

# Contents

<i>List of Tables</i>	x
I. Principles of Leadership	1
1. Why Culture Really Matters	3
2. How Leaders Inspire Achievement	29
II. Co-ordination with Pairwise Encounters	53
3. How Culture Sustains Trade	55
4. The Causes of Catastrophe	82
5. Promoting Participation	100
6. Reciprocity and Revenge	116
III. Co-ordinating Work-Groups	131
7. Team Spirit	133
8. Intermediators: The Middle-Class Middlemen	148
9. Small is Cosy: Intimate Relations in Small Groups	169
IV. Collective Co-ordination and Social Justice	187
10. From Free-riding to Philanthropy	189
11. Distribution and Justice	201
12. Collusion as Moral Crusade	213
V. Synthesis	223
13. Business Culture	225
14. Policy Implications	243
15. Summary and Conclusions	255
<i>Notation</i>	264
<i>Glossary</i>	266
<i>Bibliography</i>	269
<i>Index</i>	275

# Tables

2.1	Data for follower's effort choice	32
2.2	Objectives of an altruistic leader	34
2.3	Comparative statics: sensitivity of the optimal values	40
2.4	Comparative statics: qualitative results	40
2.5	Impact of leader-, group-, and institution-specific factors on the optimal intensity of manipulation	41
2.6	A comparison of the optimization strategies associated with the four leadership objectives identified in Table 2.1	43
2.7	Distortions created by substituting narrow materialism for alternative leadership objectives	45
2.8	Follower's data set under monitoring	47
3.1	Material rewards from an encounter	59
3.2	Emotional rewards from an encounter	60
3.3	Follower's data set for an encounter	60
3.4	Follower's data set for a trading encounter	63
3.5	Impact of the intensity of manipulation on the crime rate under a uniform bivariate distribution of sensitivity and confidence	69
3.6	Interior optima for the three regimes exhibiting diminishing returns to manipulation	72
3.7	Comparative statics of the interior optima: the intensity of manipulation and the crime rate	73
3.8	Comparative statics of the interior optima: the gains from manipulation	75
3.9	Transitions between regimes induced by an increasing intensity of manipulation	76
3.10	Announcement strategies and their value	78
4.1	Dynamics of the crime rate with repeated operation	94
5.1	Trader's data set	102
5.2	Follower's data set with voluntary participation: the general case	108
5.3	Strategic outcome in $g - p$ space	110

5.4	Equilibrium and stability of recurrent trading with voluntary participation	114
6.1	Modified emotional rewards	118
6.2	Modified follower's data set	118
6.3	Follower's information set with feelings of satisfaction from reciprocity	122
6.4	An encounter as a three-stage game	126
6.5	Rewards associated with revenge	126
6.6	Modification of overall rewards when an honest victim is known to take revenge on a cheat	127
7.1	Member's data set for team production	138
8.1	The process of intermediation	152
8.2	Information sets for customer and middleman under trade	152
8.3	Information sets for customer and middleman: manipulation by middlemen who may cheat	155
8.4	Information sets for follower and middleman: monitoring by middlemen who may cheat	157
8.5	Information sets for team member and team leader	163
9.1	Follower's perceived rewards for participating in trade under the guilt mechanism	171
9.2	Average costs of alternative communication strategies, by size of group	177
9.3	Average cost of alternative communication strategies for monitoring, by dispersion of group	178
9.4	Average cost of alternative communication strategies for manipulation, by dispersion of group	178
9.5	Least-cost communication strategies	178
10.1	Follower's data set for public-good free-rider decision problem	192
10.2	Follower's data set for private-good free-rider decision problem	195
11.1	Data for follower's choice when subject to lump-sum tax	205
12.1	Information set for member of a cartel	215
12.2	Distributional effects of cheating in a cartel	215
13.1	Functions of groups	226
13.2	A typology of groups	227