies (such as no plagiarism or cheating, nothing unethical), especially the academic honor code and the student code of conduct (see *FAQs* on www.huwisu.de).

Attendance policy: No unexcused absences are permitted. Students must contact their class teachers to catch up on missed work – to excuse absence please contact the HUWISU office (80% class attendance are required).

Field trips: if classes involve a field trip or other external visits, these require attendance as well as appearance in time – transportation difficulties are never valid reasons for an excused absence.

Cultural Extra-curricular Activities

HUWISU offers a fine selection of interesting extra-curricular activities and aims to give all participants an unforgettable stay in Berlin. Your program includes excursions, sport activities and social gatherings providing you the opportunity to get to know the city, the university and your classmates better and to meet students from all parts of the world. The costs for these offers are included in the course fees.

Below, you find examples of previously offered cultural activities. You will be informed about the respective cultural program after your enrolment via email as well as during the course period.

Political and historical guided tours:

- **Federal Chancellery (Bundeskanzleramt):** It's the central coordination point for the entire government policy. The office is in constant contact to departments and other authorities.
- **German Parliament (Bundestag):** As the highest organ of the legislative in Germany it's elected by the German people. In practice Germany is governed by a bicameral legislature, of which the Bundestag serves as the lower house and the Bundesrat equals the upper house.
- **House of Representatives (Abgeordnetenhaus):** It's the state parliament (Landtag) of Berlin and located in the center of the reunified city. Together with the Martin Gropius Bau, the Topography of Terror and the Bundesrat, it presents an arresting contrast to the flair of the new Potsdamer Platz.
- **Topography of Terror:** A permanent exhibition with focus on the central institutions of the SS and police during the "Third Reich" and the crimes they committed throughout Europe. With the help of mostly photographic material, visitors are led through the major themes of the exhibition's five main segments.
- **Political Archive:** As the "memory" of the Federal Foreign Office it preserves the files on German diplomacy since 1867, as well as the international treaties signed by the Federal Republic of Germany and its predecessors in title. The records are preserved, processed and made available for academic research.

Cultural guided tours:

- **Kreuzberg Tour:** Kreuzberg has emerged from its history as one of the poorest quarters in Berlin in the late 1970s to a cultural center of today's Berlin. A unique area and one of the hippest neighborhoods in Berlin with many bars, pubs and clubs.
- **Museum Island (Museumsinsel):** was awarded UNESCO World Heritage Status in 1999 and is an ensemble of five museums: Old Museum, New Museum, Old National Gallery, Pergamon Museum and Bode Museum.
- **Berlin Cathedral (Berliner Dom):** Berlin's largest and most important Protestant church is located on the Museum Island.
- **Daytrip to Potsdam:** Be inspired by the illustrious attractions of the UNESCO's World Heritage while underway through the city of Potsdam. Immerse yourself in the history and present of Potsdam and discover many palaces, gardens, and historic quarters such as the "Holländisches Viertel" or the "Nikolaikirche".
- **Exhibitions:** Berlin is known for its unique galleries and exhibitions, that is why we will visit at least one during the Summer University.

Social gatherings:

- **Welcome Get-Together:** We invite you to meet all participants as well as the HUWISU staff in a relaxed atmosphere.
 - **Boat trip:** Get to know Berlin from a completely new perspective and see Berlin's famous sights while floating along the river Spree.
 - **Beach Volleyball:** A fun outdoor sport activity on long warm summer evenings for those who love to play and everyone who just want to enjoy watching the others play, lying in the sand, meet friends for some drinks, or simply relax in the middle of Berlin.
 - **Biergarten:** You cannot leave Berlin without having experienced a Biergarten. The perfect place to finish off your busy day with a cool "Feierabend" drink.
- Farewell Party:** At the end of the Summer University we will come together to celebrate the exciting time with HUWISU.
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Your Instructor

Tim Engel is a research assistant and doctoral candidate at University Mannheim and assistant of Prof. Grundmann at Humboldt University of Berlin. He studied law at Humboldt University Berlin and King's College London. His research focusses on risk regulation and governance, regulation of financial institutes, behavioural law and economics, and theory of negotiation. He studied Analytical Methods for Lawyers and Negotiation with Mihael Jaeklik at King's College London, as well as Negotiation and Dispute Resolution with Toby Berkman and Carri Hulet at Harvard University in Cambridge, MA, USA.

Please note that the course and its syllabus are subject to change. Last update: September 2018