POLITICALLY RATIONAL FOREIGN POLICY DECISION-MAKING

A Dissertation

by

CHARLES TODD KENT

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

August 2005

Major Subject: Political Science

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Approved by:

Chair of Committee,	George C. Edwards III
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ABSTRACT

Politically Rational Foreign Policy Decision-Making. (August 2005)

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This dissertation is an analysis of how presidents make foreign policy decisions. Rather than explaining foreign policy decisions by focusing on individuals or institutions, I stress the role of political pressures and context faced by presidents. It shows that foreign policy decisions are not merely a reaction to stimulus from the international or domestic arenas but involve political considerations that affect policy choice.

The dynamic elements in the argument are political resources and risk. The relationship between the risk propensity of the president and presidential political resources provides an important link to understanding foreign policy decisions. Within the realm of good public policy, a politically rational president can choose to act or respond to foreign policy disputes in various ways, including diplomacy, political coercion, economic coercion, covert action, or military intervention, based on his assessment of the political context and his willingness to accept the associated risks. The level of presidential political resources determines the risk propensity of the president. Presidential foreign policy decisions will vary depending on the quantity of

available political resources. Thus, understanding the risk propensity of the president increases our ability to explain foreign policy decisions.

The contribution of this research is the identification of a mechanism for understanding how the interaction between the domestic and international political environments, and individual decision-makers influence foreign policy decisions. My research bridges the gap between structural theories, "theories that make predictions about foreign policy outcomes without reference to the cognition and actions of the actors themselves," and decision-making theories that stress the role of the actors (Ikenberry 2002, 5). Although the component parts of the foreign policy decision-making system are widely known, we lack theories that tie the pieces together.

DEDICATION

I dedicate this dissertation to my wife Brenda. Although she is not receiving a doctoral degree, she deserves one as much as I do. For the past 5 years, Brenda has edited every page I have written. She home schooled our three children Elisabeth, Emily, and Abby and made sure they practiced their musical instruments. She managed the household on a graduate assistant's salary without difficulty and put the children to bed while I worked nights in the office. Brenda sacrificed so that I could pursue my doctoral dreams. "Who can find a virtuous wife? For her worth is far above rubies" (Proverbs 31:10).

ACKNOWLEDGEMENTS

I would like to thank my dissertation chair, Dr. George Edwards, for his tireless effort, guidance, and support. Demanding excellence throughout the process, Dr. Edwards' encouragement to do better when I thought it was good enough vastly improved this dissertation. I am also indebted to the other members of my committee. Dr. Nehemia Geva took the time to think through my ideas and arrive at workable solutions. Dr. David Peterson's labors improving my methodology rescued my dissertation from embarrassing and juvenile mistakes. Dr. Charles Hermann always asked the hard questions that required refinement and precision in my thinking and writing.

Thanks also to my friends and colleagues in the Political Science department at Texas A&M University who made graduate school bearable and even enjoyable at times. The willingness of the faculty and other graduate students to suggest thoughtful solutions and honest critiques makes the department a great place to grow as a scholar.

I would like to acknowledge the sacrifice of my children, Elisabeth, Emily, and Abby. The many evenings and weekends dad spent in the office will pay off someday.

Finally, I would like to thank my parents David and Eileen Kent. Without their support, finishing this Ph.D. program would have been impossible.

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CHAPTER I

INTRODUCTION

How a president makes foreign policy decisions remains an unanswered question. The problem is that presidents often act in a manner that is counterintuitive to what public opinion would predict. President Clinton committed American troops to a peacekeeping role in Bosnia when polls indicated that nearly 70% of the public opposed the action. Facing strong opposition in Congress and the public, President Reagan continued to pursue policies in Central America aimed at stopping the spread of communism and ousting the Sandinistas in Nicaragua. President George W. Bush initiated conflict with Iraq in spite of strong international pressures against the action. Presidents simply do not always adhere to the democratic leadership principles of responsiveness to strongly expressed popular opinion when making foreign policy decisions.

To determine what influences presidential foreign policy decisions, the most obvious place to start is the international system. Responding to threats from the international arena requires a centralized reaction from the U.S. government, namely the president. Furthermore, actions from the international system constrain the choices available to the president. Although the international system is an important piece of the foreign policy puzzle, relying solely on the international system for explanations is

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This dissertation follows the style of *American Political Science Review*.

insufficient since this view of foreign policy decision-making fails to consider the realities of the domestic political environment. The president faces numerous domestic influences and constraints from the public, Congress, interests groups, and the media, which we would expect to play some role in influencing foreign policy decisions. Yet, by relying solely on domestic and international factors to explain foreign policy, one neglects the actors themselves. If the domestic and international environments are the only relevant explanatory variables, one could simply substitute one president for another and the foreign policy choices will remain the same. Research has shown that all decision-makers are not alike and have individual beliefs and perceptions that lead to diverse policy choices (George 1979; Hermann 1978, 1984, Foyle 1999; Walker 1983).

Previous Approaches to Explaining Foreign Policy

Traditional international relations theories are useful in explaining outcomes in the international system, yet discount important domestic processes that aid our understanding of foreign policy behavior. Neorealists treat nations as rational, unitary actors and ignore domestic political considerations (Waltz 1979). The most often used model to explain foreign policy decisions is the rational actor model. Three major assumptions characterize this model (see Bueno de Mesquita 1981; Allison and Zelikow 1999). First, unitary actors or states make foreign policy decisions. Second, these unitary actors calculate the cost and benefits of different courses of action and choose the alternative that maximizes their utilities. Third, the international environment is the determining factor in foreign policy decisions. In most international relations theories,

domestic political influences can be ignored because all leaders have the same goal of advancing their country's interests in competition with other states. "Policy takes precedence over politics because the international system both severely limits the sensible choices a country can make and shapes the processes by which these decisions are reached" (Peterson 1994, 232). According to this view, current foreign policy actions by a state are a function of factors in the international system (see equation 1).

$$\textit{Foreign Policy Actions (FPA) (t)} = \textit{International system (t-1)} \quad (1)$$

The neorealist view of foreign policy decision-making fails to consider the broader context and political realities of the domestic political environment. Peterson has noted the inconsistency. "If the international system constrains the [domestic] policies of nations, so also it must influence the way in which nation-states deliberate upon and decide these [foreign] policies" (Peterson 1994, 230; see also Fearon 1998).

A second approach to foreign policy decision-making considers the influence of both domestic and international factors on foreign policy decision-making. This line of research considers the potential effects of the media, Congress, public opinion, and interest groups on decision-making, acknowledging that foreign policy decisions are not based solely on international system events but also are affected by domestic pressures and domestic implications of policy decisions. Much of the attention by scholars focuses on the degree of congruence between prevailing opinion in the media, the public, and others on U.S. policy or on the degree to which domestic political factors provide a

constraint on the policy options of the president. According to this approach to understanding foreign policy decisions, current foreign policy actions are a function of the domestic political context and factors within the international system (see equation 2).

$$FPA\ (t) = Domestic\ political\ context\ (t\text{-}1) + International\ System\ (t\text{-}1) \quad (2)$$

Although the inclusion of the domestic political context takes into account additional important decision-making influences, this view of U.S. foreign policy is under-specified because there is little consideration of the goals and incentives of the president when making foreign policy decisions. Personal goals and incentives are an important factor because presidents have domestic policy goals, and sometimes re-election goals, that extend beyond a particular foreign policy crisis. Political gains and losses in the foreign policy arena concern presidents because of their influence on public approval. Better understanding how the political goals of the president influence foreign policy choices can strengthen current scholarship.

As Putnam (1988, 430) observed, "much of the existing literature on relations between domestic and international affairs consists either of ad hoc lists of countless 'domestic influences' on foreign policy or of generic observations that national and international affairs are somehow 'linked.'" He recognized two shortcomings in the research. First, policy and organizational explanations are preferred to the neglect of political explanations. "A more adequate account of the domestic determinants of foreign policy and international relations must stress politics: parties, social classes,

interest groups (both economic and noneconomic), legislators, and even public opinion and elections, not simply executive officials and institutional arrangements" (1988, 432). Second, Putnam contends that there are few theories that connect domestic and international politics. "We need to move beyond the mere observation that domestic factors influence international affairs and vice versa, and beyond simple catalogs of instances of such influence, to seek theories that integrate both spheres, accounting for the areas of entanglement between them" (1988, 433).

Accepting Putnam's challenge, more recent research has focused on the influence of interests groups (Keohane and Milner 1996), business interests (Milner 1997), knowledge-based experts (Haas 1992), and public opinion (Jacobs and Shapiro 1994; Page and Shapiro 1983) on foreign policy decision-making. Although these studies have expanded the analysis of foreign policy into new areas, more work is needed to understand the relative influence of these factors and how they integrate into the domestic and international arenas.

In sum, scholars' efforts to link theory with the actual practice of foreign policy have not generated a consensus about what best explains foreign policy decisions. The most prominent theories of foreign policy decision-making—cognitive, governmental politics, bureaucratic politics, and rational choice—are helpful, but no one model is wholly adequate for explaining U.S. foreign policy (Brewer 1997, 46; Hastedt and Teitelbaum 1997, 246). A single model is insufficient for understanding U.S. foreign policy because decision-makers often employ multiple decision rules and strategies when making decisions (see Abelson and Levi 1985; Suedfeld and Tetlock 1992; Mintz

and Geva 1997a). Foreign policy decisions result from linked actions and reactions occurring on both the domestic and international levels, but also include political factors affecting individual decision-makers. Consequently, new theories of foreign policy must account for both structural and individual factors influencing foreign policy decisions.

A Politically Rational Theory of Foreign Policy

I propose a theory of presidential foreign policy decision-making that provides a linkage between the domestic and international decision-making contexts based on the goal-maximizing behavior of presidents. Rather than simply choosing among possible alternatives based only on policy issues, I assume that the president factors in potential political benefits and losses, and his current political standing. As a result of these additional considerations, presidents may violate key rational choice assumptions such as transitivity and invariance. George (1993, 20) distinguishes between "objective analytic rationality," which he views as an over-intellectualized view of foreign policy, with "political rationality," which takes into account the broader political concerns and interests of the policy-maker.

Presidents desire to maintain the status necessary to be reelected, or in the case of second-term incumbents, preserve their place in history, and to successfully promote their policy agenda (Ostrom and Job 1986; Moore and Lanoue 2003; Erickson, MacKuen, and Stimson 2002). This common assumption provides an important link to understanding foreign policy decisions. I argue that the president's standing among the public serves as a resource of political capital, useful for accomplishing a desired policy

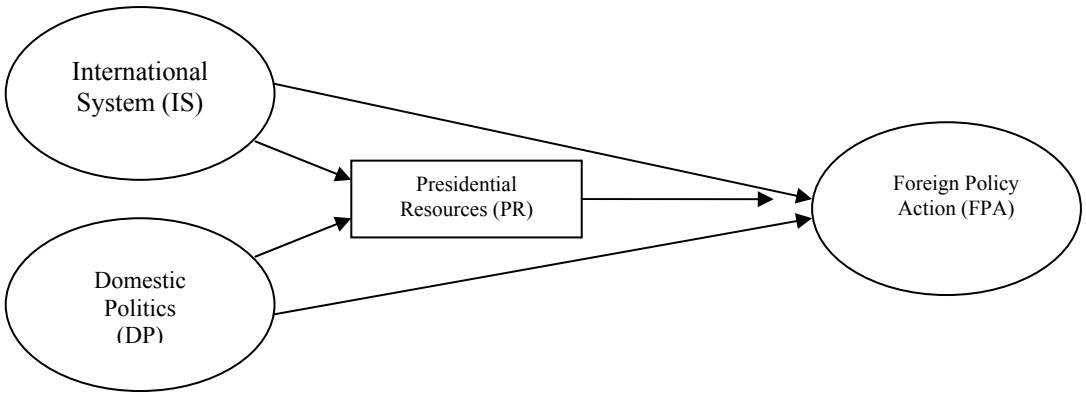
agenda, but also serving a mediating role in foreign policy decisions. "Popular presidents can afford to spend some popularity to achieve their policy goals. Unpopular presidents cannot." (Erikson, MacKuen, and Stimson 2002, 66).

My theory suggests that presidents with larger quantities of political resources make decisions differently than presidents with few available political resources. The success or failure of a policy represents a deposit or a withdrawal from presidential capital resources, affecting future decision-making and political opportunities.

The concept of presidential political resources is nothing new.[1] Political resources are the assets, advantages, or anything useful to increase the power or influence available to a president to accomplish that which he desires. A more precise model of foreign policy decision-making recognizes the moderating effect of a president's level of political resources (Figure 1.1).

[1] Light (1991, 25) argues that the most important presidential resource is political capital and without capital the president is severely limited. Light defines capital as the number of party seats in Congress, public approval of the president, and electoral margin of victory. He suggests that capital is what gives momentum to the domestic agenda (Light 1991, 34). A Lexis-Nexis search of major U.S. newspapers found over 200 references to the president and political capital in the first two years of the George W. Bush presidency.

FIGURE 1.1 Model of U.S. Foreign Policy Decision-Making



$$FPA\ (t) = DP\ (t\text{-}1) + PR\ (t\text{-}1) + IS\ (t\text{-}1) + ((DP\ (t\text{-}1)*PR\ (t\text{-}1)) + ((IS\ (t\text{-}1)*PR\ (t\text{-}1)) \quad (3)$$

As equation 3 illustrates, foreign policy actions are a function of the direct effects of the domestic political context and the international system and the indirect effect of each mediated by presidential resources.

When faced with a foreign policy decision, presidents encounter both domestic and international pressures. One could argue that a president assesses the domestic and international political environment and then makes his decision based on what he deems to be good public policy. This account of the decision process is too simplistic. It is my assertion that the level of political resources available to the president mediates decisions. Since presidents realize that foreign policy successes or failures have future consequences for their tenure in office, they will choose options that are politically rational.

Although achievement in the foreign policy arena does not directly translate into legislative or electoral success, foreign policy actions are intertwined with domestic politics in that they can affect the level of political resources available to the president. It is the appreciation that foreign policy actions can have positive or negative consequences, which transcend the international arena and affect the president domestically, which provides the basis for understanding the importance of political resources on foreign policy decisions.

Overview of the Study

This dissertation is an analysis how presidents make foreign policy decisions. Rather than explaining foreign policy decisions by focusing on individuals or institutions, I stress the role of political pressures and context faced by presidents. It shows that foreign policy decisions are not merely a reaction to stimulus from the international or domestic arenas, but involve political considerations that affect policy choice.

The contribution of this research is the identification of a mechanism for understanding how the interaction between the domestic and international political environments, and individual decision-makers influence foreign policy decisions. My research bridges the gap between structural theories, "theories that make predictions about foreign policy outcomes without reference to the cognition and actions of the actors themselves," and decision-making theories that stress the role of the actors

(Ikenberry 2002, 5, George 1993). Although the component parts of the foreign policy decision-making system are widely known, we lack theories that tie the pieces together.

The dynamic elements in the argument are political resources and risk. The relationship between the risk propensity of the president and presidential political resources provides an important link to understanding foreign policy decisions. Within the realm of good public policy, a politically rational president can choose to act or respond to foreign policy disputes in various ways, including diplomacy, political coercion, economic coercion, covert action, or military intervention, based on his assessment of the political context and his willingness to accept the associated risks. The level of presidential political resources determines the risk propensity of the president. Presidential foreign policy decisions will vary depending on the quantity of available political resources. Thus, understanding the risk propensity of the president increases our ability to explain foreign policy decisions.

The explanatory power of risk in foreign policy decisions has been the subject of numerous past studies. Lamborn (1985) suggests that the ability and willingness of the president to sustain risk, given the political environment, influence foreign policy decisions. Huth, Bennett & Gelpi (1992) found that effects of the international system mediate the risk propensity of decision-makers. Kowert & Hermann (1997) determine that risk-propensity relates to differences among individuals. These studies recognize the importance of risk, but do not specify what determines a president's propensity for risk-taking.

In contrast to previous research, this study focuses on the importance of presidential resources in determining the risk-propensity of the president. Rather than viewing a president's willingness to accept risk as linear, risk propensity remains constant, I suggest that risk propensity varies depending on the current level of political resources available to the president. The willingness to accept risk in foreign policy is conditional on the political context of the president.

A prospect theory value function (Kahneman & Tversky 1979) suggests that decision-makers will be risk-acceptant in a domain of loss and risk-averse in a domain of gain, with the two domains divided by a reference point. In this study, the reference point is the minimum preferred level of political resources. Consequently, by determining the reference point and the current level of political resources, one can make assumptions concerning the risk propensity of the president and create hypotheses concerning the president's likely foreign policy behavior. Hence, presidential resources play a mediating role in presidential foreign policy decisions.

Organization of the Study

In Chapter II, I review the literature concerning foreign policy decision-making, including the different approaches used and explanations offered to explain foreign policy decisions of presidents. These include international politics, domestic politics, and actor specific explanations. I develop a theory of foreign policy decision-making that links structural and individual theories of decision-making. My theory recognizes

the importance of the political environment created by the interaction between the international system and domestic politics on individual decision-makers.

In Chapters III and IV, I more fully develop the important theoretical concepts of the model, specifically the notion of political resources and risk. Chapter III demonstrates why political resources are important to the president. Because the president has so few political tools available to carry out his duties, political resources become vital to his success. The analysis examines the possible measures of presidential political resources, determines the most appropriate measure, and discusses presidential job approval as a resource.

Chapter IV completes the theory development by examining risk in foreign policy decisions. In this chapter, I examine the nature of risk in foreign policy decision-making, create a measure for risk, and determine what foreign policy relationships increase risk for the president. Using the expected utility equation, I develop a typology of risk that includes important factors such as public awareness, relative national strength, and the level of conflict in bilateral relations.

Chapter V makes a unique application of prospect theory. Although widely utilized in the psychological, economic, and management literature, only recently has prospect theory been applied in analyses of U.S. foreign policy events (see McDermott and Kugler 2001). Prospect theory violates some of the assumptions of rational choice theory. The most important difference between rational choice theory and prospect theory is the S-curve utility function. An S-curve utility function helps to explain why presidents make decisions differently depending on their current public standing. From

prospect theory, I introduce the concept of a reference point. The reference point provides insight into why relative gains in political resources are more important than absolute gains. The chapter includes an analysis of the risk propensity of the president and under what conditions I expect risky behavior to occur. Finally, the chapter discusses how issues are framed and the resulting influence on decision-making.

Chapter VI is the primary analytical section of the dissertation. Using Time Series techniques, I create models that imitate the sequential process of foreign policy decisions. The model includes both domestic and international influences on foreign policy decisions and their interaction with presidential political resources. My theory suggests that political capital will mediate the foreign policy actions of the president by influencing the risk propensity of the president.

Finally, in Chapter VII, I discuss my approach to studying foreign policy decision-making, comment on contributions this dissertation makes to the study of the presidency and foreign policy, and propose directions for future study. What do the findings suggest for the study of the presidency generally, and presidential foreign policy decision-making specifically? Does the president lead, follow, or react when making foreign policy decisions? Can we make probabilistic assertions about presidential foreign policy decisions?

CHAPTER II

LITERATURE REVIEW AND THEORY DEVELOPMENT

The purpose of this chapter is to provide an overview of models used in the study of American foreign policy and develop a new theoretical approach to understanding foreign policy decisions. The critical role of foreign policy in our political system underscores scholarly attempts to understand how foreign policy decisions are actually made. G. John Ikenberry, in his collection of theoretical essays on American foreign policy, describes the current state of scholarship. "The problem in the study of American foreign policy is that we have too many ways of explaining policy—we have an overabundance of theory . . . . Scholars are drawn to the study of foreign policy in efforts to develop powerful and satisfying accounts of the forces that shape policy. Yet very little agreement can be found over what those forces are and how they operate" (Ikenberry 2002). The obstacle is not a lack of competing theories, but an inability to combine diverse explanations into theories that take into account the complexities of the decision-making environment.

This dissertation seeks to develop a theoretical approach that provides a mechanism to link structural and individual level theories of foreign policy decision-making, improving our ability to explain how presidents make foreign policy decisions. A minimal requirement for a comprehensive theory of foreign policy decision-making is that results comport with two fundamental realities. First, the foreign policy arena is a system, a regularly interacting group of influences forming a unified whole. Foreign

policies result from the interaction of the international system, domestic politics, and individual actors. Theories that explain only a part of the decision-making system do not account for the complexities of foreign policy decisions; therefore, combining insights from competing theories can lead to more satisfactory explanations of foreign policy decisions. The nature of the system is dynamic rather than static. Each action results in a reaction. Consequently, moves by one member of the system changes the decision-making environment.

Second, foreign policy is inherently political. Presidents recognize that there are domestic and international consequences that result from foreign policy decisions. Depending on the perceived success or failure of his foreign policy-decisions, reaction from the public, media, and Congress can increase or decrease the president's ability to accomplish desired policy objectives, win reelection, or maintain his public status. In a similar manner, foreign policy decisions affect political support from other states and the president's standing in the international system.

An improved theory of foreign policy should help to account for irregularities and puzzles in foreign policy. For example, why are presidential foreign policy actions sometimes congruent with public opinion and other times contradicting public opinion? Why are presidential foreign policy actions sometimes cooperative and sometimes conflictual, even under similar circumstances? Why do some presidents take more foreign policy risk than others do?

The dependent variable in this analysis is presidential foreign policy actions. The important explanatory concepts are political capital and risk.[2] Political capital is important to the president because he has policy, legacy, and possibly reelection goals, and believes that political strength improves his opportunities for success. Although the president has a range of possible foreign policy responses to a situation, the risks vary depending on the nature of the action pursued. I intend to demonstrate that presidents with larger quantities of political capital take less foreign policy risks than presidents with few available resources. An understanding of the relationship between political capital and risk propensity increase our ability to explain foreign policy decisions. Below, I will examine some previous explanations of foreign policy and develop a new theoretical approach to studying foreign policy actions.

Explaining Foreign Policy

Efforts to explain U.S. foreign policy actions have centered on a scholar's choice of explanatory variables and typically have been summarized into three categories: international politics, domestic politics, and actor specific. Explanations from international politics focus on the role of national governments and how they respond to national security threats and status. Domestic political explanations concentrate on factors such as public opinion, media, parties, interests groups, Congress, and culture to determine how foreign policies develop to confront threats from the international system. Actor specific explanations seek answers from examining the individual beliefs

[2] Chapters III and IV provide an in-depth analysis of political capital and foreign policy risk.

of decision-makers and the structure of the decision-making environment. Below, I discuss each of these categories in more detail.

International Politics

International politics models find explanatory power from understanding the relationship between states in the international system. The nature of the international system requires that countries pursue policies that promote their national interests and security. Instead of being influential in policymaking, internal factors play a secondary role and may even hinder states' efforts to respond to changes in the international system.

The dominant paradigm in international politics is neorealism, although neoliberal scholarship continues to grow in acceptance.[3] The theoretical underpinnings of neorealism can be traced to Kenneth Waltz (1979), although works by Glaser (1992a and 1992b), Mearsheimer (1990), Schweller (1994), and Grieco (1988) helped to refine the basic theory. Waltz modified the theories of Hans Morganthau (1948), which asserted that nations were primarily interested in gaining power. In his departure from the classical realism of Morgenthau, Waltz differentiates the system level from the unit

[3] A thorough discussion of the debate between neorealism and neoliberalism is found in Baldwin (1993). Neoliberal theories trace their beginnings back to Woodrow Wilson's Fourteen Points speech to the U.S. Senate on January 22, 1917 (Kegley 1995). Keohane and Nye (1977) provide the most systematic articulation of the theory (see also Morse 1976; Roseneau 1980; Mansbach and Vasquez 1981). Neoliberals believe that neorealists are too concerned with war/peace and the notion of the state as the key actor in the international system. Instead of viewing the state as the primary actor, neoliberals see a role for international organizations (IO) and nongovernmental (NGO) organizations to mediate in the international system. Neoliberal theory argues that institutions can play a role in altering state behavior by encouraging cooperation and enforcing agreements. For the neoliberal, shared interests among nations are more important than distributions of power. Finally, neoliberals typically concentrate on economic and environmental issues over security interests.

level, which focuses the analysis on the international system as opposed to the internal power politics of individual nation-states and leaders.

Waltz (1979, 121) claims that it is an error "to mistake a theory of international politics for a theory of foreign policy." Waltz argues that international relations theory is "not a theory of the process by which foreign policy is made" (Waltz 1979, 122). In spite of Waltz's admonitions, an increasing number of international relations scholars have written on the importance of domestic considerations including interstate war (Bueno de Mesquita and Lalman 1992), territorial disputes (Huth 1996), crisis bargaining (Milner 1997), two-level games (Putnam 1988), and military expansion (Legro 1994). Recently, Fearon (1998, 293) has argued that instead of a sharp distinction between systematic international relations and a theory of foreign policy, they are the same in many respects. He asserts that many of the things structural realist theories seek to explain either are the result of foreign policies or are foreign policies. "When we say a 'theory of X,' we normally mean a theory that explains the existence, occurrence, or variation in X." If "X" represents a nation's foreign policy, the question becomes what explains the existence, occurrence, or variation in foreign policy? International relations theory suggests that the international system constrains the policy options of nations. If the international system is a constraint on policy-makers, the international system must be influencing the deliberations on foreign policy choice.

Neorealism has five core assumptions: the international system is anarchic, states are unitary actors, states are rational, states desire to maximize their security, and states seek to gain power when it does not threaten their security (Baldwin 1993; Waltz 1979).

An anarchic international system refers to the fact that there is no entity governing the relations between states. States are unitary actors forced to protect themselves and look after their own interests. States are rational in that they will make decisions that maximize their expected benefits. In order to protect themselves, states will seek to maximize their security.

These core neorealist assumptions led Waltz (1979) to derive several hypotheses that aid our understanding of how international politics influences the foreign policies of states. First, states will balance against a predominant power. When states recognize that they are in a weak position relative to a strong nation, they will seek methods of balancing out the power differential through internal growth or external alliances. Second, balances of power form and recur. The balance of power in the international system changes over time, resulting in efforts to adapt to those changes. Foreign policies of states result from efforts to react to changes occurring in the international system.

The contribution of international politics to our understanding of foreign policy comes from the recognition that foreign policy problems originate from the nature and political context of the international system. Although the international system constrains political leaders by forcing them to protect their autonomy and security, domestic decision-makers are not limited to a small set of policy options. Political leaders can consider a wide range of policy alternatives for addressing changes in the international system and accomplish their objectives. Factors in the domestic political environment influence the choice of these policy alternatives.

Domestic Politics

The list of possible domestic influences on foreign policy is very large. The three domestic groups most often considered an influence on presidential policy decisions are Congress, media, and the public. Theodore Sorenson, former advisor to President Jimmy Carter, argues that presidential power in foreign affairs is not absolute. "Every modern president must contend with three rival sources of power: the power of the Congress; the power of public opinion; and the power of the press, particularly television. How each president handles each of those rivals for influence will largely determine the success or failure of his foreign policy" (Sorenson 1994, 516). Below, I discuss the research related to Congress, the media, and the public and foreign policy.

Congress. Few doubt the ability of Congress to set its own legislative agenda (Baumgartner and Jones 1993), but it is unlikely that Congress significantly influences the foreign policy of the president. Although the president has the responsibility of commander in chief, the only powers given exclusively to the president are the duty to receive foreign ambassadors, grant pardons, and execute the laws of Congress. This is in contrast to the Congress, which has the authority to declare war, raise an army, and prepare for the common defense. Even with the Constitutional constraints on the president in foreign policy, Peterson asserts that the constraints on the president from the international system require a dominant executive in matters of foreign policy (Peterson 1994, 233). Regarding presidential/congressional relations in foreign policy, Fisher (1997, 258) sees "two values operating in tandem: executive discretion and legislative limits." Although these competing values can lead to conflictual relations between the

president and Congress, the president's unique position in foreign affairs gives him a decided advantage. Additionally, the president's role as chief executive gives him information, expertise, and operational advantages over the Congress in matters of foreign policy. These advantages of the president in foreign policy led to Wildavsky's (1966) "two presidencies" thesis. Wildavsky argued that presidents can exercise more power in foreign policy than domestic policy.

The relative influence of the Congress on foreign policy actions is marginal. Lindsay (1992, 609) found that although foreign policy debates in the Congress are more touchy than in the past, the "House and Senate remain reluctant to deny a president's foreign policy requests or to pass alternatives of their own" and will attempt to influence policy indirectly by using "anticipated reactions and political grandstanding." Focusing on the ability of the Congress, the media, and the president to set the policy agenda, Edwards and Wood (1999, 336) found that the president was "seemingly inattentive toward congressional activities as they pertain to U.S.-Soviet relations or the Arab-Israeli conflict." Although these only represent two areas of foreign policy, they occupied a significant amount of the nation's attention. Rather than setting new agendas in U.S./Soviet relations or the Arab-Israeli conflict, congressional "attention to issues at one point is strongly related to attention to those issues in the past" (Edwards and Wood 1999).

Even though the Congress plays a subordinate role in foreign policy, congressional support for the president in foreign policy has become more contentious. McCormick and Wittkopf found that the timing of the Vietnam War was consistent with

a decline in bipartisanship, but the war itself was not the defining factor in the decline (McCormick and Wittkopf 1990, 1097). McCormick and Wittkopf (1990, 1097) found the breakdown between Congress and the president on foreign policy issues occurring after Watergate and the 1979 takeover of the Embassy in Tehran. "By all accounts Congress' behavior changed dramatically following the Vietnam War. The deference Congress once accorded the president gave way to active questioning of presidential initiatives" (Lindsay 1992). In contrast, Meernik (1993) found that the Vietnam War was an important benchmark in the decline of bipartisanship in foreign policy. "There is strong evidence that Congress was willing to grant presidents an extra margin of support during the Cold War and that this assistance evaporated after Vietnam" (Meernik 1993, 583). Meernik (1993, 571) concluded after examining foreign policy and defense roll-call votes from 1947 to 1988 that "there appears to be at least a prima facie case for the existence of some sort of Vietnam syndrome affecting congressional-executive relations."

In matters of foreign policy, the dominant pattern is that the president initiates and the Congress responds. One should expect the president to lead because the tools available to the Congress to influence policy, legislative, budgetary, and oversight powers are arduous to implement. The partisan and decentralized nature of the Congress makes it difficult to respond quickly to a crisis, fine-tune current policy, or initiate new policy. Rather than setting the direction of foreign policy or making foreign policy decisions, the most influential role played by Congress in foreign policy is to constrain policy, setting the parameters of policy decisions.

Media. Given the pervasiveness of the media in our society, one would expect the media to play an influential role in politics, especially in the domain of foreign policy. Because foreign policy is largely out of the public's view, the public relies on the media to filter the information they receive. Consequently, what the media conveys concerning foreign policy and the public's capacity to understand the information largely determine what the public knows about foreign events.

Although early research suggested that the media produces "minimal effects" (Berelson, Lazarsfeld, and McPhee 1954; Lazarsfeld, Berelson, and Gaudet 1948), recent studies have produced more promising results. Using experimental techniques, Iyengar (1991) and Iyengar and Kinder (1987) find convincing evidence of influence from media exposure. Bartels (1993) finds a strong relationship between opinion change and media exposure during the 1980 presidential campaign.

The influence of the media on foreign policy relates to its agenda setting and priming capabilities. Agenda setting refers to the media's ability to determine what is important in the mind of the respondent. Iyengar and Kinder (1987) find that people will assign more importance to an issue once exposed to it through network broadcasts. Once issues become salient in people's minds, priming draws attention to particular aspects of an issue. Individuals make issue evaluations on the terms set by priming.

The influence of agenda setting and priming on foreign policy is both direct and indirect. The media directly influences foreign policy by increasing the focus on certain policy issues. Although presidential attention to an issue relates to past attention given an issue, Edwards and Wood (1999) found that media attention to U.S.-Soviet relations

or the Arab-Israeli conflict caused an increase in presidential attention to these issues. Similarly, Wood and Peake (1998 182) found that presidential "attention also shifts due to changing media interpretations of events and the perceived relative importance of an issue." These findings do not conclude that the media influences presidential foreign policy decisions, only that the media makes the issues relevant to the president.

The indirect influence of the media relates to the public. Iyengar and Kinder (1987) posit that network television is the primary educator of the masses. By raising awareness and highlighting particular aspects of a foreign policy issue, the media influences public opinion. Edwards and Wood (1999, 329) conclude, "If television coverage can affect mass attitudes about the importance of issues and how they are handled, then policymakers, especially visible ones such as the president and members of Congress, have strong incentive to put those issues on their agenda."

Research suggests that the media, especially television, influence public opinion. Jordan and Page (1992) theorize that television news may exert an even greater influence on foreign policy opinions because the public has less experience and will look to those with more expertise for information. The most influential source of information is television news commentary, suggesting that the news media play a substantial role in shaping foreign policy opinion. The president and his administration do not influence opinion in a statistically significant manner. The authors explain this result by considering the repetition available to the news commentator, while the president is usually limited to one or two speeches on an issue. Page, Shapiro, and Dempsey (1987, 38), using identical questions measured in two different time points, find that "TV news

variables, together with opinion at the time of an initial survey, account for well over 90% of the variance in public opinion at the time of a second survey."

A second indirect influence of the media concerns how the public evaluates the president. By raising the importance of some issues, the media sets a standard for the public to use in its evaluation of presidential performance. Using experimental techniques, Miller and Krosnick (2000) found that the media was a factor in agenda setting and eventually affected presidential evaluations. Iyengar and Kinder (1987, 4) argue that media coverage "sets the terms by which political judgements are rendered and political choices are made." Edwards et al. (1995, 199) found that "measures of both television coverage and total front-page space on foreign policy strongly relate to the impact of foreign policy on presidential approval." Their reasoning is that the media raises awareness of what issues are salient to the nation and citizens evaluate the president's performance based on these issues (Edwards et al. 1995, 109-113). Similarly, Soroka (2001) found that the media raises the salience of foreign affairs issues, and influences presidential approval when those who are more concerned with foreign affairs consider the president's performance. Meernik and Ault (2001) found that media foreign policy cues influence public evaluations of a president's foreign policy.

Some have credited media attention to the plight of Somalians for providing the impetus for President Bush to intervene in the nation's civil war.[4] As late as September

[4] On December 10, 1992, the following essay appeared in the Christian Science Monitor and depicts the influence of the media on U.S. policy-makers. *Good Motives Aside, The Mission Is Likely to Fail*, by Margaret Calhoun. "As Simon Barber of Johannesburg's Business Day suggests, Americans appear desperate for some action designed to remove from their television screens visions of emaciated African

10, 1992, only 11% said they were following the situation in Somalia "very closely," but by December 3, 1992, 66% favored the U.S. sending troops and aid to help the Somalians.[5] During the months of November and December 1992, the major networks ran over 133 stories on Somalia during the evening news.[6]

Public Opinion. Holsti argues that "the least developed of the areas of public opinion research has been the opinion-policy link" (Holsti 1996, 196). According to Holsti, much of the work on the opinion-policy link has been descriptive. Research based on interviews and case studies has shown a link between public opinion and foreign policy (Powlick 1991, 1995). Jacobs and Shapiro (1995, 10) use archival records and interviews and find evidence of public opinion influencing policy decisions in the Kennedy and Johnson administrations (see also Jacobs and Shapiro 1994a, and 1994b). Although case studies and personal interviews are helpful in identifying possible opinion-policy links, there are obvious validity problems. Consistent with Holsti's assessment, Sobel (2001, 9) acknowledges that "there has been little progress either in developing the theory of the opinion-foreign policy connection or in explaining the dynamics of the actual impact of public opinion on policy."

Scholarly research on public opinion and foreign policy is not conclusive. Some have found that public opinion restricts the policy options of the president; others find little influence on the president from public opinion. Sobel (2001, 238-39) finds that the primary role of public opinion is to act as a constraint on foreign policy makers. "In

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babies and mothers that threaten to spoil their Christmases. In a characteristic style-over-substance, media-driven gesture, President Bush has launched an ill-conceived plan with no stated strategic objective that may recklessly risk American casualties."

[5] December 3, 1992 Gallup Poll, September 10, 1992 Times Mirror Poll.

[6] Source: Vanderbilt Television News Digest.

short, decision makers were constantly aware of public opinion and were by necessity constrained in the timing, extent, and direction of their actions. Presidents follow the polls for both governing and electoral purposes." In contrast, Cohen (1997, 26) found that "presidents will display greater responsiveness to the public in ways and at times that do not cost them substantive control over policy. When substantive policy decisions are being made, presidential responsiveness will decline."

Although older studies have found evidence of congruence between public opinion and policy change (Page and Shapiro 1983), recent work has shown that responsiveness to public opinion has been declining over the past 20 years. Monroe (1998) found that policy was more in line with majority opinion during the period 1960-79 than 1980-83. Jacobs and Shapiro (1997a) suggest that social policy was less responsive to public preferences in the 1980s and 1990s than in the 1970s. In their analysis of the early Clinton years, Jacobs and Shapiro (1995) found that President Clinton was responsive to the public on domestic issues, but not on matters of foreign policy.

Actor Specific Models and Individual/Group Theories

International and domestic politics provide the context for foreign policy decisions. These domains both influence and constrain foreign policy decisions, but do not fully explain foreign policy. The actors themselves provide an additional influence on foreign policy decision-making. Although actor specific theories concern individuals and groups of individuals, actual choices result from the interaction of the actors and the

decision process. If the external setting of policy-makers does not give satisfactory explanations, one must look to theories that explain policy choice by examining factors related to the actor such as personal beliefs and decision-making processes.

Cognitive Decision Making. Instead of focusing on the outcomes an actor chooses or organization processes, cognitive theories assume that political behavior originates with individuals. Cognitive theories attempt to answer the question, what is the process that produced a decision? The primary assumptions that form cognitive theories are that references to the individual best explain behavior. The units of analysis are individual foreign policy actors or elites. Research approaches in cognitive models include operational codes (Leites 1951; George 1969; Holsti 1977), cognitive mapping (Axelrod 1972), image theory (Cottam 1977), conceptual complexity (Hermann and Milburn 1977), operational codes (Walker 1983), and poliheuristic theory (Mintz and Geva 1997). In contrast to rational choice theories which focus on outcomes and assume that decision-makers have a single set of preferences over outcomes, cognitive theories consider decision outcomes to be based on the processing of beliefs and reasoning of individuals.

Cognitive models of decision-making differ from other models in that they do not posit a single decision rule (Stein and Welch 1997). Cognitive theories posit that individuals use various filters to process information and make sense of the world. Other studies have found that general schemata interpret more specific and complex foreign policy events (Conover and Feldman 1984; Jervis 1976). Cognitive constructs such as schema and image provide information shortcuts that allow the decision-makers

to make sense of the world around them. Leaders use relevant schemas to draw inferences and fill in information gaps that exist.[7] As opposed to rational choice models, cognitive models assume that decision-makers exhibit "bounded rationality" rather than complete rationality due to time constraints, cognitive limitations, and imperfect information (Simon 1982, 1985).

Poliheuristic Theory. Poliheuristic models represent a theory of the foreign policy decision-making process that bridges the gap between rational choice and cognitive models (Mintz and Geva 1997). Poliheuristic theory suggests that foreign policy decision-making often involves a two-stage process. The first phase is a nonexhaustive search for a "subset of alternatives using simplifying heuristics" and the second phase consists of "choosing an alternative that minimizes risk and guarantees rewards" (Mintz and Geva 1997, 82-83). Rather than a decision process that initially chooses among various alternatives, the decision-maker considers alternatives from a dimension-based process. The decision-maker takes into account the relative importance of a dimension and sets a minimum threshold for that dimension before examining potential options. A rejection of alternatives that do not meet a minimal threshold in the most important dimension is key aspect of poliheuristic theory. This helps to explain why the political dimension is important in foreign policy decision-making. The potential loss of public support concerns decision-makers and cause the decision-maker to reject viable foreign policy options that are unpopular.

[7] Research has shown that individuals also use a schema-related concepts and images to form opinions (Fiske and Taylor 1991).

Bureaucratic Decision-Making. In contrast to rational actors making deliberate choices, the bureaucratic or organizational model views decisions as outputs of large organizations based on standard operating procedures. The complex nature of central governments with divided responsibilities requires the coordination of activities through standard patterns of decision-making. "The behavior of these organizations—and consequently of the government—relevant to an issue in any particular instance is, therefore, determined primarily by routines established prior to that instance" (Allison and Zelikow 1999). Individuals located in different areas of government share power over decision-making. Two decision-making propositions typify organizations characterized by standard operating procedures. First, the government will likely choose options proposed by an organization with particular expertise or capability in a relevant area. Second, fixed organizational routines do not allow all players to influence foreign policy decisions.

Governmental Politics. Instead of unitary actors making foreign policy decisions or decisions resulting from organizational outputs, the governmental politics model argues that choices made by the government are a result of bargaining between players hierarchically placed in government (Allison and Zelikow 1999). Each player has competing values, goals, and perceptions of the environment, and decisions result from the interaction of these players. Rather than choosing the most rational decision, the agreed upon option is the result of compromise and conflict among the players. Several propositions result from the governmental politics model. First, individual preferences of the decision-makers affect foreign policy choices. Second, individuals differ in their

power, ability to influence decisions, depending on their bargaining advantages, skill, and perceptions of the other players. Third, with many individuals with different preferences involved in the decision process, foreign policy choices are usually not representative of any one individual, group, or organization.

International politics, domestic politics, and actor-specific explanations for U.S. foreign policy provide useful insights into the making of foreign policy decisions but fail to produce far-reaching theories that account for competing influences in the foreign policy arena. Structural explanations from international and domestic politics are too mechanistic and leave little room for differences in individual actors. Actor-specific explanations are more difficult to operationalize outside of the experimental laboratory environment and often neglect the influences and constraints in the international and domestic political environments.

As the preceding review of international, domestic, and actor-specific explanations for foreign policy shows, the problem facing the scholar is not a lack of explanations, but an inability to develop theories that connect individual presidential behavior with influences from the domestic and international arenas. The dilemma for the scholar is that both structural and actor-specific influences provide important information needed to explain foreign policy. Ikenberry (2002) suggests an analytical approach to the problem. "Rather than simply picking and choosing elements of the various approaches, this approach can involve the development of more overarching propositions that bring the various theories together in comprehensive ways" (2002, 9).

The objective is to develop theories that "incorporate several types of variables into larger scale frameworks" (2002, 9).

A Politically Rational Theory of Foreign Policy

A politically rational theory of foreign policy decision-making emphasizes the important role of political pressures and context faced by presidents. Although an important duty of the president, foreign policy represents only a portion of the president's overall concerns. Presidents realize that the consequences of foreign policy decisions transcend the foreign policy arena and affect the president politically. These political considerations affect policy choice. Therefore, in order to understand foreign policy decision-making, one must consider the political environment of the president.

Presidents enter office with policy and reelection goals, and in the case of second-term incumbents, the creation of a legacy. Presidents have domestic and foreign policy agendas they hope to accomplish and need support from others, primarily the public and the Congress, to realize their goals. Presidents desire to maintain the status necessary for reelection, although to do so means gaining the approval of the public. Finally, public approval can benefit presidents who hope to preserve their place in history. Yet, the president's ability to govern effectively is limited. Constitutionally, the president is the commander in chief of the armed forces and has the authority to grant pardons. With the advice and consent of the Senate, the president appoints judges, ambassadors, cabinet members, and negotiates treaties with other nations. Congress has its own set of enumerated powers, which require the president to share governing duties.

The constitutional duties of the executive branch alone do not provide the might the president needs to be effective. In order to realize his goals, the president requires something more than the authority of the office. The president needs the political capital necessary to get others to do what he wants done.

Political Capital

Political capital is more than the status or authority of the office of president; presidents earn political capital and these political resources reside with the president and are not usually transferable. One may argue that President Johnson enjoyed a measure of residual political capital after the death of President Kennedy, which gave Johnson additional legislative success in Congress.

The implication of the theory is that presidents with greater levels of political capital will have greater influence, the ability to change others' behavior. Neustadt (1990, xxi) suggests "the search for personal influence is at the center of the job of being President." Presidents with influence have power and those without influence do not. Political capital is the assets, advantages, or anything else useful to increase the power or influence of a president to accomplish what he desires. Practically, political capital is the accumulated goodwill, support, and toleration gained from the public and others that the president can draw upon to pursue his agenda.

Does political capital really matter? Even though the president has certain advantages in governing—articulating a clear policy agenda to the public, access to resources, and responding quickly in times of crises—less than one-half of his legislative

initiatives become law (Edwards & Barrett 2000) and any legislative success is likely related to the size of his political party in Congress (Bond and Fleisher 1990, Edwards 1989). Scholars conclude that presidents only marginally influence key groups such as Congress (Bond and Fleisher 1990), the public (Edwards 2003), and the media (Edwards and Wood 1999). Political capital is not significant because there is overwhelming evidence that it makes a president more successful. Political capital is important because presidents act as if political capital matters. Presidents view political capital as a source of influence and this belief ultimately affects their decisions. Few would argue that influence for the president does not matter. Neustadt (1990, 49) "[The president] can draw power from continuing relationships in the degree that he can capitalize upon the needs of others for the Presidency's status and authority." I suggest that seeking, gaining, and maintaining personal influence gives the president the greatest opportunity for achievement in office.

What Is Political Capital?

Light (1991) argues that political capital for a president is the number of party seats in Congress, public approval of the president, and the electoral margin of victory.[8] Neustadt (1990) proposes three sources of presidential power: ability to persuade, professional reputation, and public prestige. Persuasive powers for the president is not charm or reasoning capacity, but the ability "to induce [others] to believe that what he wants of them is what their own appraisal of their own responsibilities requires them to

[8] Chapter III provides a detailed examination of party seats in Congress, public approval of the president, economy, and electoral margin of victory as sources of presidential political capital.

do in their interest, not his" (1990, 40). A president's professional reputation is determined by how convinced people are "in their own minds that he has skill and will enough to use his advantages" (1990, 50). Finally, public prestige relates to anticipated reactions from the public. Because members of Congress and others in Washington depend on outsiders for their support, the public's impression of the president and his desires is an important factor in their willingness to support him. "Public standing is a source of influence for him . . . bearing on their willingness to give him what he wants" (1990, 73). The most obvious measure of political capital is the president's job approval. A president's job approval is the one measure that captures the public's overall evaluation of the president's policy success or failure, personality, competence, and future agenda.

Presidents believe that in order to carry out their agenda, they need the strength that comes from a high job approval that will give them the standing that is necessary to be successful. Presidents with popular support have bargaining power among other elected officials and will work diligently to obtain the public's approval (Edwards 1989, pg. 142). Public approval is the most visible measure of the president's relationship with the public. Although public approval is not a steady resource for the president, "public approval is the resource with the greatest potential to turn a typical situation into one favorable for change" (Edwards 1989, 125; see also Ostrom and Simon 1985). Presidents perceive that public opinion affects their ability to govern. A good example is a passage from Richard Nixon's personal diary. "I don't give one damn what the polls

say insofar as affecting my decisions. I only care about them because they may affect my ability to lead, since politicians do pay attention to them" (Nixon 1978, 753).

There is also an electoral motivation for presidents to consider their public approval. First term presidents realize they will have to face the voters again in the future. Comparing the five presidencies from 1969 to 1992, the only two presidents to win re-election had presidential job approval numbers that averaged 50%+ during the six months leading up to the election, Nixon (58.6%) and Reagan (54.3%). The other three had job approval numbers below 50% during the six months prior to the election (Ford 47.4%, Carter 33.5%, and Bush 36.6%). Although this result is not counter-intuitive, it simply means that those presidents desiring a second term in office must be concerned with their public job approval numbers.

Presidents are aware that foreign policy events can change the level of public support (Brody 1991; Marra, Ostrom, Simon 1990; Ostrom and Simon 1985), and therefore, will be concerned about the effect on their ability to govern. Studies have shown that Nixon benefited from the Vietnam War issue (Kelley 1983; Miller et al. 1976; Pomper 1975) and the Iranian hostage crisis hurt Carter (Abramson, Aldrich, and Rhode 1982). Kernell (1978) found that the Korean War reduced support for Truman, and the Vietnam War negatively influenced public support for Johnson. Hurwitz and Peffley (1987, p. 237) conclude that the "political impact of foreign affairs is greater than previous research has suggested." Hurwitz and Peffley (1987) found that retrospective judgment of Reagan's performance of reducing the likelihood of war and improving relations with other nations to be a significant predictor of presidential

approval. Ostrom and Simon (1985, p. 351) found that "presidential actions in the superpower arena do have an impact on approval, especially when foreign affairs dominate the public's awareness."

Diversionary Theory and Political Capital

A president's job approval is an important resource and some have suggested that presidents will use foreign policy actions to influence their public standing. Most of the work in this area has centered around the diversionary theory, which suggests that leaders faced with poor domestic political conditions will use aggressive foreign policy behavior to divert attention from domestic issues (Clark 2000; DeRouen 1995; Fordham 1998a; 1998b; Gelpi 1997, Hess and Orphanides 1995; James and Hristoulas 1994; James and Oneal 1991; Morgan and Bickers 1992; Ostrom and Job 1986; Wang 1996). The increased media attention from the use of force directs the public's focus away from domestic problems, thus providing a political incentive for presidents to use force (DeRouen and Peake 2002).

The diversionary theory is not without its detractors. Some have found that foreign policy is independent of domestic influences or that international factors are more important in presidential decision-making (Meernik 1994; Oneal and Lian 1993). Others have found that states will anticipate diversionary tactics and seek to find ways to avoid conflict (Smith 1996; Clark 2000; Enterline and Gleditsch 2000; Leeds and Davis 1997; Meernik 2000; Miller 1999). In a recent study, Moore and Lanoue (2003) argue that presidents use domestic policy to solve domestic problems and foreign policy to

solve foreign problems, casting doubt on the influence of domestic politics on foreign policy actions.

Diversionary theory is too narrow in its scope and cannot explain a wide variety of foreign policy actions. It is possible that proponents of the diversionary theory have found evidence of domestic influences on foreign policy actions, but erred in their causal explanations of these influences. Since the dependent variable in most diversionary theory studies is war/no war or the use of force/no use of force, the explanatory value is limited to the most conflictual engagements. Diversionary theory has obvious limitations explaining under what conditions one would expect cooperative foreign policy actions. I posit that models accounting for risk better explain presidential foreign policy decision-making.

Political Capital and Foreign Policy Risk

My theory of foreign policy decision-making varies from the diversionary theory in significant ways. In contrast to the diversionary theory, my theory does not depend on a presidential strategy of diverting the public's attention from domestic problems, but on the president's propensity for risk, given the level of political resources available to the president. In reality, foreign policy decisions are much more nuanced and complex than diversionary theory would suggest. The president is constantly required to assess public awareness and expectations concerning foreign policy and the potential risk and payoff from a particular course of action. My theory suggests that the president will adjust the focus and intensity of his actions depending on his willingness to accept risk. The

current state of the president's political capital determines the level of risk that is acceptable to the president.

Risk is an inherent feature of decision-making when the result of an action is unknown, thereby, creating a potential hazard or an opportunity for the president, depending on the outcome. Two related sources of risk influence foreign policy decision-making. The first source of risk involves the external expectations of the public and other governments. This type of risk results from the decision-maker pursuing foreign policy actions that are contrary to what would normally be expected. Consistent foreign policy behavior sends a signal to the public and other governments about what to expect in future foreign policy actions (Anderson 1981). A second source of risk involves the choice of foreign policy actions. Choosing an action where the spread between the potential gain or loss is greater than other possible policy actions represents risk-seeking behavior, compared to a choice where the probable outcomes are more constrained.

The level of presidential political capital determines the risk propensity of the president. Understanding the risk propensity of the president increases our ability to explain foreign policy decisions by specifying the conditions in which one would expect the president to take more or less risks in foreign policy actions.

Prospect theory is concerned with decision-making under conditions of uncertainty and contributes to our understanding of the relationship between risk and decisions (see Kahneman and Tversky 1979, 1982, 1984 and Tversky and Kahneman 1981, 1986, 1992). The theory hypothesizes that one would expect risk-seeking

behavior to occur in the domain of losses and risk-averse behavior in the domain of gains. According to prospect theory, at the decision-making point an actor perceives himself to be acting from a position of gains or losses based on a reference point. The "reference point is usually the current steady state, or status quo, to which a person has become accustomed" (McDermott 1998, 40), but can also be a desired state based on the goals of the decision-maker. If the decision-maker's current state is perceived to be less than the reference point, he would be in the domain of loss, and vice versa. The reference point for the president is his job approval. For the president there are two important considerations. First, what is an acceptable level of job approval based on his expectations or goals? Second, what is the change that is occurring in relation to that reference point? What is important are gains and losses from the reference point and not absolute gains or losses. Prospect theory suggests that actors are risk-averse above the reference point and risk-acceptant below the reference point. It is the decision-maker's reaction to the gains and losses from the reference point that aids in our understanding of why presidents make certain foreign policy decisions. Chapter V provides a full discussion of these concepts.

Foreign policy decisions result from the interaction between the international and domestic arenas and individual actors. Although the context provides the stimulus, the political capital of the president mediates the reaction. The political environment of presidents requires that they seek to preserve their political capital. Presidents need resources to maintain their influence in the governing process. Although the success or failure of foreign policy decisions can affect the level of capital available to the

president, the motivation of presidents is to protect their capital and not use foreign policy as a means of increasing capital. Presidents with acceptable levels of political capital become more risk-averse in an attempt to safeguard current levels, while weak president's display more risky behavior because they have little to lose.

CHAPTER III

POLITICAL CAPITAL

Political capital is one of the most talked about resources for the president, although few attempt to define the concept. It reminds me of Justice Potter Stewart's concurring opinion on a case that overturned a ban on pornographic films. "I shall not today attempt further to define the kinds of material . . . but I know it when I see it" (Simpson 1988). Perhaps we know political capital when we see it. We believe that some have it and others do not. We assume it is better to have it, than not have it. Like a commodity, we suppose political capital is something that you can gain, lose, risk and spend. According to one former Carter Administration official, "Every President has a certain amount of capital—you know, power, push, juice. . . . But it's always the same thing; it's the President's ability to get what he wants" (Light 1982, 15).

Apparently, the popular media knows political capital when it sees it. During the 11-year period from 1990 to 2000, the phrase "political capital" appears 484 times in The New York Times and 500 times in the Washington Post.[9] Consider the following quotes from The New York Times commenting on the political capital of President George W. Bush:

> The White House had frequently flexed their political muscles in legislative battles, bruising egos, endangering long-nurtured bipartisan relationships among legislators and using up the president's political capital at a rapid pace (Stevenson 2003).

[9] Source: Lexis Nexis search using the phrase "political capital".

> Still, for presidents, especially for wartime leaders, political capital can drain quickly from the White House account. After the guns fall silent, voters' eyes turn elsewhere, often to social and economic needs. It happened to Winston Churchill late in World War II, and as this president remembers better than most, it happened to his father, too (Apple 2003).
>
> If it cannot yet be declared a cyclone, it was still powerful enough to give President Bush, who had risked much of his political capital, a highly satisfying night (Apple 2002).
>
> Mr. Bush's advisers said that Mr. Bush believes that his father, the former president, squandered his political capital during the Persian Gulf War by focusing almost exclusively on the military operation and not on the declining economy. They said Mr. Bush was determined not to repeat that mistake of his father, whose high approval ratings evaporated when the war ended (Berke 2001).

The use of the words "used up", "drained", "risked", and "squandered" suggests that presidential political capital is something of value that can be lost. Are these assertions the result of overzealous journalists or is political capital a tangible asset for the president? If the media, the public, Congress, or other relevant actors believe that the president is operating from a position of strength or weakness, and act as if it is so, then political capital is no longer a vague concept but a political reality with the potential to influence behavior. Furthermore, if presidents view political strength and influence as assets to preserve and apply judiciously, then these factors are an important piece of the decision-making calculus of presidents.

Two assumptions underscore the relationship between political capital and foreign policy decision-making. First, presidents have goals they seek to accomplish and simply being president does not provide the necessary political strength. The Constitution says little about the power of the president and the president shares executive, judicial, and legislative powers with others in government. Furthermore,

other policy-makers have their own interests and agendas. The president needs every political advantage possible to get others to do what he desires. Second, the success or failure of a president's foreign policy influences the overall political perception of the president and his ability to influence others. The outcome of foreign policy actions is not limited to the foreign policy arena. As one of President Carter's aides put it, "No president whose popularity is as low as this president's has much clout on the Hill" (quoted in Edwards 2004, 389). Third, presidents will strategically preserve and use available resources to accomplish their desires. Since policy choices expend capital, the amount of capital placed at risk depends on the president's subjective evaluation of his political environment[10]

My theory of foreign policy decision-making suggests that political capital mediates foreign policy decisions. Presidents with higher levels of political capital make foreign policy decisions differently than presidents with lower levels of political capital. The purpose of this chapter is to analyze possible sources of influence for the president and determine which resource the president values most. What resource is so important that it has the potential to change presidential behavior?

Potential Sources of Political Capital

The concept of political capital implies that the president and others believe the president can exercise some level of influence not solely based on his Constitutional authority or the status of the presidency. The challenge is to determine what presidential

[10] It is true that successful foreign policies may generate capital, but there is a measure of capital placed at risk at the outset of any foreign policy action. This forces a decision-maker to evaluate the possible risks and opportunities.

resources provide the desired influence. Although scholars do agree that resources are important to a president, there is little agreement on what constitutes political capital.

Neustadt (1990) finds the power of the president in his ability to persuade and bargain with others. Placing more emphasis on the value of the public than Neustadt, Cornwell (1965, 248) suggests that presidential strength lies in his ability to lead and mold public opinion. Similar to Cornwell's work, Kernell detects a shift away from the bargaining president to a president that influences by "going public". The president "promotes himself and his policies in Washington by appealing to the American public for support" (Kernell 1995, 6, see also Johnson & Roberts 2004). Numerous studies characterize public support as political capital (James & Hristoulas 1994; Russett 1990a; Hibbs, Rivers, & Vasilatos 1982; Thomas & Baas 1996; and Peffley, Langley, & Goidel 1995). Other scholars have defined political capital as votes (Tenpas & Dickinson 1997) and partisan congressional support (Wang 1996; Rohde and Simon 1985). Basing his theory on interviews with 126 White House staff members, Light (1982) suggests that political capital for a president is the number of party seats in Congress, job approval, and his electoral margin of victory. According to Light, party seats are the most important resource but the president needs the strength of public approval to improve the opportunities for party support in Congress.

For the purposes of this dissertation, I define political capital as the assets or advantages that increase the power of a president to accomplish what he desires. In the course of governing, presidents will endeavor to hold on to and improve those resources that will aid the pursuit of their goals. Presidents desire to successfully advance their

policy agenda, maintain high public standing, get reelected, and in the case of second term presidents, leave a legacy. The most often mentioned and visible resources for the president are party seats in Congress, electoral margin of victory, and job approval (Light 1991). Although, some research suggests that one additional resource, economic prosperity, is an important asset for the president (Sigelman and Knight 1985; Jacobson 1990; Edwards, Mitchell, and Welch 1995). Below, I examine each of these potential resources to determine their usefulness to the president in accomplishing his desires.

Party Seats in Congress

Presidents need support in Congress to accomplish their legislative agenda. Light (1982 27) refers to party support as the "chief ingredient in presidential capital: it is the 'gold standard' of congressional support." If party seats in Congress are a significant resource for the president, there should be an indication that party seats correspond with success in advancing a policy agenda, maintaining popularity, and getting reelected to office.

Although helpful to the president, party seats in Congress do not guarantee success in accomplishing the president's legislative desires (Bond and Fleisher 1990; Edwards 1989; Collier and Sullivan 1995). Members of Congress do tend to support the president in levels that are consistent with their partisan identities and increase the president's chances for success (Bond and Fleisher 1990). The difficulty for a president is keeping his own party unified so those seats work to his advantage. According to Bond and Fleisher (1990), the president's party base "provides unified support on about

60% of presidential roll calls." Edwards (1989, 30) finds that aggregate support for the president from his own party on votes that are not unanimous is 65% for Republicans and 69% for Democrats. Maintaining unity in Congress is difficult and ideological diversity reduces party unity. In the case of divided government, president's chances for success decrease as factions unify. Although an important resource for the president, party seats in Congress do not insure presidential success in furthering the president's legislative agenda.

A partisan advantage in Congress does help the president to get significant legislation on the congressional agenda (Edwards and Barrett 2000, 124). Under divided government, presidential initiatives make up 24% of the House agenda and 24.1% of the Senate agenda. In contrast, under unified government, presidential initiatives make up 56.7% of the House agenda and 47% of the Senate agenda. Once on the congressional agenda, 53% of presidential initiatives become law under unified government and 28% under divided government (Edwards and Barrett 2000). With findings similar to other studies on the president and Congress, the authors note that "Congress displays no exceptional deference toward the president, and the president demonstrates no unusual persuasiveness with Congress" (Edwards and Barrett 2000, 133).

Although one would expect presidents with strong base party support in Congress to be more popular due to a weaker opposition and greater potential support, there is little evidence that party seats in Congress contribute to high job approval for presidents. Table 3.1 shows incumbent presidential job approval six months prior to the next election and the percentage of party House and Senate seats controlled by the

president's party. Hypothetically, a larger percentage of party seats in the House and the Senate should be advantageous for the president, since a greater number of party seats should translate into additional support for presidential actions and positively influence job approval. Instead of an average job approval number, I use job approval six-months before the election.[11] Using May job approval numbers accounts for the president having worked with a particular House and Senate for 18-months and a possible influence on job approval to be reflected. Regressing job approval against the percentage of House and the percentage of Senate seats, and controlling for unified government, reveals no significant relationship between the variables. Presidents Johnson and Carter enjoyed clear majorities in both the House and Senate and by their third year in office, their job approval had dropped below 50%. Neither President Nixon (1970 & 1972) nor Clinton (1996 & 1998) controlled the House or the Senate, yet possessed job approval numbers above 55%.

[11] Lewis-Beck and Rice (1982, 1984) find that job approval numbers six months before an election are a good predictor of presidential support in upcoming elections. They find that polls closer to the election do not add to the models usefulness. Additionally, the sixth month period falls after primaries and before conventions, which provide short-term distortions in poll numbers.

TABLE 3.1 Job Approval and Percentage of House and Senate Seats

President	Year	May Job Approval	% of House Seats	% of Senate Seats	Unified Government
Eisenhower	1954	61	50.80	50.5	Yes
Eisenhower	1956	69	46.67	49.5	No
Eisenhower	1958	53	46.21	49	No
Kennedy	1962	74	60.00	65	Yes
Johnson	1964	75	59.54	66	Yes
Johnson	1966	46	67.82	68	Yes
Nixon	1970	59	44.14	43	No
Nixon	1972	62	41.38	45	No
Ford	1976	47	33.10	37	No
Carter	1978	41	67.13	61	Yes
Carter	1980	43	65.98	59	Yes
Reagan	1982	44	44.14	53	No
Reagan	1984	52	38.16	54	No
Reagan	1986	68	41.84	53	No
Bush	1990	65	40.23	45	No
Bush	1992	41	38.39	44	No
Clinton	1994	51	59.31	57	Yes
Clinton	1996	55	46.90	48	No
Clinton	1998	64	47.59	45	No
Bush II	2002	76	50.80	49	No
Bush II	2004	49	52.64	51	Yes

Source: Job Approval is based on Gallup polls conducted in May of each election year.

Just as party seats in the House and Senate do not guarantee legislative success or improve job approval, party seats also do not help a president get reelected. Table 3.2 shows party control of the House and Senate before presidential elections involving an incumbent president. The results indicate that incumbent presidents with a minority in both the House and the Senate before the election win as often as presidents with majorities in both the House and the Senate. Reagan's reelection occurred at a time

when the Republicans controlled the Senate, but subsequently lost control. Carter lost in his bid for reelection when his party controlled over 60% of the House and Senate.

TABLE 3.2 Control of House and Senate Before Election

	Majority		Minority	
Election Result	House	Senate	House	Senate
Incumbent win				
1956			Eisenhower	Eisenhower
1964	Johnson	Johnson		
1972			Nixon	Nixon
1986		Reagan	Reagan	
1996			Clinton	Clinton
2004	Bush II	Bush II		
Incumbent loss				
1976			Ford	Ford
1980	Carter	Carter		
1992			Bush	Bush

The number of party seats in Congress is an important resource, but not an influence the president can rely on. It is certainly better to have a large number of party seats than not. Factors other than the president influence members of Congress such as their own reelection concerns, policy desires, and constituent concerns.

Electoral Margin of Victory

Electoral margin of victory is a primary source of political capital in Light's (1982) interviews with White House staffs. "If the president is elected by a slim margin, congressional support may be undermined" (Light 1982, 28). In reality, the usefulness of margin of victory for a president is probably overstated. The two presidents with the greatest margin of victory, Nixon II and Johnson, both ended their time in office with

little public support due to the Watergate scandal and the Vietnam war. Presidential choices and events soon overshadow electoral returns. Nixon I and Kennedy barely won elections and remained popular with the public throughout their terms.

From 1956 to 2004, the average margin of victory was 8.91 points (SD 8.4) for the 13 presidential elections. The margin of victory for four presidents exceeded 15 points and the electoral margin for three was less than 1 point.[12] Table 3.3 shows the margin of victory and gain/loss in party seats resulting from each election. Nixon (1968) and Reagan (1980) gained significant numbers in the House and the Senate during the period when they were first elected president. In both of their large margin reelection victories, Nixon and Reagan gained a few House seats and lost Senate seats.

Presidents with margins of victory above 15 points gained an average of 4% of seats in the House and lost 1% of seats in the Senate. Presidents with the lowest margins of victory, less than three points, fared slightly better gaining an average of 1.38% of seats in the House and 1.6% of seats in the Senate. There is no correlation between margin of victory and the change in House or Senate seats.

[12] George W. Bush lost the popular vote by less than 1%, but won the Electoral College.

TABLE 3.3 Margin of Victory and Gain/Loss in House and Senate Presidential Election Years

President	Year	% of Popular vote	Margin of Victory or Loss	Gain/Loss House Seats %	Gain/Loss Senate Seats %
Eisenhower	1956	57.4	15.4	-.46	-.5
Kennedy	1960	49.7	.2	-4.83	0
Johnson	1964	61.1	22.6	8.28	2
Nixon	1968	43.4	.7	11.96	7
Nixon	1972	60.7	23.2	2.76	-3
Carter	1976	50.1	2.1	-.23	2
Reagan	1980	50.7	9.7	10.12	8
Reagan	1984	59.0	18.2	3.68	-1
Bush	1988	53.4	7.8	-.46	0
Clinton	1992	43.3	5.6	-2.3	1
Clinton	1996	49.2	8.4	.69	-3
Bush II	2000	47.87	-.51*	-.01	-5
Bush II	2004	50.73	2.46	.01	4
Average			8.91		
Standard Deviation			8.40		

*George Bush lost the popular vote and won the electoral vote

Margin of Victory	# of Elections	House Average Gain/Loss in %	Senate Average Gain/Loss in %
> 15 points	4	3.57%	-0.63%
>3 and <15 points	4	2.01%	1.50%
<3 points	5	1.38%	1.60%
		% Elections with Gains	% Elections with Gains
> 15 points	4	75%	25%
>3 and <15 points	4	50%	75%
<3 points	5	40%	80%

If electoral margin of victory represents political capital, there should be a noticeable difference between victors with large electoral margins and those will small margins of victory in gaining support in Congress. Table 3.4 shows margin of victory

and presidential support on votes when the president took a clear position in the first year after a presidential election. I would expect a president's margin of victory to be most influential in the 12 months after an election. Although overall presidential support can be problematic (see Edwards 1989), it gives a rough estimation of how well the president fares in Congress. Regressing overall support by margin of victory and controlling for House and Senate party seats and unified government reveals no significant relationship between margin of victory and support for presidential positions on votes in Congress.

TABLE 3.4 Margin of Victory and Congressional Support First Year after Election of President

President	Year	Margin of Victory	Overall Presidential Support*	Presidential Support House	Presidential Support Senate
Eisenhower	1956	15.4	68	58	79
Kennedy	1960	.2	81	83	81
Johnson	1964	22.6	93	94	93
Nixon	1968	.7	74	72	76
Nixon	1972	23.2	51	48	52
Carter	1976	2.1	75	75	76
Reagan	1980	9.7	82	73	87
Reagan	1984	18.2	60	45	72
Bush	1988	7.8	63	50	73
Clinton	1992	5.6	86	87	85
Clinton	1996	8.4	54	39	71
Bush II	2000	-.51**	86	84	88

*Presidential victories when the president took a clear-cut position on a bill.
**George Bush lost the popular vote and won the Electoral vote.

One could argue that presidents winning elections by large margins are more likely to have higher initial approval from the public and the approval would endure

longer. Table 3.5 shows presidents from 1956 to 2004 sorted by their margin of victory. Presidents with the highest margins (>15 points) have an average approval at the end of the first quarter of 62%, compared to presidents with the lowest margin of victory (<3 points) whose approval averages 65% in the first quarter. Some have called the tendency of presidents, who win by narrow margins, yet receive support from a large majority of respondents the "honeymoon effect" (Lanoue 1987, Brody 1991). Excluding Nixon, whose numbers decline rapidly in 1973 due to Watergate, and Bush II, whose number increase rapidly in 2001 due to the terrorist attack on September 11, 2001, the trend continues through the end of the year. Presidents with the lowest margin of victory begin the year slightly higher, but have an average loss of 7 points (Bush II excluded) compared to those presidents with the highest margin of victory whose average loss is 2.6 points (Nixon excluded). Seven of the 12 presidents lost approval at the end of the first year. The stability of the job approval numbers is evident by the low standard deviations for most presidents. Nixon and Bush II are both outliers with job approval standard deviations of 12.55 and 19.45 respectively. The standard deviation on 672 Gallup polls from 1953 to 2000 is 10.35. Margin of victory does not influence initial evaluations (1st quarter approval), but does slightly influence the stability of a president's job approval. Perhaps voters give more leeway to presidents with higher margins of victory and this deference reflects positively on job approval. Regardless of margin of victory, president's job approval remains relatively stable throughout the year.

TABLE 3.5 Margin of Electoral Victory and First Year Job Approval

			Job Approval				
President	Year	Margin	End of 1st qtr	End of 4th qtr	4 Qtr Average	Standard Deviation	1st Qtr less 4th Qtr
Nixon	1972	23.20	57	29	40.75	12.55	-28
Johnson	1964	22.60	71	63	65.50	3.79	-8
Reagan	1984	18.20	54	59	55.25	2.50	+5
Eisenhower	1956	15.40	65	60	61.75	2.75	-5
Average			62	53 (61)*			-9 (-2.6)*
Reagan	1980	9.70	60	49	55.75	4.79	-11
Clinton	1996	8.40	56	56	56.25	1.26	0
Bush	1988	7.80	56	71	66.75	7.18	+15
Clinton	1992	5.60	52	54	52.00	4.32	2
Average			56	58			1.5
Carter	1976	2.10	70	57	62.25	5.74	-13
Nixon	1968	0.70	63	59	60.75	2.63	-4
Kennedy	1960	0.20	73	77	75.25	3.30	-4
Bush II	2000	-.51	53	86	71.25	19.45	+33
Average			65	70 (64)**			3 (-7)**

*Nixon excluded in the number in parenthesis.
**Bush excluded in the number in parenthesis.

The State of the Economy as Political Capital

"It's the economy, stupid" was the campaign mantra for the Clinton election campaign in 1992. Clinton effectively changed the focus of the campaign from Bush's strength, foreign policy, to the nation's economy. After receiving job approval numbers above 75% during and after the Gulf War, President George H. W. Bush's approval fell to 32% in July before the November election. Voter's negative perceptions of economic indicators spelled doom for the Bush reelection campaign (Hetherington 1996). Examining public evaluations of his economic and foreign policy performance can help explain President Bush's drop in job approval. In July 1992, the impact of economic evaluations exceeded the impact of foreign policy evaluations on overall job approval by

2 to 1, resulting in Bush's decline in approval (Edwards, Mitchell, & Welch 1995). Given the president's goals of accomplishing his policy agenda, maintaining his public standing, and reelection, is the economy a source of political capital for the president?

Previous research shows that party identification and ideology are the most important factors in congressional voting (Bond and Fleisher 1990), and one should not expect the economy to have a discernable influence on presidential success in Congress. Table 3.6 shows GDP growth, job approval, and presidential support in the House and Senate for each year from 1953 to 2003. The economy under Eisenhower in 1958 experienced negative GDP growth (-1.0) and his job approval was average (57%), yet Eisenhower won 76% of votes when he took a clear position. In contrast, the GDP under Reagan in 1984 grew at a rate of 7.2% and his job approval was 59%, yet overall congressional support for Reagan was only 66%.

TABLE 3.6 GDP, Job Approval and Presidential Support in Congress

Year	GDP	Job Approval	Presidential Support in House	Presidential Support in Senate
1953	4.6	69	63	57
1954	-0.7	69	61	58
1955	7.1	75	58	66
1956	1.9	79	63	57
1957	2.0	58	53	62
1958	-1.0	57	59	58
1959	7.1	77	52	52
1960	2.5	59	51	53
1961	2.3	77	59	58
1962	6.1	76	62	58
1963	4.4	74	58	60
1964	5.8	69	61	63
1965	6.4	63	50	61
1966	6.5	44	59	55
1967	2.5	46	60	60
1968	4.8	44	60	50

TABLE 3.6 Continued

Year	GDP	Job Approval	Presidential Support in House	Presidential Support in Senate
1969	3.1	59	53	56
1970	0.2	52	61	56
1971	3.4	50	58	53
1972	5.3	59	56	56
1973	5.8	29	48	49
1974	-0.5	42	51	48
1975	-0.2	39	43	56
1976	5.3	53	44	50
1977	4.6	57	57	63
1978	5.6	51	57	57
1979	3.2	54	54	60
1980	-0.2	34	55	56
1981	2.5	49	54	66
1982	-1.9	41	51	60
1983	4.5	54	44	60
1984	7.2	59	45	61
1985	4.1	63	46	57
1986	3.5	48	42	58
1987	3.4	49	40	50
1988	4.1	63	40	57
1989	3.5	71	49	66
1990	1.9	63	40	58
1991	-0.2	50	48	59
1992	3.3	49	42	49
1993	2.7	54	61	61
1994	4.0	40	63	66
1995	2.5	51	47	54
1996	3.7	58	54	58
1997	4.5	56	50	71
1998	4.2	73	47	60
1999	4.5	58	48	56
2000	3.7	66	48	65
2001	.8	63	59	79
2002	1.9	71	57	79
2003	3.0	61	59	73

Source: GDP, U.S. Department of Commerce, Seasonal Adjusted Rates in 2000 dollars
Job Approval, Gallup Polls, yearly average
Presidential Support, Adjusted CQ Almanac scores using Edwards (1989, 21, 26-27).

Table 3.7 shows the result of regressing overall success in the House against GDP growth, job approval, and controlling for party control of the House. Although

GDP growth and job approval do not influence House support, presidential party control of the house is significant. The model predicts that presidents receive a constant level of support of 45% from the House, and when the president's party controls the House, support increases by 10 points.

TABLE 3.7 Presidential Support in the House Economy, Job Approval, and Partisanship

Source	SS	Df	MS		
				Number of Obs = 51	
				F(3,44) = 17.39	
Model	1205.24002	3	401.746673	Prob>F = 0.0000	
Residual	1086.09841	47	23.1084769	R-squared = 0.5260	
				Adj R-squared = 0.4957	
Total	2291.33843	50	45.8267687	Root MSE = 4.8071	
House Support	Coef.	Std. Error	t	P>|t|	[95% Conf. Interval)
GDP	-.3584167	0.3202754	-1.12	0.269	-1.002728 0.2858943
Job Approval	.0876958	0.0608172	1.44	0.156	-0.0346526 0.2100443
Control House	9.569016	1.395935	6.85	0.00	6.760757 12.37727
Constant	45.28578	3.396733	13.33	0.00	38.45243 52.11913

The results for the Senate are slightly different. As before, GDP growth does not influence success in the Senate. Presidential party control of the senate is significant at the .10 level. Job approval does influence presidential support in the Senate, albeit the support is very small. For every five point increase in a president's job approval, the president can expect a 1 point increase in Senate support.

TABLE 3.8 Presidential Support in the Senate Economy, Job Approval, and Partisanship

Source	SS	Df	MS		Number of Obs = 51
					F(3,44) = 3.74
Model	323.472454	3	107.824151		Prob>F = 0.0171
Residual	1353.20196	47	28.7915311		R-squared = 0.1929
					Adj R-squared = 0.1414
Total	1676.67441	50	33.5334883		Root MSE = 5.3658

Senate Support	Coef.	Std. Error	t	P>|t|	[95% Conf. Interval)	
GDP	-.4606803	0.3653996	-1.26	0.214	-1.195769	0.2744088
Job Approval	.2067966	0.0685585	3.02	0.004	.0688746	0.3447185
Control Senate	2.638156	1.534163	1.72	0.092	-.4481818	5.724494
Constant	46.99192	3.875381	12.13	0.000	39.19566	54.78818

Although economic prosperity does not influence the president's success in Congress, and therefore, is not a source of political capital in legislative affairs, there is little doubt that the state of the economy affects presidential job approval. There are many other influential components of job approval, with the economy being one of those components (see Marra, Ostrom, and Simon 1990; Erikson, MacKuen, and Stimson 2002). Controversies have arisen concerning whether the influence of the economy is retrospective (Norpoth 1996), prospective (MacKuen, Erikson, and Stimson 1992), or both retrospective and prospective (Clarke and Stewart 1994).

Presidents desire a strong economy leading into a presidential election, but a strong economy does not mean victory. Table 3.9 shows the growth in the GDP for each presidential election from 1952 to 2000 and the election result for the incumbent party. One would expect that strong economic growth would favor the party in office. However, the results are mixed. Eisenhower won reelection with flat growth and the Democrats lost the presidency in 1968 when the economy was booming. Both Ford and

Bush lost in years when GDP growth exceeded 4%. In matters of elections, the economy matters, but how much depends on other factors. According to Erikson, MacKuen, and Stimson (2002, 282), "Good economic times (and other signs of good management) make all political attitudes more favorable to the in-party and push them in the opposite direction under bad times. In this way, both economic and political explanations of the vote may be of equal validity." The state of the economy is important for the president, but not a source of capital that the president can rely on for reelection.

TABLE 3.9 Gross Domestic Product and Election Results for Incumbent Party

Year	GDP Growth in 1st three Qtrs of Election Year	Election Result for the Incumbent Party	Election Result for the Incumbent President
1952	2.37	Won	Won
1956	0.27	Won	Won
1960	2.60	Lost	N/A
1964	6.53	Won	Won
1968	6.07	Lost	N/A
1972	7.00	Won	Won
1976	4.73	Lost	Lost
1980	-2.40	Lost	Lost
1984	6.37	Won	Won
1988	3.10	Won	Won
1992	4.03	Lost	Lost
1996	4.33	Won	Won
2000	2.30	Lost	N/A
2004	3.93	Won	Won
Average	3.66		

Source: U.S. Department of Commerce, Adjusted to 2000 dollars
Seasonally Adjusted Rates in 2000 dollars

Job Approval as Political Capital

The importance of job approval to the success of a president is a matter of dispute. Can job approval help a president accomplish his policy and reelection goals? Regressing job approval against election results, Lewis-Beck and Rice (1984) show that the president's job approval 6 months prior to the election explains 72% of the variance in the popular vote of the incumbent's party in elections from 1948 to 1980. Kernell (1995, 228) updates Lewis-Beck and Rice's numbers to include elections through 1996 and gets a similar result. The regression line crosses right at 50%. The implication is that strategic presidents seeking reelection need to be close to 50% approval by June of an election year. Eisenhower's political adviser Bryce Harlow summed up the situation facing presidents. "The trick is to get the president into the fourth year with an approval rating still over 50%" (Kernell 1995, 227). Table 3.10 shows presidential election results from 1956 to 2004 when an incumbent president was running for reelection. In all eight elections, the president's job approval six-months before the election (May) correctly predicts the results. In fact, May job approval is highly correlated with margin of victory (.85). Although models predicting elections with a president's job approval are not the final word, unpopular presidents tend to lose elections.

Scholars have spent considerable time understanding the influence of presidents on congressional elections (see Tufte 1975; Ferejohn & Calvert 1984; Campbell 1985; Abramowitz & Segal 1986). Conventional wisdom says that a popular president should help his party in winning seats in Congress by transferring his popularity to candidates of the same party. "When the President's numbers go up so do the numbers of those

who are seeking election or reelection on the Republican ticket" (Reagan Press Secretary Larry Speakes quoted in Weinraub 1985).

TABLE 3.10 Presidential Reelection Results 1956-2004

President	Year	May Approval	% of Popular vote	Margin of Victory or Loss	Percentage Gain/Loss House Seats	Percentage Gain/Loss Senate Seats
Eisenhower	1956	69	57.4	15.4	-0.46	-0.5
Johnson	1964	75	61.1	22.6	8.28	2
Nixon	1972	62	60.7	23.2	2.76	-3
Ford	1976	47	48.0	-2.1	-0.23	2
Carter	1980	43	41.7	-9.7	-10.1	-8
Reagan	1984	52	59.0	18.2	3.68	-1
Bush	1992	41	37.7	-5.6	2.30	-1
Clinton	1996	55	49.2	8.4	0.69	-3
Bush II	2004	49	50.73	2.46	.01	4

Job Approval in May of election year	Won	Lost
Above 50%	5	0
Below 50%	1	3

Table 3.11 shows election results for each presidential and midterm election from 1954 to 2004. Table 3.12 breaks down the results. In over 57% of the House elections and 62% of the Senate elections, the president's party loses seats. Furthermore, the popularity of the president only slightly improves chances for success in gaining party seats, and primarily in the House. When the president's job approval is above 50%, the president's party gains House seats 44% of the time and Senate seats 31% of the time. Presidents whose job approval is below 50% gain House seats in 33% of the elections and Senate seats in 43% of elections. A simple t-test shows that there is no significant difference between the mean gain/loss in seats when the president is above or below

50% job approval. This result is in contrast to some previous research that has found evidence that the president's job approval can influence mid-term congressional elections and change the partisan composition of Congress (Tufte 1975; Kernell 1978; Jacobson and Kernell 1983; Fiorina 1981; Abramson, Aldrich, Rohde 1982).

TABLE 3.11 Election Results 1954-2004: Presidential and Midterm Elections

President	Election Year	6 Month Approval(1)	% of Party House Seats(2)	% of Party Senate Seats(3)	Gain/Loss House Party Seats as % (4)	Gain/Loss Senate Seats(5)
Eisenhower	1954	61	46.67	49.5	-4.13	-1
Eisenhower	1956	69	46.21	49	-0.46	-0.5
Eisenhower	1958	53	35.17	35	-11.04	-14
Kennedy	1962	74	59.54	66	-0.46	1
Johnson	1964	75	67.82	68	8.28	2
Johnson	1966	46	67.82	64	0.00	-4
Nixon	1970	59	44.14	45	-2.76	2
Nixon	1972	62	41.38	42	2.76	-3
Ford	1976	47	32.87	39	-0.23	2
Carter	1978	41	65.98	59	-1.15	-2
Carter	1980	43	55.86	51	-10.12	-8
Reagan	1982	44	38.16	54	-5.98	1
Reagan	1984	52	41.84	53	3.68	-1
Reagan	1986	68	40.69	45	-1.15	-8
Bush	1990	65	38.39	44	-1.84	-1
Bush	1992	41	40.69	43	2.30	-1
Clinton	1994	51	46.9	48	-12.41	-9
Clinton	1996	55	47.59	45	0.69	-3
Clinton	1998	64	48.51	45	0.92	0
Bush II	2002	76	52.41	51	1.61	1
Bush II	2004	49	53.10	55	.69	4
# Elections	21					

Note: Based on two-year election cycle and after a President has served for a minimum of one year
(1) Job Approval in May of each election year (See Lewis-Beck & Rice 1982)
(2) Percentage of House seats in the party of the incumbent president after the election
(3) Percentage of Senate seats in the party of the incumbent president after the election
(4) Gain or Loss in House party seats from the previous election
(5) Gain or Loss in Senate party seats from the previous election

TABLE 3.12 Election Results Summary 1954-2004

	House	%	Senate	%
Number of elections with Gains	8	38%	7	33%
Number of elections with Losses	12	57%	13	62%
No Change	1	5%	1	5%
	21	100%	21	100%
Gains when approval above 50%	6	29%	4	19%
Losses when approval above 50%	8	38%	9	43%
Gains when approval below 50%	2	10%	3	14%
Losses when approval below 50%	4	19%	4	19%
No Change	1	5%	1	5%
Total	21	100%	21	100%
President above 50% approval				
Elections with gain	6	44%	4	31%
Elections with loss	8	56%	9	69%
	14	100%	13	100.00%
President below 50% approval				
Elections with gain	2	33%	3	43%
Elections with loss	4	67%	4	57%
	6	100%	7	100.00%

A final important aspect of job approval as political capital is the influence on congressional voting. This subject has been thoroughly researched. Edwards (1989, 125) finds that though job approval is useful, it is not likely to "dominate executive-legislative relations" (Edwards 1989, 125). Bond and Fleisher (1990) conclude that the effects of job approval on success in Congress are limited and that presidential popularity does not unify party factions. Presidential job approval may have benefits in other areas. Scholars have found job approval to be a significant resource in winning Supreme Court confirmations (Johnson and Roberts 2004), Senate confirmations (Krutz, Fleisher, and Bond 1998), the veto process (Rohde and Simon 1985; Woolley 1991), and roll-call votes (Brace and Hinckley 1992; Rivers and Rose 1985).

In contrast, Ostrom and Simon (1985) find that public approval is a vital resource to presidents in their dealings with Congress. Their results imply that the "cumulative rate of roll-call victories will decline by three points for every ten-point drop in approval" (1985, 349). According to Ostrom and Simon, "more ambitious legislative agendas demand higher levels of approval to sustain a given level of success" (1985, 351).

Presidential Political Capital

Presidents need resources to be successful. Party seats in Congress, large electoral margin of victory, a strong economy, and job approval are all prized possessions for presidents, but none of these resources are a panacea. Party seats in Congress can help a president with his legislative agenda as long as the president can keep his party unified. An increase in party seats does not make presidents more popular or reelection more likely. Most presidents lose seats in subsequent elections regardless of their popularity. Presidents with large margins of victory do not enjoy higher job approval numbers or more success in Congress. A strong economy is a significant component of overall job approval, but does not guarantee election or legislative success. High presidential job approval can help first-term presidents in their reelection efforts, but job approval does not make presidents more successful in Congress. Even with their obvious limitations, each of these possible sources of influence is desirable for a president. The important question is, which of these resources has the potential to change the decision-making behavior of the president?

I contend that the one resource the president will trade for all of the others is job approval. None of the other possible sources of influence, party seats, strong economy, or margin of victory can overcome a low job approval evaluation from the public, or change with each foreign policy action. When compared with party seats, margin of victory, and the economy, a president's job approval is distinctive. First, job approval is personal. It is an aggregate measure of the public's satisfaction or dissatisfaction with the president's performance in office. Second, job approval is a continuous measure. Public appraisals occur at regular intervals and reflect the president's ongoing performance in dealing with the many facets of government. Third, job approval is a measure of the public's appraisal of the choices made by the president. Although a president has little control over the economy or Congress, presidents do have control over their own policy choices. Strategic presidents recognize that there is a potential trade-off between policy choices and public support. Johnson knew the perils of policy choice. "I think (my grandchildren) will be proud of two things. What I did for the Negro and seeing it through in Vietnam for all of Asia. The Negro cost me 15 points in the polls and Vietnam cost me 20" (Wise 1968, 131). Finally, a high job approval enhances other resources available to the president. In appealing to the public and Congress, popular presidents are more apt to be heard.

Gallup has been asking about presidential approval for over 70 years and since 1945 has asked the question in the same manner: "Do you approve or disapprove of the way the [president's name] is handling his job as president"? The president's job approval has become one of the most recognizable measures in our political system.

"The standing of the president with the American people has come to have a political life of its own. A president's 'popularity' is said to be a political resource that can help him achieve his program, keep challengers at bay and guide his and other political leaders' expectations about the president's party prospects in presidential and congressional elections" (Brody 1991).

Research has shown that presidential job approval is not a one-dimensional measure of general popularity. Job approval consists of both relatively stable predispositions and more volatile environmental factors. Edwards (1990) suggests that party identification and a general positivity bias provide stability to job approval numbers. Respondents tend to support presidents of their own party and will tend to disregard information that portrays the president poorly. A positivity bias is a proclivity to evaluate public figures in a positive direction. This explains why most presidents start their terms in office with high job approval numbers. Similarly, Erikson, MacKuen, and Stimson (2002) find that residual components, factors other than environmental events, explain 40% of job approval.

Most variation in job approval comes from environmental factors. The environment includes diverse factors such as rates of unemployment and inflation, battle deaths during times of war, the level of international tension, and presidential success (Marra, Ostrom, Simon 1990, 594; see also Kernell 1978; MacKuen 1983). According to Erikson, MacKuen, and Stimson (2002), economic performance and political events explain over 50% of a president's job approval. As the president satisfies public expectations, approval increases, and when expectations are not met, approval declines.

Additionally, the public responds to symbolic events from the president. Activities such as foreign travel (Lammers 1981), presidential speeches (Kernell 1978), and press relations (Grossman and Kumar 1981) can help mitigate negative environmental factors.

Presidents do not choose job approval as a measure of their political strength. The media forces it upon them. A president's job approval provides the media with an objective measure of how the public is responding to a president's leadership. In the first 100 days of the Clinton presidency, polling firms asked the job approval question 37 times, or once every 2.7 days (Bowman 2000). From 1969 to 2000, Gallup reported presidential approval numbers 672 times, an average of 21 per year and 1.75 times per month. Combining the numerous media outlets and private polling organizations conducting surveys, a current job approval number is available for the president every week of his term.

Recognizing the importance of their standing in the public, presidents seek information on their own. Since the Kennedy White House, presidents have used private polling firms to assess public opinion (Jacobs and Shapiro, 1995). Funded primarily by the Republican National Committee and the Democratic National Committee, presidents spend large amounts of money to gauge their support. In two years, President Ford spent over $960,000 on polling. In four years, Carter spent $4 million, Reagan $16 million, Bush $2 million, and Clinton $15 million on private polls[13] (Tenpas 2000, see also Heith 2004). According to Heith (2004, 44), 36.5% of the questions in these polls were to appraise the public's approval of the president and/or Congress. Kernell (1995) suggests

[13] In 1997 constant dollars.

that "presidents who go public need pollsters." When the president's standing in the public is a resource, information becomes essential. As one Clinton aide offered, "Clinton has come to believe that if he keeps his approval rating up and sells his message as he did during the campaign, there will be greater acceptability for his program" (Mitchell 1997).

Presidential approval is important because presidents have few tools to govern effectively and others think it is important.

> Presidential approval may, in fact, be more important than support or opposition to specific policies in developing policy possibilities or constraints. . . . That occurs because presidential approval is political capital that the president can draw upon, and congressional representatives and other people recognize the power of that capital when they challenge or support the president Sobel (1993, 275).

> Presidential poll ratings are important because they are thought to be important. They are thought to be important because political leaders look for indications of when it is safe or dangerous to oppose their policy interests or career ambitions to those of the president and because indications of political support—which in other political contexts might be preferred—are too limited in scope to be relied upon in this context (Brody 1991, 22).

The perceived importance of a president's approval rating makes it a necessary, but not a sufficient condition for influence. Although high job approval does represent a significant measure of strength for the president, which is helpful in accomplishing the president's policy, reelection, and legacy goals, low job approval reduces the potential leverage available to the president. The preceding analysis finds that party seats, margin of victory, and the economy do not necessarily increase the chances for presidential success. The personal and portable nature of job approval makes it a preferable to party

seats in Congress, electoral margin of victory, and economic prosperity as a source of political capital for the president.

The desire to preserve available political capital motivates presidents. When job approval signals the strength or weakness of a president, job approval has the potential to change behavior. Since policy choices place political capital at risk, popular presidents make foreign policy decisions differently than unpopular presidents.

CHAPTER IV

THE NATURE OF RISK IN U.S. FOREIGN POLICY

"These people [the Vietnamese] hate us. They are going to throw our asses out of there at almost any point. But I can't give up territory like that to the Communists and then get the American people to reelect me!" (JFK to the journalist Charles Bartlett on April 24, 1963, quoted in Small 1996). President Kennedy stated what is obvious to presidents; foreign policy choices have domestic implications for presidents. Reelection is not the only presidential concern. A president's domestic policy agenda, public standing, and his ability to build political support for future foreign policy decisions depend in part on the president's performance in foreign affairs. Although the strategic foreign policy decision-maker seeks to accomplish his policy desires and at the same time minimize exposure to undesirable outcomes, inherent in foreign policy decisions is the acceptance of some level of risk. The purpose of this chapter is to examine the nature of risk in foreign policy decision-making, create a measure for risk, and determine what foreign policy decisions represent risky behavior.

What Is Foreign Policy Risk?

Simply stated, risk is being subject to the possibility of a loss. Decision-making risks occur because the results of foreign policy actions are unknown, thereby, exposing the president to a potential loss or a gain, depending on the outcome. A decision-maker incurs risk when all possible outcomes of a decision are not favorable.

Most scholarly discussions of foreign policy risk concern undesired outcomes or unintended consequences, but are too vague and difficult to quantify. For example, Snyder and Diesing (1977, 209-211) divide risk considerations into two groups. One is the risk of miscalculation. Due to misperceptions of the adversary's interests or intentions, decision-makers make choices that place them in a situation that can become problematic. A second type of risk is autonomous risk, or the danger that once a course of action is pursued events will spiral out of control. Lamborn (1985) separates risk into two categories, policy risk and political risk. Policy risk is the "probability that policy goals will not be achieved." Intrinsic policy risk means that the policy may fail even if implemented successfully. Extrinsic policy risk refers to policies that cannot be sustained long enough to be successful. Political risk concerns the environment of decision-makers. Policy choices may lead to problems for key partners in a coalition.

Although identifying types of risk associated with foreign policy is helpful, determining when decision-making risk occurs requires more precision. The most common method of measuring risk is the product of the likelihood of occurring a loss times the value of the loss to the decision-maker (see Kahneman and Tversky 1984, 341). Determining appropriate values for these measures is often subjective and inexact, which leads to much speculation. Since the objective is to understand the risk considerations of the decision-maker, one must find a workable method of valuing risk. Although it is not possible to know the exact probabilities considered by the decision-maker, and therefore calculate a value for risk, it is possible to specify the conditions under which risk is expected and the extent of the risk.

I propose that instead of focusing on a calculation of risk, measured by consequences and likelihood, additional leverage is gained by concentrating on risk exposure. Risk exposure is being subject to a source of risk. Rather than subjectively creating values for consequences and likelihood, one can determine the magnitude of risk by examining the possible hazards, or sources of risk, from a foreign policy decision. In this manner, risks are identified by discerning the potential vulnerabilities from pursuing a course of action against a target. Since the primary sources of risks in foreign policy are the actions pursued and the targets of the actions, risk exposure is conditional on the context of the decision.

The assumption is that the degree of risk can be measured by an analysis of the risk exposure produced by a foreign policy decision. The uncertainty that a foreign policy action will be successful and the consequences from the action are conditional on the target and the action itself. This is illustrated by the standard utility equation. The formula for expected utility is as follows:

$$E(U_d)=(P_s \times U_s)+((1-P_s)\times U_f)$$

Where

$E(U_d)$ = decision-maker's expected utility for proposed policy

P_s = probability of success

U_s = utility in a state of success

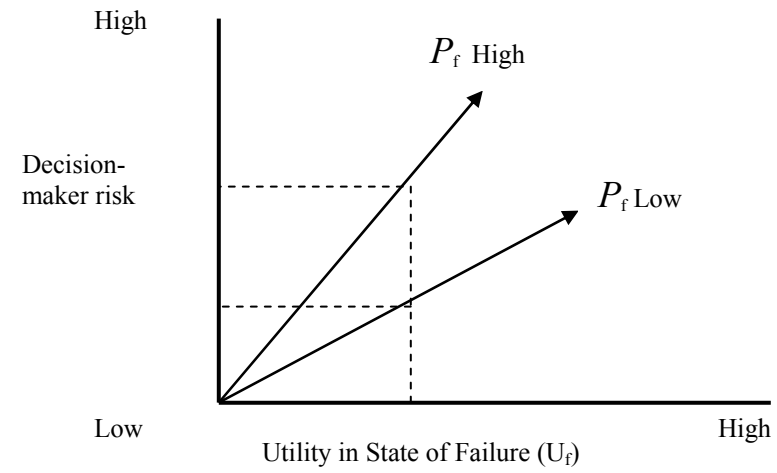
U_f = utility in a state of failure

When contemplating an action, a decision-maker considers both the gain from a successful action and the possible loss from an unsuccessful action. The expected utility from a decision is the expected value of success (P_s x U_s) plus the expected value of failure ((1 - P_s) x U_f). Presidents are strategic actors. They desire to maximize their benefits or value from foreign policy choices and expect the results of an action to provide positive benefits both to them personally and to the country. When $E(U_d)$ is >0, the nation and the leader are better off pursuing the action than foregoing the action. If $E(U_d) < 0$, then the decision-maker will exercise restraint or seek another alternative. The utility in a state of failure (U_f) is presumed to be a negative value. If U_f is positive, there is no downside to pursuing the action.[14]

The expected value of failure ((1 - P_s) x U_f) is a measure of the utility value placed in jeopardy by a foreign policy action. It is a quantitative estimate of the cost of the worst case scenario taking place. In risk management terms, the expected value of failure is the level of exposure the decision-maker accepts when pursuing a course of action. The expected value of failure equation suggests important constraints in the decision process; the probability the action will not succeed and the utility loss associated with failure. Figure 4.1 depicts the relationship between the probability of failure and utility in the state of failure and the resulting decision-maker risk.

[14] The expected utility question helps to explain the difference between a risk-acceptant actor and a risk-averse actor. A risk-acceptant actor will choose the alternative with the greatest expected value of success (P_s x U_s). In contrast, the risk-averse actor considers the entire equation that includes the expected value of failure ((1 - P_s) x U_f). Huth and Russett (1993, 67) define risk orientation as "an individual's way of choosing between options that have the same expected payoff but vary with respect to the probability of receiving that payoff. Risk-averse actors tend to favor more certain outcomes and risk-acceptant actors are more willing to gamble on less certain outcomes."

FIGURE 4.1 Decision-Maker Loss Exposure



The risk from a foreign policy decision depends on the relationship between the probability of failure (1-P_s) and the utility in a state of failure (U_f). A decision-maker can minimize his risk by choosing actions with a lower probability of failure and/or a lower utility for failure. Actions with a greater probability of failure have a steeper slope indicating a greater potential for a loss.

The relationship between probability of failure (1-P_s) and the utility in a state of failure (U_f) create conditions under which decision-making risks can be assessed. Below, I examine the contextual factors that influence the probability of failure and utility in a state of failure and graphically show how these factors interact to create risk exposure for the decision-maker.

Probability of Failure (1-P_s)

Probability of failure (1-P_s) is a measure of a decision-maker's assesment concerning the probability of failing when making a policy choice. The probability of success when extending a trade agreement to another nation is almost 100%. In contrast, the probability of success when implementing economic sanctions on another country is less clear. Assigning a value for P_s is difficult due to uncertainty. Bueno de Mesquita addresses this issue in his book *The War Trap*. "Suppose that the decision maker either did not know enough about the likely costs and benefits of his choices to be certain about the chance of success with each to affix a probability value with confidence to each of these options. The choices he must make under these circumstances are fraught with uncertainty" (BDM 1981, 35). According to Bueno de Mesquita, when there is uncertainty, 1-P_s is actually 1-(P_s+ k) with k representing the amount of uncertainty in the calculation (BDM 1981, 35).[15]

The theoretical underpinnings of decision-making under risk and uncertainty in political science have been borrowed from economics, yet economists do not agree on precise definitions or proper measurement. As far back as Knight (1921), attempts were made to make a distinction between risk and uncertainty. Knight argued that risk refers to situations where probabilities can be assigned and uncertainty refers to situations when probabilities cannot be expressed. Prominent theorists such as von Neumann and Morgenstern (1944), Arrow (1964), and Savage (1954) take varied approaches

[15] In *The War Trap*, Bueno de Mesquita measures P_s using CINC scores (relative power) and k (uncertainty) as a function of the change in tightness of alliances in international system. Huth, Bennett, and Gelpi (1992, 481) suggest that uncertainty is represented by the confidence interval placed around estimates of possible outcomes from an action and the wider the confidence interval, the less certain the outcome of the decision.

concerning the appropriateness of assigning mathematical probabilities. The risk versus certainty debate remains a "field in flux" (Machina 1987).

Although recognizing the differences between risk and uncertainty, Federal Reserve Chairman Alan Greenspan combines the concepts for purpose of modeling monetary policy.

> The Federal Reserve's experiences over the past two decades make it clear that uncertainty is not just a pervasive feature of the monetary policy landscape; it is the defining characteristic of that landscape. The term "uncertainty" is meant here to encompass both "Knightian uncertainty," in which the probability distribution of outcomes is unknown, and "risk," in which uncertainty of outcomes is delimited by a known probability distribution. In practice, one is never quite sure what type of uncertainty one is dealing with in real time, and it may be best to think of a continuum ranging from well-defined risks to the truly unknown. . . .This conceptual framework emphasizes understanding as much as possible the many sources of risk and uncertainty that policymakers face, quantifying those risk when possible, and assessing the costs associated with each of the risks.[16]

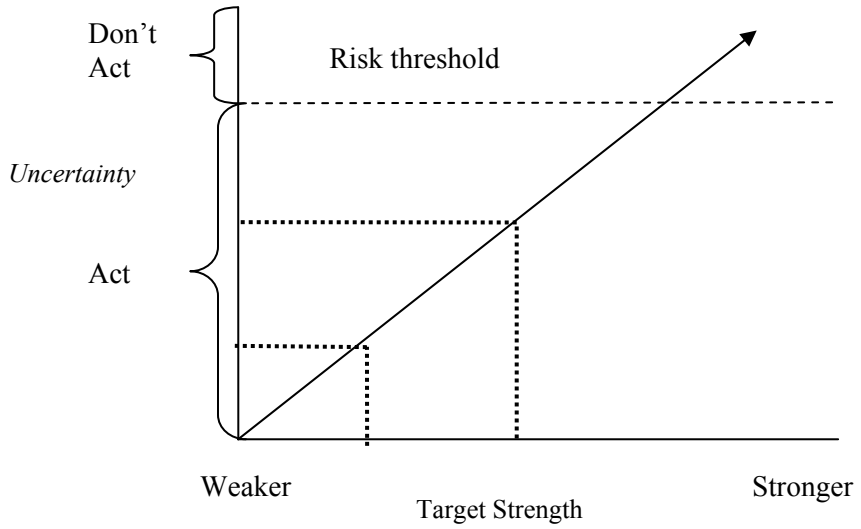
The process of choosing among alternative policy options involves calculating probabilities, and these probabilities include an assessment of both risk and uncertainty. Although it is impossible to ever know for sure the chances for success, factors related to the target of the action and the action itself can help to distinguish between more and less certain policy choices.

Target Risk. Uncertainty related to the target results from relative power differentials. It is more difficult to achieve foreign policy success as the target of the policy increases in strength. Stronger nations can resist longer and more effectively than weaker nations, and therefore, the risk of undesired outcomes increases. When an action

[16] Remarks by Chairman Alan Greenspan at the Meetings of the American Economic Association, San Diego, California, January 3, 2004.

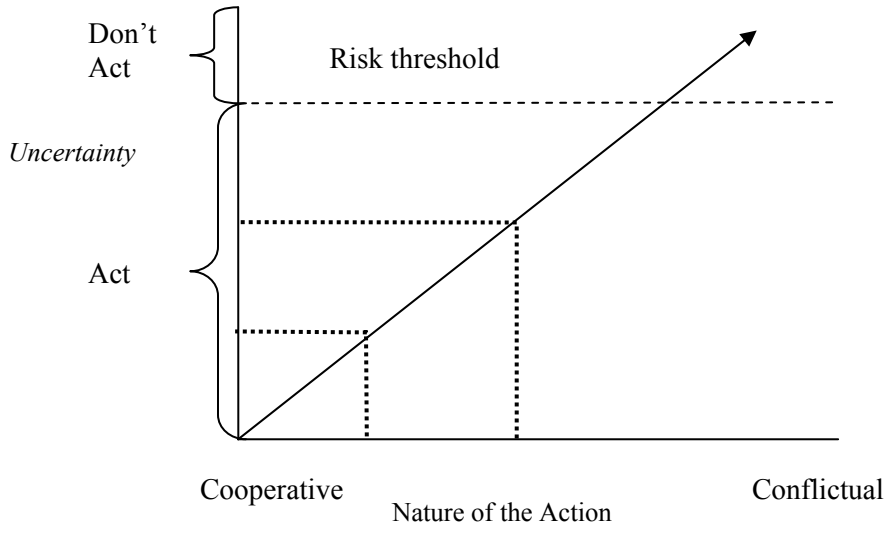
is considered, decision-makers subjectively assess the target risk by comparing the relative strength of the target with their own current state. As the target nation increases in strength, the probability of failure increases. Figure 4.2 shows this relationship.

FIGURE 4.2 Risk Assessment from Power Differential



Action Risk. Actions toward a target nation are either cooperative or conflictual, and within each category, there is a wide variation. A cooperative action can range from a simple consultation to the extension of economic aid to another nation. A conflictual action can range from issuing a complaint to the use of military force. Although it is possible that both cooperation and conflict can increase the probability of failure, I suggest that conflictual actions provide the greatest opportunity for policy failure. Figure 4.3 shows the relationship between the nature of the action and the probability of failure.

FIGURE 4.3 Risk Assessment from the Nature of the Action



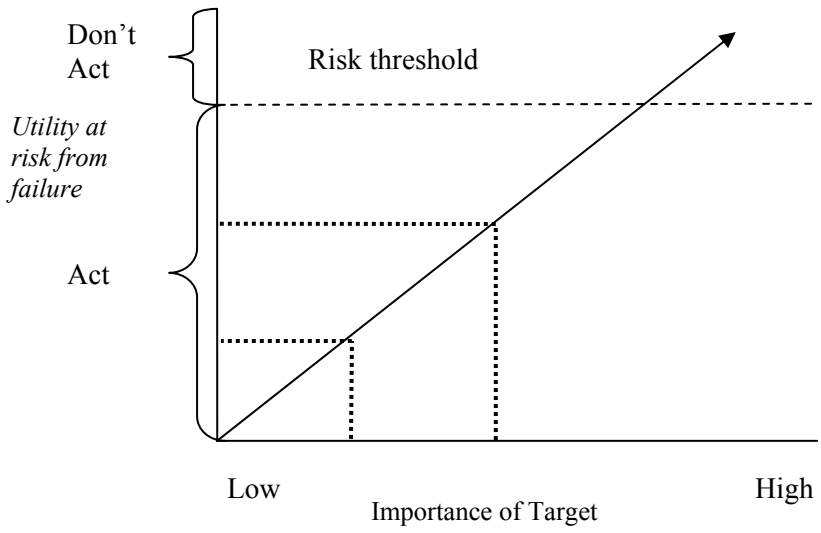
Conflict increases the complexity of the decision because the number of variables to be accounted for increases. Leaders who are the target of a conflictual act must seek to insure their legitimacy by a strong reaction or even implementing defensive measures. A conflictual act can draw other nations into the situation due to a military alliance or other relationship. Risk increases as the action pursued covaries with other factors giving the initiator less control over the outcome.

Both the target of the action and the type of action are sources of risk for the decision-maker. Decision-maker risk increases as actions become more conflictual and the strength of the target nation grows.

Utility in a State of Failure (U_f)—How Bad Does It Hurt?

Utility in a state of failure is a measure of the loss associated with a failed foreign policy action. It is a measure of how much of something useful in achieving the goals of the decision-maker is lost. In contrast to probability of failure (1-P_s), which is largely a function of the international system, the value of U_f is primarily related to domestic factors, namely public awareness. The failure of a foreign policy action is more damaging when the target has a high profile due to its strategic importance or historical relationship with the U.S. Nations with a higher public profile pose a greater potential loss from foreign policy failure than lesser known countries (i.e., Russia vs. New Zealand). Figure 4.4 shows the relationship between the importance of the target and the utility at risk from failure.

FIGURE 4.4 Risk Assessment and Utility in State of Failure



It is important to clearly define what is meant by a loss (U_f). A loss in the expected utility equation is not an outlay or expenditure made to achieve something; it is the penalty incurred when the objective is not achieved. For example, the economic expense related to a military action occurs whether or not the action is successful. In a military endeavor, the cost of the action is a sunk cost. It is an expenditure that takes place and usually cannot be recovered. In contrast, the losses of trade relationships or public support from a foreign policy action are losses associated with the failure of the policy.

Although economic and political costs can result from foreign policy failure, political costs are more likely and most hazardous for the president. Economic costs, such as the loss of trade, are less problematic for the decision-maker because conflictual relations between trading partners is less likely to occur, especially in bilateral relations where trade relations already exist (Dorussen 1999; Polachek, Robst, & Chang 1999). Even in the case of Japan during the 1980's, where most Americans believed that Japan was trading unfairly with the U.S., the cost to President Bush was political.[17]

Actors and Actions

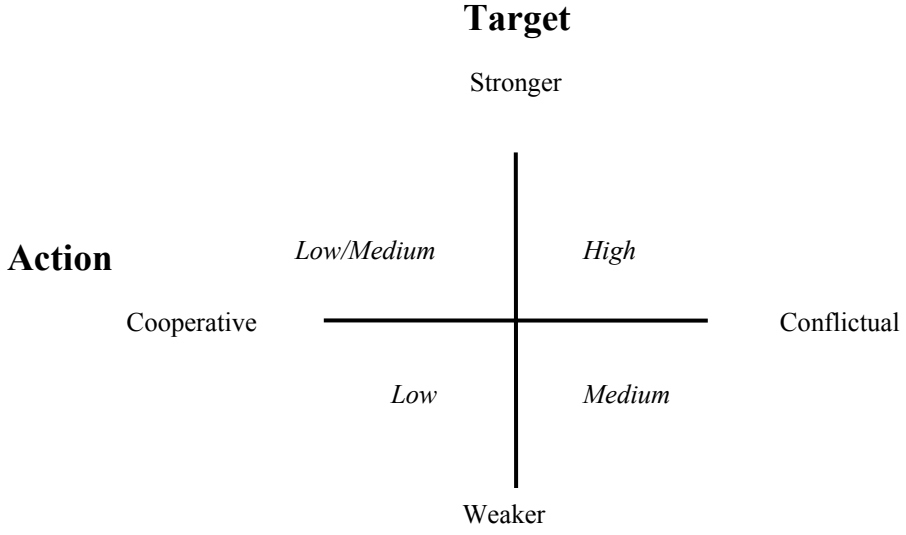
Foreign policy is about conflict and cooperation among nations; foreign policy includes an action (policy choice) and a target (nation-state). Although risk is measured by $((1 - P_s) \times U_f)$, risk exposure is defined by the sources of risk. In the case of foreign

[17] For example, see the Gallup/Newsweek Poll, 9/19/89. "Do you think the (President George) Bush Administration is or is not doing enough to make Japan adopt more fair trade practices, or don't you think this is necessary?" 44%-Not doing enough, 18%--doing enough. 23%-Don't know.

policy, the nature of the action, the target nation and the salience of the action and target combine to form the source of risk for the decision-maker. To understand the risk involved in foreign policy, it is not sufficient to focus on the type of action chosen or the target nation; both are important. Since decision-makers choose policy with a target in mind, it is the interaction between the action and the target that is of interest.

The previous analysis shows that the probability of failure (1-P_s) includes both target risk and action risk, and the utility for failure (U_f) is a function of the domestic importance of the target. Foreign policy actions that include strong targets and conflictual actions create more risk for the decision-maker. In order to illustrate this concept, I have created a figure showing possible relationships (see figure 4.5 below).

FIGURE 4.5 Conditional Risk in Foreign Policy (Salient Nations Only)



As the figure shows, the foreign policy risk depends on the nature of the action and the target nation. When an action is cooperative and the target nation is weak, the risks are low compared to a conflictual action directed towards a stronger nation. Foreign policy risks increase as an action becomes more conflictual and the target nation stronger. Although there is an element of risk in all foreign policy actions, the risks vary greatly depending on the type of action and the strength of the target nation. Both the action and the target are relevant to the analysis.

Measuring Risk Exposure

The previous chart shows that the interaction between the target and the action creates conditions where different levels of risk are likely. Measuring risk exposure involves three factors: nature of the action, strength of the target nation, and the public importance of the target.

Measuring (U_f)

The utility for failure (U_f) increases when the target of U.S. foreign policy is considered important to the public. Importance is defined by a number of factors. First, a nation is considered important when there is an historical relationship with the U.S that has kept the nation in the public eye for a long period of time. Nations such as France, Japan, and Russia have long been considered important to the U.S. Second, a nation's importance can change due to the nature of the current relationship. When the attention of the president is focused on a particular nation, the salience of that nation increases

until the environment changes. This is usually the case when relations become conflictual, such as with Haiti and Nicaragua. After the conflict subsides, the salience of the nation returns to normal levels. Third, nations grow in public importance when they are perceived to be a threat to the U.S. Iraq and North Korea are examples of countries whose importance to the U.S. is related to their perceived threat.

The public's assessment of nations in the international system is largely based on historical attitudes updated with new information. The typical citizen does not live in the world of foreign policy and is forced to rely on the mass media for knowledge of current world events. The public develops a general opinion about which nations are important by updating past beliefs, which involves drawing upon and simplifying currently available information. Using concepts found in cognitive-psychology and social cognition literature, Hurwitz and Peffley (1987), argue that humans are cognitive misers, facing information-processing shortcomings and forced to rely on shortcuts when possible. These cognitive heuristics are necessary because of the complexity of foreign policy issues. One technique employed by the individual is to "use old, generic knowledge to interpret new, specific information" (Hurwitz and Peffley 1987, 1104; see also Fiske and Taylor 1984). General beliefs fill in the gaps when confronted with new information (Tversky and Kahneman 1981).

I have chosen two methods of identifying target nations that are salient to the U.S. public. First, the Chicago Council on Foreign Relations (CCFR) surveys conducted every four years since 1978. Second, press reports of interactions between the U.S. and other nations. During the term of a president, if a nation appears on the CCFR survey or

represents over 1.5% of all U.S. foreign policy interactions, as reported by Reuters News Service, then the nation is considered salient to the public.[18]

CCFR Surveys. Since 1978, and every four years thereafter, the CCFR has included in the survey a series of questions asking respondents to rate their feeling towards individual countries. Although a feeling toward a country is not equivalent to salience, the limited survey space requires that the CCFR only include countries deemed most relevant. Therefore, inclusion in the survey is an indication of the current importance or highly visible nature of an individual country. Table 4.1 shows the nations included on the Council on Foreign Relations surveys of the general public from 1978 to 2002. As world events change, the list of countries included in the survey vary. In 2002, Afghanistan was added to the survey and in 1998 Haiti was removed. Seventeen nations are included in each of the seven surveys and 5 nations are included in only one survey. For most countries, the percentage of respondents able to give an opinion is over 85% indicating the high profile nature of the countries included in the survey.

[18] Although 1.5% is an arbitrary breakpoint, it is a reasonable cutoff. The measure is intended to create a list of nations, out the 172 total nations, likely to be salient to the public. It is intended to be exclusive, but not too restrictive. The 1.5% level limits the list to nations most likely to be in the news based on Reuters' news reports. In the Nixon administration only 13 countries exceeded 1.5% of all interactions, compared to 23 countries during the Reagan Administration. It is highly unlikely that public awareness extends beyond 23 countries. In order for a nation to meet the 1.5% threshold, the U.S. must have initiated at least 25 interactions with the nation and the actual number of interactions must exceed the mean number of interactions.

TABLE 4.1 Nations Included in CCFR Feeling Thermometer Questions

	Carter	Reagan		Bush	Clinton		Bush	
	1978	1982	1986	1990	1994	1998	2002	Number of surveys
Brazil	x	x	x	x	x	x	x	7
Canada	x	x	x	x	x	x	x	7
China	x	x	x	x	x	x	x	7
France	x	x	x	x	x	x	x	7
Germany	x	x	x	x	x	x	x	7
India	x	x	x	x	x	x	x	7
Iran	x	x	x	x	x	x	x	7
Israel	x	x	x	x	x	x	x	7
Italy	x	x	x	x	x	x	x	7
Japan	x	x	x	x	x	x	x	7
Mexico	x	x	x	x	x	x	x	7
Poland	x	x	x	x	x	x	x	7
Saudia Arabia	x	x	x	x	x	x	x	7
South Africa	x	x	x	x	x	x	x	7
South Korea	x	x	x	x	x	x	x	7
Taiwan	x	x	x	x	x	x	x	7
UK	x	x	x	x	x	x	x	7
Nigeria			x	x		x	x	4
Russia				x	x	x	x	4
Argentina					x	x	x	3
Cuba					x	x	x	3
Iraq				x		x	x	3
North Korea					x	x	x	3
Soviet Union	x	x	x					3
Egypt				x			x	2
Nicauragua			x	x				2
Pakistan						x	x	2
Philippines			x	x				2
Turkey						x	x	2
Afghanistan							x	1
Columbia							x	1
East Germany			x					1
Haiti					x			1
Syria			x					1

Chicago Council on Foreign Relations Surveys, 1978-2002

U.S. Interactions. In the course of carrying out their foreign policy duties, the attention of presidents is not equally distributed among the countries of the world. There are a number of possible reasons. Some nations are more strategic and require close management by the U.S. due to their location or political importance such as Israel and Egypt. Other nations are important because they are more conflictual in their relations with the U.S such as the Soviet Union and Syria. Often, a president's term in office is defined by how he dealt with a certain country. Johnson and Nixon's presidency was defined by relations with Vietnam, Carter with Iran, and Bush with Iraq. Table 4.2 shows the percentage of total interactions with different nations during six presidencies as reported by the Reuters News Service. The percentages give a rough measure of the attention devoted to each nation. When a president spends a disproportionate amount of foreign policy effort on one country, public expectations increase and policy options are more constrained, therefore the probability of failure increases. Israel is a prime example. During the six presidencies, interactions with Israel required the third largest amount of foreign policy effort. The high profile nature of the relationship and the importance of Israel in the Middle East can limit U.S. options in the region.

The interactions in the table are both cooperative and conflictual. All presidents from Johnson to Bush spent a plurality of their time dealing with the Soviet Union.

TABLE 4.2 Interactions with Other Nations by President (% of Total Interactions)
Nations representing more than 1.5% of total interactions

TARGET	Johnson	Nixon	Ford	Carter	Reagan	Bush	Average
USSR	15.07%	13.50%	13.48%	19.06%	22.07%	14.65%	16.30%
N Vietnam	8.46%	24.21%	2.36%	2.74%			9.44%
Iraq						8.59%	8.59%
Israel	4.01%	4.89%	9.50%	11.57%	7.52%	7.10%	7.43%
S Vietnam	5.15%	5.94%	2.42%				4.50%
Iran			1.79%	9.20%	3.11%	2.08%	4.04%
Egypt	2.38%	2.97%	4.03%	7.14%	2.24%		3.75%
Nicaragua					4.87%	2.22%	3.54%
Russia						3.39%	3.39%
N Korea	3.36%						3.36%
Lebanon			2.59%		4.12%		3.35%
China	2.49%	2.68%	2.48%	3.65%	2.39%	4.39%	3.01%
El Salvador					2.99%		2.99%
Panama						2.62%	2.62%
S Africa			2.36%	1.93%	3.06%		2.45%
Cuba			2.53%	3.08%	1.72%		2.44%
Turkey			2.42%				2.42%
Japan	1.84%	3.55%	2.42%	1.82%	1.87%	2.76%	2.38%
France	3.52%	1.94%	2.25%			1.54%	2.31%
W Germany	3.79%	1.99%	1.79%			1.58%	2.29%
India	3.41%	1.67%	1.73%				2.27%
Philippines					2.27%		2.27%
UK	3.79%	1.70%	2.13%	1.64%	2.17%	1.85%	2.22%
Cambodia	2.06%	2.66%	1.84%				2.19%
S Korea	2.17%		1.56%	2.55%			2.09%
Syria			1.73%		2.67%	1.72%	2.04%
Greece			1.96%				1.96%
Libya					1.93%		1.93%
Angola			1.84%				1.84%
Saudi Arabia				1.88%	1.61%		1.75%
Portugal			1.73%				1.73%
Poland					1.71%		1.71%
Thailand			1.67%				1.67%
Canada		1.67%					1.67%
Zimbabwe				1.62%			1.62%
Jordan					1.60%		1.60%
Mexico					1.58%		1.58%
% of Total Interactions	61.52%	69.38%	68.61%	67.88%	71.51%	54.48%	

Source: KEDS data based on Reuters news reports and compiled by Rodney Tomlinson, U.S. Naval Academy

Other than a few key partners such as the United Kingdom, Germany, and France, most presidents' foreign policy attention is spent on nations with whom the U.S. has conflictual relations or regions where conflict is present. In addition, attention varies by president. Carter spent a disproportionate amount of time on Egypt and Iran, Reagan on Nicaragua and Lebanon, and Bush on Iraq.

Salient Nations. The CCFR surveys and U.S. interactions provide an objective indicator of nations likely to be salient to the American public. By combining the two sources, it is possible to account for both historical and current relationships with other countries. Table 4.3 shows the nations that met the criteria of being included on a CCFR survey or represent over 1.5% of all U.S. interactions during a presidential term in office.

The list of salient nations shows evidence of historical relationships and short-term crises. Ten countries were relevant in each administration and 10 countries were relevant during only one administration.

TABLE 4.3 Salient Nations by President

	Johnson	Nixon	Ford	Carter	Reagan	Bush
Canada	x	x	x	x	x	x
China	x	x	x	x	x	x
France	x	x	x	x	x	x
India	x	x	x	x	x	x
Israel	x	x	x	x	x	x
Japan	x	x	x	x	x	x
USSR/Russia	x	x	x	x	x	x
United Kingdom	x	x	x	x	x	x
West Germany	x	x	x	x	x	x
Brazil		x	x	x	x	x
Egypt	x	x	x	x	x	x
Italy	x		x	x	x	x
South Korea	x		x	x	x	x
Iran			x	x	x	x
South Africa			x	x	x	x
Taiwan			x	x	x	x
Cuba			x	x	x	
Mexico				x	x	x
Poland				x	x	x
Saudi Arabia				x	x	x
Nigeria					x	x
Vietnam	x	x	x	x		
Cambodia	x	x	x			
Iraq						x
North Korea			x			
S. Vietnam	x	x	x			
Syria			x		x	x
Turkey			x			
Lebanon			x		x	
Nicaragua					x	x
Philippines					x	x
Zimbabwe			x	x		
Angola			x			
East Germany					x	
El Salvador					x	
Greece			x			
Jordan					x	
Libya					x	
Panama						x
Portugal			x			
Spain			x			
Thailand			x			

Probability of Failure (1-P_s)

The analysis suggests that both the target and the action interact to create uncertainty, and therefore, risk for the foreign policy decision-maker. The strategic decision-maker seeks to minimize his risk exposure by considering the potential sources of risk or hazards from pursuing a foreign policy action.

Target Uncertainty. The relative strength of one nation compared to another matters in foreign policy. Powerful nations have the material and human resources to threaten the security of other nations and engage in prolonged conflicts. Due to these resources, the more powerful the target nation the more uncertainty involved in actions toward that nation. The more capable the target nation, the less likely the initiator of a policy will get what he wants. In addition, the cost of unintended consequences when dealing with powerful nations is greater. The probability of failure is greater as the strength of the target nation increases.

Table 4.4 shows the relative world power of previously identified salient nations using the Composite Index of National Capability (CINC)[19] scores. This composite measure, derived from the Correlates of War II National Material Capabilities data set, accounts for energy consumption, iron and steel production, military expenditure, military personnel, total population, and urban population. Since 1970, only two countries compare favorably with the United States, China and Russia. After the breakup of the Soviet Union, Russia's share of world power has declined below India

[19] "The measure is computed by summing all observations on each of the six capability components for a given year, converting each state's absolute component to a share of the international system, and then averaging across the six components." See Correlates of War II at http:cow2.la.psu.edu.

TABLE 4.4 Composite Index of National Capability (CINC)
Value is the relative Percentage of world power (rounded)

Country	Johnson	Nixon	Ford	Carter	Reagan	Bush
Angola			0.00			
Brazil	0.02	0.02	0.02	0.02	0.02	0.02
Cambodia	0.00	0.00	0.00			
Canada	0.01	0.01	0.01	0.01	0.01	0.01
China	0.11	0.10	0.12	0.12	0.12	0.11
Cuba			0.00	0.00	0.00	
East Germany					0.01	
Egypt	0.01	0.01	0.01	0.01	0.01	0.01
El Salvador					0.00	
France	0.03	0.02	0.02	0.02	0.02	0.02
Germany	0.04	0.04	0.04	0.03	0.03	0.03
Greece			0.00			
India	0.05	0.05	0.05	0.05	0.05	0.06
Iran			0.01	0.01	0.01	0.01
Iraq						0.01
Israel	0.00	0.00	0.00	0.00	0.00	0.00
Italy	0.02		0.02	0.02	0.02	0.02
Japan	0.04	0.05	0.06	0.05	0.05	0.05
Jordan					0.00	
Lebanon			0.00		0.00	
Libya					0.00	
Mexico				0.01	0.01	0.01
Nicaragua					0.00	0.00
Nigeria					0.01	0.01
North Korea			0.01			
Panama						0.00
Philippines					0.00	0.01
Poland				0.02	0.02	0.01
Portugal			0.00			
Saudi Arabia				0.01	0.01	0.01
South Africa			0.01	0.01	0.01	0.01
South Korea	0.01		0.01	0.01	0.01	0.02
Spain			0.01			
Syria			0.00		0.00	0.00
Tawain			0.01	0.01	0.01	0.01
Thailand			0.00			
Turkey			0.01			
United Kingdom	0.04	0.03	0.03	0.03	0.02	0.02
USSR	0.17	0.17	0.17	0.18	0.17	0.17
South Vietnam	0.00	0.01	0.01			
North Vietnam	0.01	0.01	0.01			
Zimbabwe			0.00	0.00		
% of World Power	0.55	0.52	0.64	0.62	0.64	0.62

and Japan, and China remains the only close competitor of the United States. The CINC scores provide a measure of one nation's capability of resisting the foreign policy actions of another nation.

Action Uncertainty. Foreign policy actions, whether cooperative or conflictual, involve risk due to uncertainty about final outcomes. The threat from cooperation is violating the external expectations of the public and other governments. This type of hazard results from the decision-maker pursuing foreign policy actions that are contrary to what would normally be expected. Cooperative actions when conflict is expected, or vice versa, can increase the chances the policy is deemed a failure. Consistent foreign policy behavior sends a signal to the public and other governments about what to expect in future foreign policy actions (Anderson 1981).

Since foreign relations between democracies tend to be consistent and largely cooperative, uncertainty is minimized. A large body of research has examined the question, why don't democracies fight each other (Chan 1984; Doyle 1986; Morgan and Campbell 1991). Mintz and Geva's (1993, 500) findings suggest that "launching an attack on another democracy is perceived by the public as a failure of foreign policy" and "democratic leaders have very few political incentives to do so." In their experiments, force is appropriate when aimed at a nondemocratic state and less appropriate when a democratic state is involved.

Actions resulting from different types of policy objectives can also be hazardous for a president. There are certain foreign policy objectives that the public finds acceptable and are more willing to support. Jentleson (1992) found that variation in

public support for the use of military force can be explained by examining the policy objectives. The American public is more supportive of military intervention when the principal policy objective is to coerce foreign policy restraint from an aggressor state than force used to impose internal political change within another state. The former is somewhat acceptable to the public, although the latter is not. Pursuing foreign policy objectives that are contrary to what the public would expect creates opportunity for failure.

Although there is an element of risk in cooperative actions, conflictual actions expose the president to more opportunities for failure. There are a number of reasons. First, there is norm of reciprocity in international relations. Past quantitative studies (Goldstein 1991; Goldstein and Freeman 1989) and case studies (Larson 1987; George, Farley, and Dallin 1988) have shown that nations tend to reciprocate the actions of other nations. Conflictual actions are likely to produce conflictual actions in return. Second, conflictual actions may draw other nations into a dispute when tensions increase. Third, when the military is mobilized, deaths are more likely to occur, which may cause a decrease in support for a policy. Finally, in contrast to cooperative actions, conflictual actions are not as easily reversed as cooperative actions.

Table 4.5 shows the percentage of conflictual interactions between the U.S. and salient nations for six presidents. The numbers are determined by dividing the total number of conflictual U.S. actions by the total number of U.S. interactions towards each

TABLE 4.5 Percentage of Conflictual Interactions Between U.S. and Target Nations Salient Nations Only

Target Nation	Johnson	Nixon	Ford	Carter	Reagan	Bush	Average
Lybia					84.4%		84.4%
Iraq						73.2%	73.2%
North Korea			73.1%				73.1%
Panama						69.0%	69.0%
Cuba			77.3%	66.9%		60.0%	68.1%
North Vietnam	61.5%	86.8%	58.5%	41.0%			62.0%
Nicaragua					69.7%	51.0%	60.3%
East Germany					56.3%		56.3%
Zimbabwe			42.3%	58.1%			50.2%
Iran			25.8%	61.2%	67.4%	43.5%	49.5%
USSR	51.8%	42.0%	47.4%	53.2%	58.9%	36.7%	48.3%
Syria			33.3%		54.4%	44.7%	44.2%
Angola			43.8%				43.8%
S Africa			39.0%	56.8%	59.8%	16.7%	43.1%
El Salvador					38.9%		38.9%
China	58.7%	29.5%	23.3%	25.7%	30.9%	50.5%	36.4%
India	15.9%	45.4%	53.3%	22.9%	26.9%	52.9%	36.2%
Poland				36.4%	60.6%	11.1%	36.0%
Cambodia	34.2%	21.3%	50.0%				35.2%
Israel	39.2%	23.9%	19.4%	33.8%	38.7%	49.7%	34.1%
Portugal			33.3%				33.3%
Philippines					41.5%	24.1%	32.8%
Taiwan			40.0%	23.5%	22.2%	33.3%	29.8%
Turkey			28.6%				28.6%
France	41.5%	31.0%	20.5%	23.1%	31.7%	23.5%	28.5%
Brazil		14.3%	40.0%	43.8%	18.2%	25.0%	28.2%
South Vietnam	13.7%	26.0%	42.9%				27.5%
Japan	17.6%	36.2%	21.4%	27.1%	30.3%	18.0%	25.1%
South Korea	12.5%		22.2%	34.7%	33.6%	20.7%	24.8%
Mexico				26.5%	36.5%	9.4%	24.1%
Egypt	50.0%	28.9%	8.6%	19.0%	14.8%	23.5%	24.1%
Lebanon			20.0%		28.1%		24.0%
Greece			23.5%				23.5%
Jordan					23.3%		23.3%
Saudi Arabia				29.2%	20.5%	18.2%	22.6%
Nigeria					22.2%		22.2%
Canada	18.2%	45.4%	28.6%	20.0%	15.8%	5.6%	22.2%
United Kingdom	18.6%	24.2%	18.9%	15.9%	18.7%	9.8%	17.7%
Germany	14.3%	15.5%	6.5%	14.3%	18.1%	20.0%	14.8%
Italy	16.7%		18.2%	15.4%	19.4%	0.0%	13.9%
Thailand			13.8%				13.8%
Spain			11.5%				11.5%

nation.[20] The resulting percentage provides a conflict measure between the U.S. and other countries. For example, during the Carter administration, 61.2% of all interactions with Iran were conflictual, compared to only 25.7% of all interactions with China.

A Model of Foreign Policy Risk

The following graphs plot target uncertainty, determined by relative power, by action uncertainty, determined by percentage of conflictual actions for each president from Nixon to Bush (Figures 4.6 to 4.11). The vertical lines are placed at the 50% conflictual level. All salient nations with whom the U.S. initiated more than 50% conflictual actions are located to the right of the line. The horizontal lines are the median power level for the salient nations in the analysis. The stronger nations are above the horizontal line and the weaker nations are below the line. The graphs for each presidency provide insight into the relative riskiness of foreign policy actions. Risk increases from the lower left to the upper right quadrant. The most risky relationships are higher and farther to the right on the graph. Nations located in the bottom right

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[20] Interactions between the U.S. and other nations are based on KEDS data. The Kansas Event Data Project is a ten-year project focused on the development and application of political event data; it is funded by the National Science Foundation and the University of Kansas. For examples of research using KEDS data see Goldstein, Joshua S., Jon C. Pevehouse, Deborah J. Gerner, and Shibley Telhami. 2001. "Dynamics of middle East Conflict and U.S. Influence, 1979-97." *Journal of Conflict Resolution* 45, 5: 594-620; Kovar, K., J. Fürnkranz, J. Petrak, B. Pfahringer, R. Trappl, and G. Widmer. 2000. "Searching for Patterns in Political Event Sequences: Experiments with the KEDS Database." *Cybernetics and Systems* 31, 6; Pevehouse, Jon C., and Joshua S. Goldstein. 1999. "Serbian Compliance or Defiance in Kosovo? Statistical Analysis and Real-Time Predictions," *Journal of Conflict Resolution* 43, 4: 538-546; Goldstein, Joshua S., and Jon C. Pevehouse. 1997. "Reciprocity, Bullying and International Cooperation: A Time-Series Analysis of the Bosnia Conflict." *American Political Science Review* 91,3: 515-530; Huxtable, Phillip A. 1997. *Uncertainty and Foreign Policy-Making: Conflict and Cooperation in West Africa.* Ph.D. dissertation, University of Kansas; Huxtable, Phillip A. and Jon C. Pevehouse. 1996. "Potential Validity Problems in Events Data Collection." *International Studies Notes* 21,2: 8-19.

quadrant are less powerful yet represent medium risk due to the conflictual nature of the relationship.

High-risk relationships are not surprising. China, USSR, and India are all very powerful nations that have a history of stormy relationships with the U.S. Each president deals with a different set of risky foreign policy relationships. High-risk relationships for President Johnson included both USSR and China, compared to Ford whose primary risky relationships were India, N. Vietnam, and N. Korea. The U.S. has not been involved in a direct military confrontation with any countries in the high risk quadrant since 1966.

Medium risk countries (bottom right quadrant) tend to vary more between presidents. Relations with these countries are not risky because of their strength; the risk is in the conflictual nature of the relationship. The overwhelming size and strength of the U.S. is more than adequate should the U.S. decide to intervene militarily. Many conflicts with these nations are solved using non-military methods. The exceptions are the Vietnam War, the air attack on Libya, the short invasion of Panama, and the war against Iraq in Kuwait. In some conflicts the U.S. participated indirectly, such as aiding the efforts of the Contras in Nicaragua and the support of Iraq against Iran.

FIGURE 4.6 Risk Exposure Johnson Administration

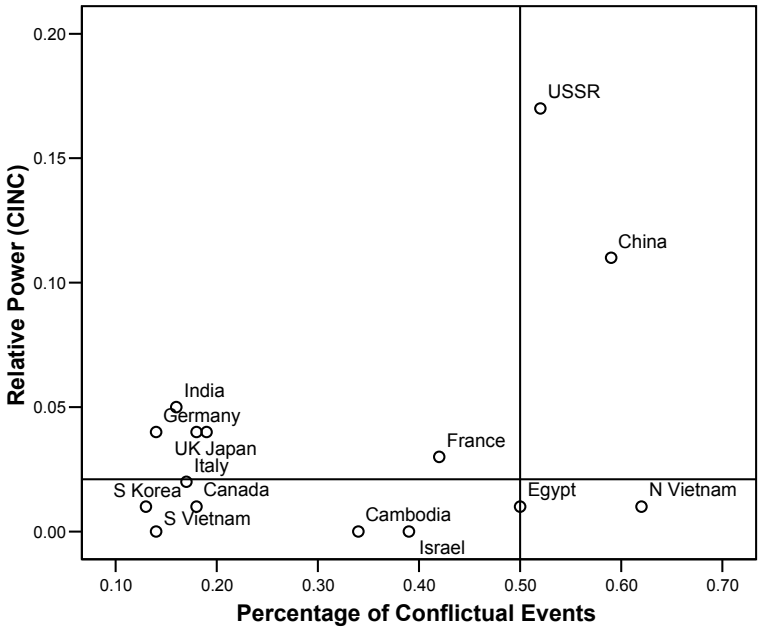


FIGURE 4.7 Risk Exposure Nixon Administration

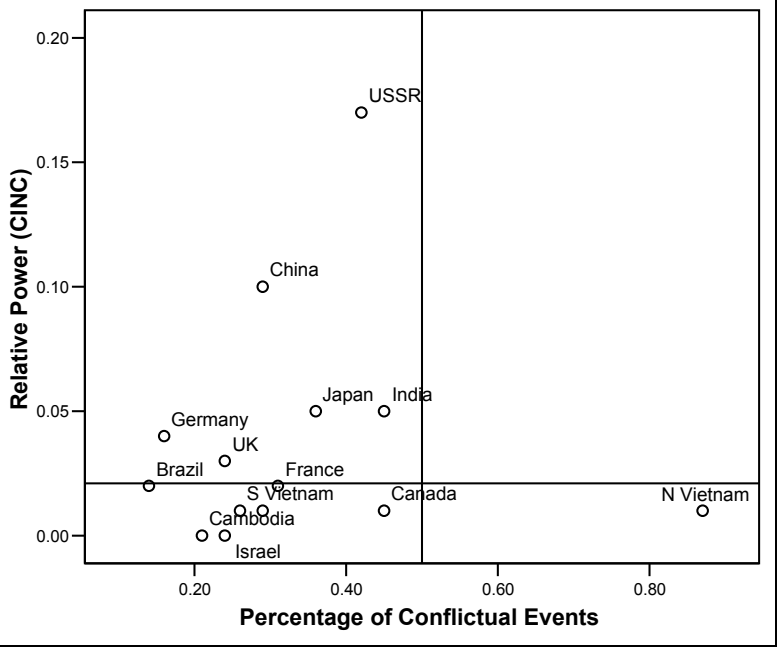


FIGURE 4.8 Risk Exposure Ford Administration

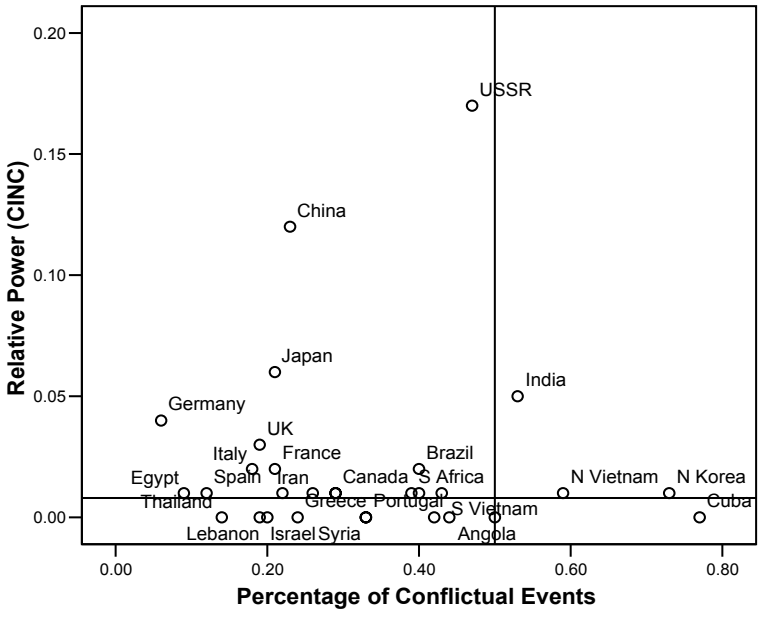


FIGURE 4.9 Risk Exposure Carter Administration

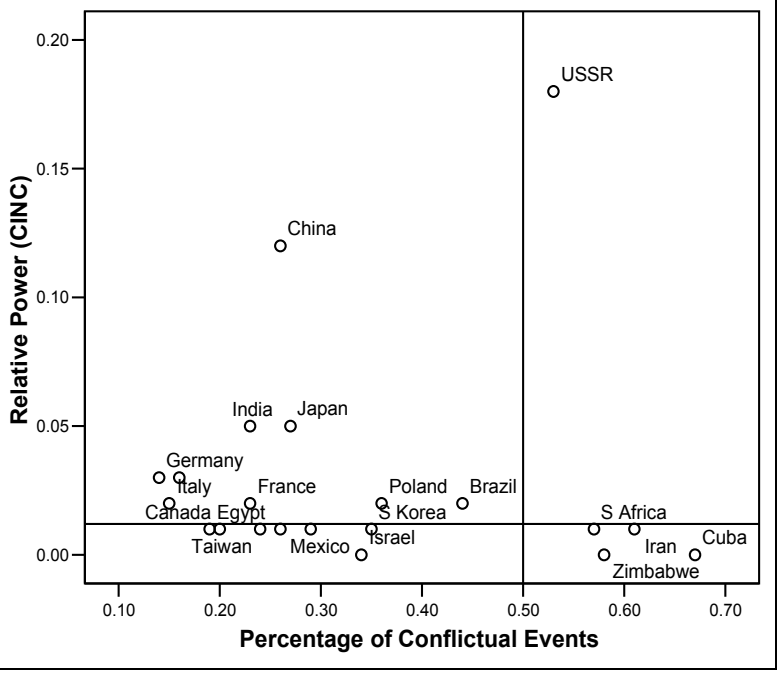


FIGURE 4.10 Risk Exposure Reagan Administration

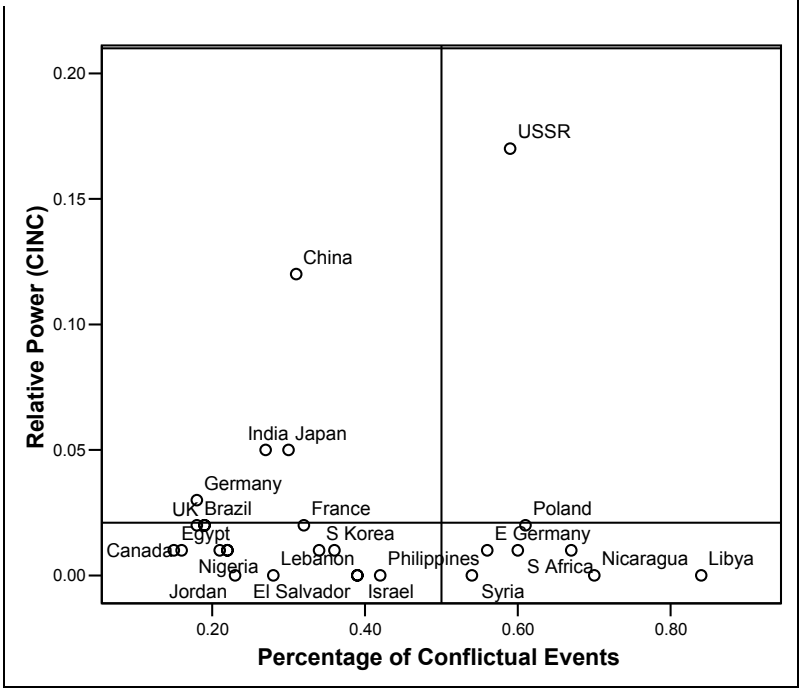
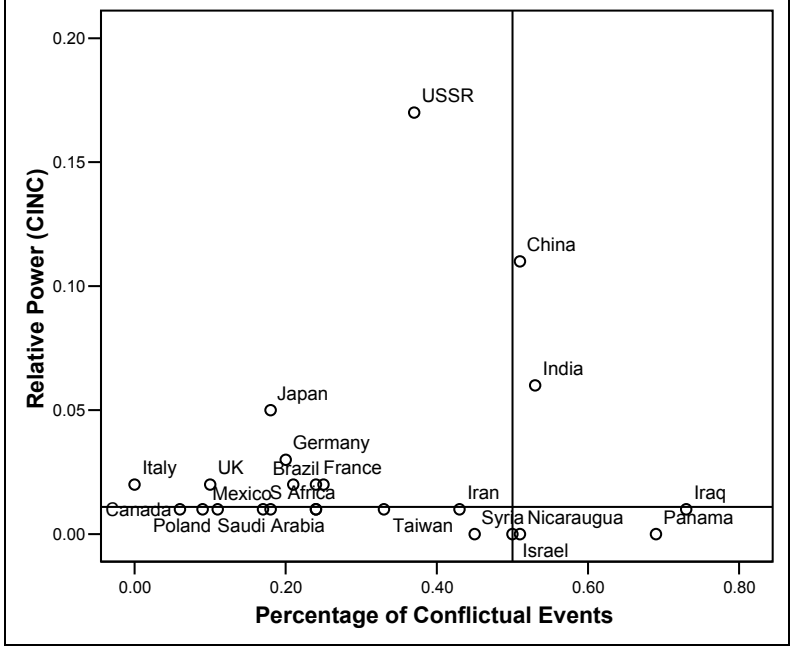


FIGURE 4.11 Risk Exposure Bush Administration



The objective of this chapter is to more clearly define risk in foreign policy and create a method of determining when one action is riskier than another. Risk is a function of both target and action uncertainty. These two factors create risk exposure for the decision-maker. Conflictual foreign policy interactions with stronger nations produce the greatest opportunity for failure.

A politically rational theory of foreign policy decision-making suggests that presidents with larger quantities of political capital make decisions differently than presidents with fewer political resources. The difference is in their willingness to take risk. Popular presidents desire to preserve their available resources to spend on governing priorities rather than risk their capital on foreign policy. Unpopular presidents take more foreign policy risks.

Chapter III shows that a president's job approval is his primary political resource. Although not entirely reliable, job approval is the one public measure of the president's performance. This chapter developed a model that divides relationships with other nations into high, medium, and low risk categories based on the amount of risk exposure from the strength of the target nation and the level of conflict in the actions pursued. In Chapter V, I test the theory that presidents with low job approval take more foreign policy risks than presidents with high job approval ratings.

CHAPTER V

POLITICAL CONTEXT AND FOREIGN POLICY RISK-TAKING

In fulfilling this mission, we will have the chance to help stop the killing of innocent civilians, especially children, and at the same time, to bring stability to Central Europe, a region of the world that is vital to our national interests. It is the right thing to do.

President Clinton's address to the nation on implementation of the peace agreement in Bosnia-Herzegovina, November 27, 1995

We act to protect thousands of innocent people in Kosovo from a mounting military offensive. We act to prevent a wider war, to defuse a powder keg at the heart of Europe that has exploded twice before in this century with catastrophic results.

President Clinton's address to the nation on air strikes against Serbian targets in the Federal Republic of Yugoslavia (Serbia and Montenegro), March 24, 1999

The defining foreign policy events of the Clinton presidency arguably occurred in the Balkans. In Bosnia and Kosovo, President Clinton in association with NATO allies intervened in ethnic civil wars to end the violence and stop the spread of conflict in the region. Although the stated purposes of the actions were similar, the political risks incurred by President Clinton were very different.

In December 1995, as a result of the Dayton Peace Accords, President Clinton agreed to commit 20,000 U.S. troops to peacekeeping roles in Bosnia. The action was surprising given the political context of the decision. There was fear that events in Bosnia could turn out as they had in Somalia a few years earlier. The decision to use American troops was antagonistic to the Republican dominated Congress who opposed the use of American troops even in a peacekeeping role. Furthermore, the action was

opposed by a majority of the public.[21] What is most interesting is that the unpopular action took place during a time when the Clinton administration was involved in a reelection campaign. According to David Halberstam:

> The settlement demanded that the Americans station twenty thousand men on the ground as peacekeepers, and that put the president at risk as he was about to enter an election campaign. . . . Rarely had Clinton done something of such import with so little ostensible public support. When he committed American troops to peacekeeping in Bosnia, the polls were running roughly 70 percent against the idea. It was, whatever the upside, and the upside was considerable, still a roll of the dice, and it took extraordinary courage on his part to make that decision (Halberstam 2001, 358).

Given the environment, President Clinton took a political risk by committing U.S. troops to Bosnia.

In the fall of 1999, President Clinton faced similar circumstances in Kosovo: ethnic conflict, the prospect of large civilian casualties, and the possibility of the conflict expanding into other areas. Like Bosnia four years earlier, Congress opposed using U.S. troops in a combat or peacekeeping role. In contrast to the situation in Bosnia, public opinion was mixed concerning the use of U.S. ground troops in Kosovo with 45% favoring and 45% opposed.[22] Halberstam commenting on the Administration's hesitancy in Kosovo:

> But even so, the White House was in effect tiptoeing into the war, acutely aware of congressional opposition at home and the fragility of the alliance overseas.

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[21] In polls conducted during October 1995, a large majority of Americans opposed sending U.S. troops as peacekeepers in Bosnia. In a CBS/NYT poll dated October 24, 1995, the following question was asked. "If NATO sends a peace-keeping force to Bosnia to enforce a cease fire agreement, would you favor or oppose the U.S. sending ground troops as part of the peace-keeping force?" Favor-37%/Oppose-57%. A NBC/WSJ poll dated October 31, 1995 asked a similar question and 65% of respondents opposed U.S. troops as peacekeepers in Bosnia.

[22] CBS New Poll, April 22, 1999. "In order to try to end the fighting in Kosovo, would you favor or oppose the United States sending in ground troops as part of NATO peacekeeping force?"

> When the bombing began on March 24, the administration had not made a complete commitment. That night Clinton inserted one critical sentence into his statement . . . 'I do not intend to put our troops in Kosovo to fight a war.' Months later, after it was all over, his top civilian people would privately admit that his statement might have been a considerable mistake (Halberstam 2001, 423).

Unlike the considerable political risk demonstrated by Clinton in Bosnia, the Clinton administration appeared less willing to take chances in Kosovo. Even though the U.S. participated in the NATO-led bombing campaigns, significant efforts were made to avoid casualties. Halberstam (2001, 457) called the effort "an antiseptic war waged by remote control, without casualties, if at all possible . . . The NATO planes flew so high that they were never seen . . ."

Why did President Clinton appear risk-acceptant in Bosnia and risk-averse in Kosovo? The objectives of the missions were not that different. The public was more supportive of ground troops in Kosovo than Bosnia. I believe that Halberstam answers the question. "Bill Clinton, who had long minimized the importance of foreign affairs, was the beneficiary of the NATO victory in Kosovo, though there was little political capital to be gained from it" (Halberstam 2001, 482). Politically, there was very little to be gained and a great deal to lose in Kosovo.

Is the Glass Half-full or Half-empty?

The Bosnian conflict could not have come at a more difficult time for President Clinton. The Republicans had swept the 1994 elections and taken control of the House for the first time in 40 years and attempts to overhaul the health care system had failed

miserably. During the 12 months preceding the Bosnian Peace Accords, President Clinton's job approval averaged 46%.[23] The 1996 election cycle had begun and historical evidence weighed heavily against reelecting a president with a job approval below 50%. The political environment for President Clinton during the Kosovo conflict was very different. After struggling through the Lewinsky scandal and the impeachment proceedings, President Clinton regained his footing and was at the height of his popularity. In the year preceding the Kosovo conflict, Clinton's job approval averaged 64%.[24] The eighteen point difference in the president's job approval from the Bosnia conflict to the Kosovo conflict created a completely different frame of reference for Clinton. Is it possible that a decision-maker's foreign policy preferences change depending on his analysis of the problem at hand and his political environment?

Rational choice theory suggests that preferences are linear and that a similar set of circumstances should lead to similar decisions. According to Levy:

> Preference reversals induced by changes in frames rather than changes in subjective utilities or probabilities are much more difficult to reconcile with expected-utility theory or with rational choice theories more generally. Evidence that behavior varies depending on whether the glass is seen as half-empty or half-full does not easily lend itself to a rational choice explanation (Levy 1997, 92).

The notion that framing effects can lead to different decisions violates several important principles of expected utility models, namely transitivity and invariance. Transitivity implies that if an actor prefers *a* to *b* and *b* to *c*, then he will also prefer *a* to *c*. Invariance posits that presentation does not influence preference ordering. "This

[23] Based on 33 Gallup polls during the period from November 95 to October 95.
[24] Based on 42 Gallup polls during the period from April 98 to March 99.

assumption, which is rarely stated explicitly, requires that the preference order among prospects should not depend on how their outcomes and probabilities are described and thus two alternative formulations of the same problem should yield the same choice" (Quatrone and Tversky 1988). The invariant and transitive nature of actors' choices give coherence and make rational choice analysis possible using a model or theory (Zagare 1990). Although useful for modeling, a growing body of research has demonstrated that actual behavior violates these assumptions (Vertzberger 1990).

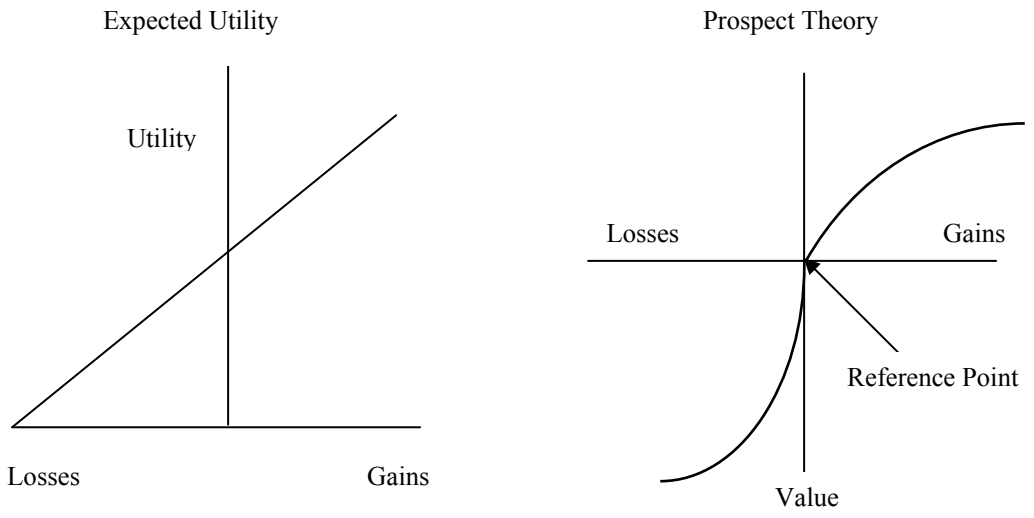
Prospect Theory

Modeling decision behavior continues to be a source of controversy among scholars (Simon 1985, Moe 1979). The orientation of expected utility models is toward the prescriptive, how decisions should be made, and not the descriptive, how decisions are actually made. Expected utility models are a mathematical representation of preferences over a bundle of goods. The rational decision-maker should demonstrate a linear response to a preference ordering of possible choices and choose the options with the greatest utility. The problem for expected utility models is that experimental studies show that individual's choices are often nonlinear.

Research over the last 25 years in behavioral economics has challenged the dominance of expected utility modeling as the best description of decision behavior. Prospect theory is concerned with decision-making under conditions of uncertainty and contributes to our understanding of the relationship between risk and decisions (see Kahneman and Tversky 1979, 1982, 1984 and Tversky and Kahneman 1981, 1986,

1992)[25]. Whereas expected utility focuses on preferences, prospect theory integrates individual cognitive biases and the decision context to explain decision behavior. Two aspects of prospect theory differentiate the theory from traditional expected utility models: reference point dependence and an s-shaped value function. Figure 5.1 below shows the relationship.

FIGURE 5.1 Comparison of Expected-Utility and Prospect Theory Functions



[25] In October 2002, Princeton University psychologist Daniel Kahneman, PhD, was awarded the Nobel Memorial Prize in Economic Sciences for applying psychological insights to economic theory. Together with Amos Tversky, Kahneman challenged traditional economic theory in the areas of judgment and decision-making under uncertainty.

Reference Point Dependence

By subjectively evaluating one's own political environment, political actors often make different decisions when faced with similar circumstances. One's risk orientation changes depending on "whether the outcomes are perceived as gains or losses, relative to the reference point" (Quatrone and Tversky 1988, 722). The "reference point is usually the current steady state, or status quo, to which a person has become accustomed" (McDermott 1998, 40), but can also be a desired state based on the goals of the decision-maker (Tversky and Kahneman 1991, 1046). If the decision-maker's current state is perceived to be less than the reference point, he would be in the domain of loss, and vice versa. What is important are gains and losses from the reference point and not absolute gains or losses. It is the decision-maker's reaction to the gains and losses from the reference point that aids in our understanding of how presidents make foreign policy decisions.

Framing. Individuals tend to be risk-averse in the domain of gains and risk-acceptant in the domain of losses. This is called the framing effect. "The same decision can be framed in several different ways; different frames can lead to different decisions" (Kahneman and Tversky 1982, 164). The decision-makers frame depends on his appraisal of his situation. "Framing effects arise when the same objective alternatives are evaluated in relation to different points of reference" (Kahneman and Tversky 1982, 165). The glass is half-empty or half-full depending on whether the decision-maker perceives himself above or below the reference point. The strategic actor knows where he is and where he wants to be politically.

Reflection Effect. Risk attitudes vary depending on the situational context of the decision-maker (McDermott and Kugler 2001; Kahneman and Tversky 1979; Huth, Bennett, and Gelpi 1992; Huth and Russett 1993; Quattrone and Tversky 1988; Benartzi and Thaler 1995). This is in contrast to a standard conception of risk orientation positing that individuals have characteristics that predispose them to take or avoid risks (see Kowert and Hermann 1997, George and George 1998). Prospect theory suggests that decision-makers are "risk averse with respect to gains and risk acceptant with respect to losses" (Levy 1997), with a reflection effect around the reference point. Rather than explaining presidential decisions solely on individual characteristics or personalities, the political context of the president provides an important explanatory variable that helps us understand foreign policy decisions.

S-shaped Value Function

Prospect theory suggests that gains diminish in value as they increase and losses hurt worse than gains satisfy (Quattrone and Tversky 1988, 721). Rather than a linear expected utility value function, prospect theory value functions are concave in the domain of gains and convex, and steeper, in the domain of losses. The s-shaped value function is an important departure from expected utility models.

Loss Aversion. The s-shaped value function is steeper (convex) for losses than gains. This is indicative of the tendency for people to "overvalue losses relative to comparable gains" (Levy 1997, 89). The pain of losing exceeds the pleasure of winning. When faced with a gamble that involves a 50% chance of winning or losing the same

amount of money, most are reluctant to take the risk. Substantial research has documented this result (Tversky and Kahneman 1986, 1991; Kahneman, Knetsch, and Thaler 1991; Fischoff 1983).

Endowment Affect. The concave shape of the value function for gains produces a different result, a tendency to overvalue current possessions (Thaler 1980, 43-7). "People tend to value what they have more than comparable things they do not have, and the disutility of relinquishing a good is greater than the utility of acquiring it" (Levy 1997, 89). For example, the owner of an item will refuse to sell at a price that he would have never paid for it initially (see Knetsch 1989; Camerer 1995, 665-70; Tversky and Kahneman 1991). One implication of the endowment effect is the accommodation of gains. Experimental evidence suggests that individuals will adjust to gains more quickly than losses (Kahneman, Knetsch, and Thaler 1991, 1342; Jervis 1992). Gains are viewed as more permanent and efforts are made to hold on to them. Losses are perceived as temporary and individuals are likely to engage in risk-acceptant behavior to regain what has been lost.

Similar to expected utility theory, prospect theory is simply a theoretical approach to modeling decision behavior.[26] The purpose of this dissertation is not to provide a defense of prospect theory, but to use the theory as an explanatory tool.[27]

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[26] McDermott and Kugler (2001) compare expected utility models with prospect theory in their analysis of Operation "Desert Storm" in January 1991. They find that both models offer similar explanations of process, but different explanations of outcomes. "The Expected Utility model points to the solution that could have been reached, but was not achieved because none of the central players fully realized that a Saudi Arabian peace initiative might work. Prospect Theory focuses on how the actual outcome came about: why Bush made the choices he made about the crisis in the Gulf when he did" (2001, 78).

[27] Examples of Prospect Theory applications to international relations include: Berejikian, Jeffrey. 1997. "The Gains Debate: Framing State Choice," *American Political Science Review* and Levy, Jack. 1996.

Reference point dependence and an s-shaped value function provide useful insights into decision behavior that helps to bridge the gap between structural theories and individual actor theories of decision-making.

This study addresses a common criticism highlighted by Farnham (2004, 442). "To explain the impact of domestic politics on foreign policy, we need to develop a theory of foreign policy decision-making that can give an account of the decision-makers' response to that context; we must understand how the political context's characteristic features affect their thinking." Furthermore, prospect theory has been called a "reference-dependent theory without a theory of the reference point" (Levy 1997, 100). By introducing the notion of political capital, represented by presidential job approval as a reference point, testable hypotheses can be generated to further our understanding of foreign policy decision-making.

Testing the Politically Rational Theory of Foreign Policy

President Clinton's behavior in the Balkans provides an interesting case study on presidential foreign policy decisions. Faced with similar, though not identical, circumstances and enemies in Bosnia and Kosovo, Clinton's behavior was consistent with prospect theory. Clinton was more willing to take risks in Bosnia than Kosovo. Clinton's assessment of his political environment changed dramatically between the two events. Using Clinton's job approval has a reference point, in Bosnia Clinton was in a domain of loss and in a domain of gain in Kosovo. In Bosnia, the status quo was

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"Loss Aversion, Framing, and Bargaining: The Implications of Prospect Theory for International Conflict," *International Political Science Review*.

unacceptable (loss aversion) because the state of his job approval threatened his reelection prospects. At the time of the Kosovo crisis, Clinton's popularity had rebounded and he was hesitant to risk losing what he had gained (endowment affect).

Obviously, one example does not prove a theory. This dissertation is an analysis of how presidents make foreign policy decisions. The role of political pressures and context faced by presidents is central to the analysis. Presidents do not only react to stimulus from the domestic and international arenas, but factor in political considerations that affect policy choice.

Hypotheses

Prospect theory suggests that people recognize outcomes as gains or losses and not ending states of wealth, with gains and losses defined relative to a reference point (Kahneman and Tversky 1979, 274). In contrast, expected-utility models predict a linear utility function for job approval. This means that a president would place equal importance on a change in approval that moves from 75% to 80% as a change from 47% to 52%. I argue that there is a diminishing marginal utility for political resources such as job approval, and therefore, the utility function is not linear (Levy 1997, 88).

The choice of a reference point may be the status quo, but the reference point may also involve goals and objectives of the decision-maker. For the president there are two important considerations. First, what is an acceptable level of job approval based on his expectations or goals? One method of determining an acceptable level of job

approval is to look at historical numbers. Table 5.1 shows descriptive statistics for all Gallup polls asking the presidential job approval question from 1969 to 2000.

TABLE 5.1 Presidential Job Approval from Gallup Polls (1969 to 2000)

	Value	Range of Values
Mean	52.74 (sd. 10.9%)	50 to 56
Median	54	53 to 57
Mode	60	57 to 63

Note: With an average sample size of 1000, the margin of error is approximately +/- 3.1%. n=673

The mean and median presidential job approvals are very close, 53% and 54% respectively. Additionally, presidents understand the importance of 50% approval for reelection purposes and status. I would expect the president's reference point to lie somewhere between 50% and 55%. This range encompasses both historical averages and the minimum threshold of 50%. According to Berejekian (1997, 792), "changes in current conditions are initially evaluated against prior circumstances, and there is good evidence to suggest that decision makers treat the past as a reference point or anchor against which an evaluation of current value is only partially adjusted" (see also Tversky and Kahneman 1974). For our purposes, presidents will be more sensitive to gains and losses in approval from a particular reference point than the overall level of approval (see Levy 1997, 35; Kahneman and Tversky 1991, 1039).

Second, what is the change that is occurring in relation to that reference point? Prospect theory hypothesizes that "individuals are risk-averse with respect to gains and risk-acceptant with respect to losses" and that "actors frame their decisions around a

reference point" (Levy 1992a, 171). Instead of a linear value function, two related observations form an S-shaped function. The function is concave in the domain of gains and convex in the domain of losses (see Figure 5.1). There is a diminishing value from a continual increase in gains, and losses hurt worse than gains feel good (Berejekian 1997, 790).

Applying prospect theory to foreign policy decision-making leads to the following hypotheses:

H1—When there is a significant decrease in a president's job approval from his reference point, foreign policy behavior will become more risky as the president becomes more risk-acceptant in order to eliminate the loss in approval (reference point dependence).

H2—When there is a significant increase in a president's job approval from his reference point, foreign policy behavior will become less risky as the president becomes more risk-averse.

H3—A president with a recent drop in job approval from above 50% to below 50% will exhibit more risky behavior in the short term (loss aversion).

H4—A president with a recent increase in job approval from below 50% to above 50% will become more risk averse in the short term in order to hold on to the gain (endowment affect).

The theory offered above is that political resources, namely presidential job approval, form a critical component to understanding foreign policy decisions by the president. Political resources of the president mediate the influences of domestic factors on foreign policy. This is in contrast to much of the previous research on the diversionary theory that posits a direct relationship between poor economic conditions and an increase in conflictual foreign policies (Ostrom and Job 1986; James and Oneal 1991; Brace and Hinckley 1992; Russett 1990b; Morgan and Bickers 1992). Rather than a direct link between the economy and foreign policy behavior, I propose that it is likely

that the economy indirectly influences foreign policy decisions due to its effects on job approval (DeRouen 1995).

The economy, foreign policy events, and past job approval form the primary components of presidential job approval (Erikson, MacKuen, and Stimson (2002, 59). As the economy declines, one would expect a corresponding decline in job approval, unless other issues are more salient to the public. Edwards et al. (1995, 110) notes that in 1989 the public's evaluation of President Bush was oriented towards non-economic issues. Consequently, President Bush's job approval remained very high even though the public rated his handling of many domestic issues very low. Additionally, Edwards et al. (1995) find that the salience of economic issues varies over time in comparison to foreign policy issues.

H5—The economy will have an indirect influence on foreign policy actions through its affect on job approval.

The theory presented in this paper suggest that U.S. foreign policy actions are a function of the direct effects of the domestic political context and the international system and the indirect effect of each mediated by presidential resources. Past research has found two common tendencies in relations with other nations: consistency and reciprocity. Consistency is characterized by a nation's inclination to behave in the future as it has in the past (Anderson 1981). Constancy in relations with other nations sends a signal to the public and other governments about what to expect in future foreign policy relations. Edwards & Wood (1999) and Wood and Peake (1998) found strong inertia from past U.S. foreign policy actions indicating the US is likely to do in the future what

they have done in the past. Reciprocity is the propensity to mirror the actions of other nations or the "change one nation's actions induce in those of another nation" (Dixon 1986). This is closely related to Richardson's (1960) work in arms races where he theorized that changes in a country's behavior depend on the "country's own past behavior, its response to the behavior of another country, and other motives not derived from either country's behavior (Goldstein 1991). Using three independent data sets (COPDAB, ASHLEY, WEIS), Goldstein (1991) found evidence of both inertia and reciprocity in superpower relations (see also Smith 1987; Dixon 1986; King 1989). If foreign policy actions are strongly influenced by past actions and the actions of other nations, what would cause the president to act in an inconsistent manner?

H6—Presidents will be more likely to break from the norms of consistency and reciprocity when their job approval is below their reference point.

Data and Methods

Foreign policy events are a result of linked actions and reactions occurring on both the domestic and international levels, therefore, there is a sequential element to foreign policy events that must be taken into account. I propose a model of the foreign policy context that examines relevant explanatory variables in a time series format. The series will run from 1969 to 1992 with all data aggregated into two-week time periods. Goldstein (1991) found that models that aggregated measures into larger periods (i.e., quarterly, yearly) yield less satisfying results than finer delineations such as weekly or monthly periods.

An important aspect of the proposed research is the consideration of domestic and international factors in the same model. The dependent variable is U.S. foreign policy actions toward other nations. In order to model the foreign policy decision context, both domestic international factors will be used as independent variables in the model. Domestic factors include public opinion and economic indicators. International actions will be captured by measuring the actions of other nations toward the United States. Additional details on the data used in the analysis are found in Appendix A and Appendix B.

CHAPTER VI

TESTING THE POLITICALLY RATIONAL THEORY

A politically rational theory of foreign policy is concerned with the political context of the decision-maker. Context matters because the context provides the environment that produces the goals and incentives of the president. "In other words, decision-making behavior cannot be understood without specifying the situation to which the decision-maker is responding—and for political decision-makers that includes not only substantive policy problems, but also the political context within which they must be addressed" (Farnham 2004, 443). In foreign policy the president faces both domestic and international structural constraints. Domestically, in addition to responsibility for the nation's economic and political affairs, the president has outlined his foreign policy program and will be held accountable for his progress. The international system further constrains the president, primarily through the necessity of responding to the actions of other nations. Though influenced by both domestic and international factors, presidents are individual actors and therefore, there is a psychological aspect of decision-making that must be taken into account. My politically rational theory of foreign policy decision-making recognizes the decision-making influence of the domestic arena, international system, and the individual-actor. In carrying out his foreign policy duties, the president has numerous policy options and will make choices after assessing the entire political context. This dissertation provides a

theoretical perspective on how the structural and the psychological aspects of decision-making are linked.

This study is concerned with the interaction between risk and resources, and their ability to help explain foreign policy decisions. Earlier, I suggest that foreign policy risk is largely imposed on the decision-maker by the international system. The response to that risk is mediated by the level of the president's political resources, defined by job approval. The theory presented here is that presidents will take more risks when their political capital is below a reference point and take fewer risks when above the same reference point.

What follows is a test of this theory. First, I will establish a reference point and determine whether the mean interaction scores are different, above and below the reference point. A mean interaction score is computed by averaging the Goldstein weights (WEIS/KEDS data) applied to each interaction with a target nation. Although testing for a difference between the mean interaction scores is an important first step, the test is not conclusive since there are factors other than job approval influencing foreign policy actions. Second, I will create a more complete model of the foreign policy system that mimics the foreign policy process and controls for domestic, international, and individual-actor inputs.

Job Approval As a Reference Point

Job approval is not an end in itself. Farnham has correctly observed that "decision-makers emphasize acceptability not primarily because they need social

approval but because they desire to accomplish various goals within that context" (Farnham 2004, 443). Presidents desire the benefits from a high job approval because they have domestic and foreign policy, reelection, and legacy goals to accomplish. Although high job approval is not a sufficient condition for success, low job approval creates difficult conditions for the president that may preclude him from accomplishing his desires.

Job approval is only a snapshot of current feelings about the president and his performance. By examining trends over a period of time, thus eliminating short-term variations, one can get a truer picture how the president is fairing with the public. Figure 6.1 graphs presidential job approval from Presidents Nixon to Clinton. One can easily see that public approval typically rises and falls many times throughout an administration. Sometimes dramatic shifts occur due to political events. For example, Nixon's job approval declined after Watergate and Bush's job approval increased during the Gulf War. Other than Clinton, whose job approval slowly trended down and then up throughout his presidency, most presidents faced several ups and downs. Table 6.1 is a summary of job approval data for the same periods. Two of the six presidents, Reagan and Bush, finished higher than they started. Three of the six presidents had mean job approval numbers below 50%. Without exception, each president experienced a great difference between their highest approval and their lowest approval. The average spread between the high and low job approval number for the presidents is 39.88%.

FIGURE 6.1 Presidential Job Approval 1969-2000

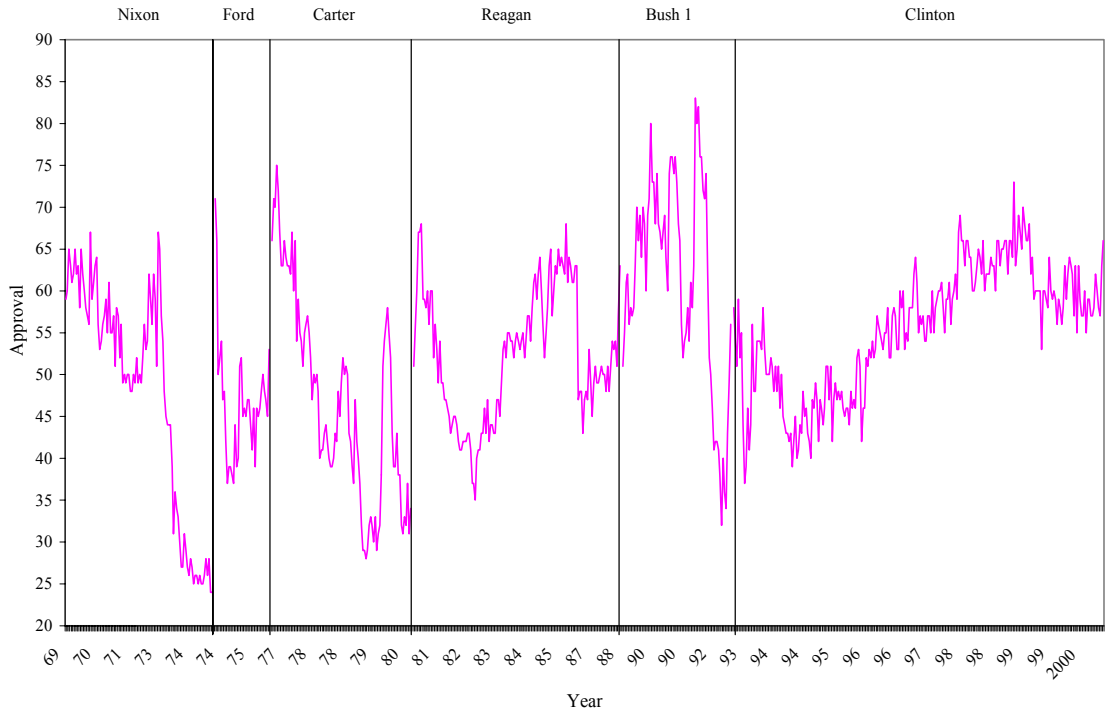


TABLE 6.1 Job Approval Summary by President, 1969 to 2000

President	1st	Last	High	Low	High - Low	Mean	Standard Deviation
Nixon	59	24	67	24	43	48.1	13.68
Ford	71	53	71	37	34	46.5	7.14
Carter	66	34	75	29	46	46.7	12.17
Reagan	51	63	67	35	32	52.2	7.7
Bush	51	56	80	32	48	61.5	12.5
Clinton	58	56	73	37	36	55.5	7.55
Average	59	48	72	32	39.83	51.75	10.12

Source: Gallup Polls between 1/1969 and 12/2000, n=670

An important question for this study is what level of job approval do presidents consider minimally acceptable and what level is desirable? In other words, at what break points in approval would we expect behavior to change? Table 6.2 shows a frequency distribution of Gallup polls from 1969 to 2000 and the distribution is graphed

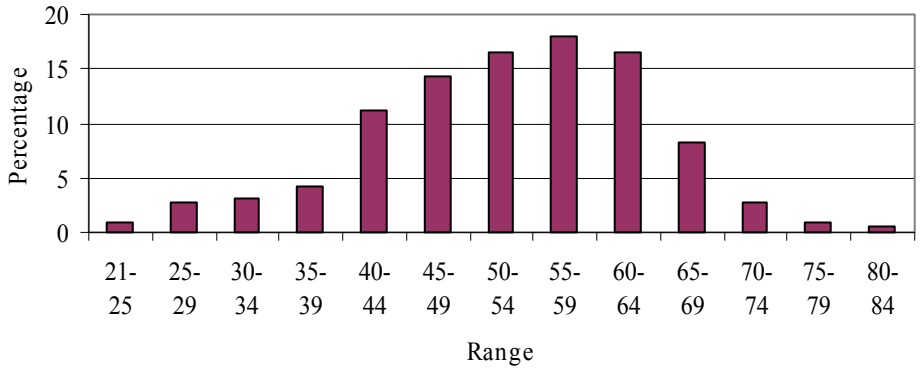
in Figure 6.2. Eighty-four percent (84%) are between 40 and 70 percent. Thirty-four percent (34%) of job approval ratings fall between 50 and 59 percent. Fifty percent (50%) is an important threshold for leaders and likely a minimally acceptable level. When a majority of respondents cannot say they approve of the job the president is doing, a president's reelection prospects are in doubt and his status as a leader is in jeopardy. During their presidencies, Truman and Carter's approval dropped to the 20s and Johnson and Bush's approval dropped to the 30s. Truman and Johnson declined to seek reelection and Carter and Bush were defeated.

Determining if a desirable level exists is more difficult. Although presidents would like their job approval to be as high as possible, experience and historical data constrain expectations. Two realistic levels for consideration are 55% and 60%. The median approval rating from the data in Table 6.2 is 54%, placing the top half of all job approval ratings above this number. Since national surveys average 1000 respondents, a margin of error is +/-3.1%, fifty-five percent (55%) is high enough to comfortably believe the actual result is above 50%. Additionally, receiving the support of 55% of the public would be encouraging at the start of a national election cycle.

Certainly, presidents would like their approval ratings to exceed 60%, which represents a solid majority of the American people. Only 29% of job approval ratings are above the 60% level. Seventy percent (70%) approval ratings are rare, especially with the partisan makeup of the American electorate. In fact, only 4.2% of surveys give the president job approval ratings above 70%. In this sample, a plurality of these data points relate to President Bush during the Gulf War.

TABLE 6.2 Job Approval Distribution in 10-point and 5-point Groups		
10-Point Groups	Frequency	Percent
20-29	25	3.7
30-39	49	7.3
40-49	171	25.5
50-59	231	34.5
60-69	166	24.8
70-79	24	3.6
80-89	4	0.6
Total	670	100.0
5-Point Groups	Frequency	Percent
21-25	6	0.9
25-29	19	2.8
30-34	21	3.1
35-39	28	4.2
40-44	75	11.2
45-49	96	14.3
50-54	111	16.6
55-59	120	17.9
60-64	111	16.6
65-69	55	8.2
70-74	18	2.7
75-79	6	0.9
80-84	4	0.6
Total	670	100.0
Gallup Polls between 1/1969 and 12/2000, n=670		

FIGURE 6.2 Job Approval Distribution from 1969 to 2000
Percentage of individual Gallup surveys, n=670



Risky Foreign Policy Relationships

In Chapter IV, I suggest a method of determining risk exposure in foreign policy. A president's decision-making risk is determined by the level of his exposure to potential hazards, which increases the opportunity for foreign policy failure. Two factors integrate to form a set of risky foreign policy relationships: strength of the target and the level of conflict with the target. Therefore, risk increases as actions become more conflictual and the target nations more powerful.

High risk relationships occur when over 50% of the interactions between the U.S. and the target nation are conflictual and the percentage of world power is above the median level for salient nations. In a similar manner, medium risk relationships involve over 50% conflictual interactions and the % of world power is below the median level. Nations with less that 50% of conflictual interactions with the U.S. comprise low and medium/low risk relationships.

Table 6.3 shows high and medium risk relationships resulting from applying this methodology for each presidential administration.[28] The results provide few surprises, yet reduce the 135 nations in the data to 18 highly visible and conflictual relationships. The one confusing result is the USSR. In the Nixon and Ford administrations, the USSR fell below the 50% conflictual interaction level. The analysis below considers the US/USSR relationship separately due to the importance of the USSR during the 1969 to 1992 period.

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[28] Originally created by Rodney Tomlinson of the US Naval Academy, The KEDS/WEIS data set covers the years from 1969 to 1992 and has not been updated in this form. Although some updated data sets are available, they do not cover all potential dyads only regional relationships such as the Middle East or Asia.

TABLE 6.3 High and Medium Risk Relationships from Nixon to Bush 1

President	Country	% Conflict (1)	% of World Power (2)	US Actions (3)	n	Adversary (4)	n	Use of Force (5)
High Risk Relationships								
Ford	India	0.53	5.37%	-0.02	27	-0.97	35	
Carter	USSR	0.53	17.55%	-1.08	530	-1.37	474	
Reagan	E Germany	0.56	0.86%	-0.98	15	-0.63	18	
Reagan	USSR	0.59	16.78%	-0.61	1791	-1.04	1574	
Reagan	Poland	0.61	1.56%	-0.47	139	-1.98	126	
Bush	China	0.51	10.97%	0.01	84	-0.9	61	
Bush	India	0.53	5.86%	-0.44	14	0.06	5	
Medium Risk Relationships								
Nixon	N Vietnam	0.87	0.68%	-5.64	1361	-4.65	1108	1/69- 8/73
Ford	Cambodia	0.50	0.18%	0.25	32	-2.84	14	
Ford	N Vietnam	0.59	0.80%	-1.5	31	-1.5	51	
Ford	N Korea	0.73	0.57%	-2.83	21	-1.8	22	
Ford	Cuba	0.77	0.22%	-2.03	37	-1.61	24	
Carter	S Africa	0.57	0.64%	-1.28	54	-1.37	35	
Carter	Zimbabwe	0.58	0.09%	-0.79	51	-0.76	39	
Carter	Iran	0.61	1.14%	-1.28	291	-2.28	270	
Carter	Cuba	0.67	0.24%	-1.51	90	-1.05	57	
Reagan	Syria	0.54	0.31%	-0.64	221	-1.42	195	9/83-3/84
Reagan	S Africa	0.60	0.75%	-0.33	257	-0.89	83	
Reagan	Iran	0.67	0.82%	-2.2	224	-2.76	179	
Reagan	Nicaragua	0.70	0.04%	-1.42	388	-1.65	433	
Reagan	Libya	0.84	0.20%	-2.3	162	-2.55	124	
Bush	Nicaragua	0.51	0.07%	0.22	43	-0.42	34	
Bush	Panama	0.69	0.03%	-2.95	51	-3.72	23	12/89
Bush	Iraq	0.73	1.10%	-3.03	161	-1.96	80	8/90-3/91
	Average	0.63		Total	6075		5064	

(1) Percentage of conflictual US actions towards the target country during each president's term in office.
(2) Percentage of total world power (CINC score) during the president's term in office.
(3) Mean score of US actions towards the adversary during the president's term in office.
(4) Mean score of the adversary towards the US during the president's term in office.
(5) Period when the US used military force towards the adversary.
Note: The mean scores are based on Goldstein weights applied to KEDS/WEIS data (Goldstein 1992).

The table summarizes important information about each relationship and yields some useful information. Due to my specification of risky relationships as a function of relative power and the conflictual nature of the relationship, all high and medium risk

relationships are highly conflictual. An average of sixty-three percent (63%) of all interactions between the U.S. and these nations are conflictual. The mean interaction score for US actions toward the target country and the mean adversary actions toward the US are highly correlated (74%), one indication of reciprocity in international relations. There are no uses of force with high risk countries, only medium risk countries. US actions toward these high and medium risk nations produced over 6000 interactions, with over one-half of the interactions involving the Soviet Union or North Vietnam.

The nations included in Table 6.3 form a unique dataset and undoubtedly raise questions of self-selection bias. In order to test my theory that a president's willingness to take foreign policy risk varies with job approval, my analysis requires a method of determining when risk-taking is likely to occur. Using the concept of risk exposure, Chapter IV outlines a set of objective criteria to separate high risk foreign policy relationships from low risk relationships. The nations included in the data result from my theory of foreign policy risk and are not chosen randomly. The resulting dataset allows for the testing of hypotheses that concern presidential foreign policy decision-making in the presence of risk.

My methodology is important for several reasons. First, a nation's relationship with the U.S. changes over time. Our nation's relationship with the USSR exposed the president to more risk during the Reagan administration than during the Bush administration. Choosing one set of nations for the entire time period masks the political realities that exist in each individual presidency. Second, the methodology employed

allows this research to consider the entire international system, rather than limiting the analysis to dyadic relationships only. Although understanding dyadic relationships are important, there is less opportunity to generalize the findings across the broad area of foreign policy decision-making. Third, cooperative relationships result in less risk exposure and do not directly concern the research question in this dissertation.

Preliminary Examination of the Data

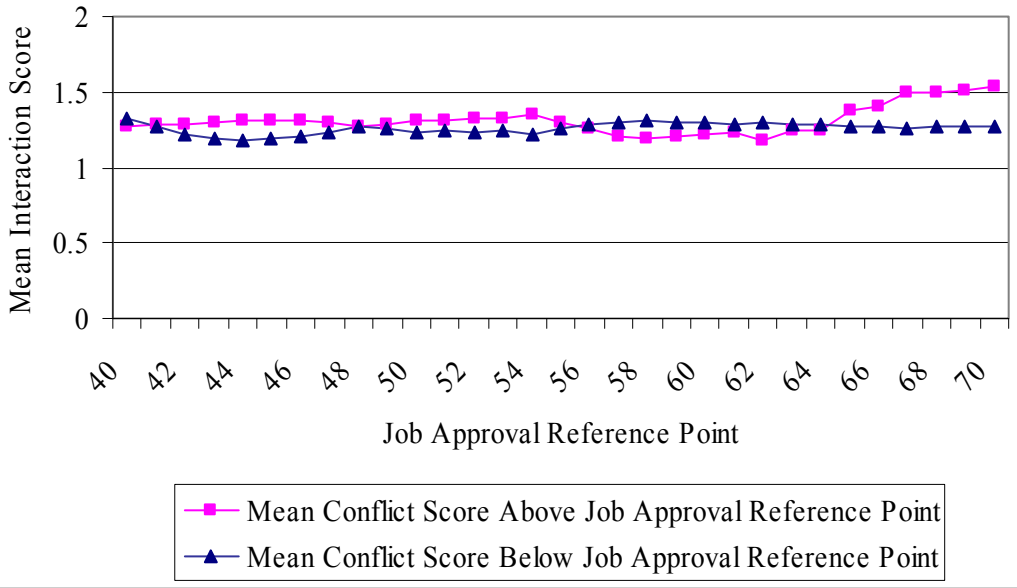
This dissertation theorizes that presidents assess their political context and determine whether they are in a domain of gain or loss, depending on a reference point. When presidents are above or below their reference point, I expect there to be a difference in foreign policy actions pursued. The primary factor in ascertaining their current state is the level of political capital or job approval. If job approval is below the reference point, I expect conflictual behavior to increase evidenced by a smaller mean interaction score.[29] In contrast, when a president's job approval is above the reference point, I expect actions to become less conflictual and result in a greater mean interaction score. An examination of mean interaction scores above and below job approval reference points provides a useful first step in testing the theory. If the mean interaction scores do not differ, it is likely the theory is flawed.

Chapter IV divided salient nations into high, medium, medium/low, and low risk relationships for the U.S. For comparison purposes, figures 6.3 and 6.4 show the results

[29] Interaction scores in the data range from -10 to +10, with -10 the most conflictual action and +10 the most cooperative action. Therefore, increasing conflict results in a lower number.

of graphing mean interaction score above and below job approval reference points for lower risk relationships and high/medium risk relationships.

FIGURE 6.3 Mean Interaction by Job Approval-Low Risk Relationships

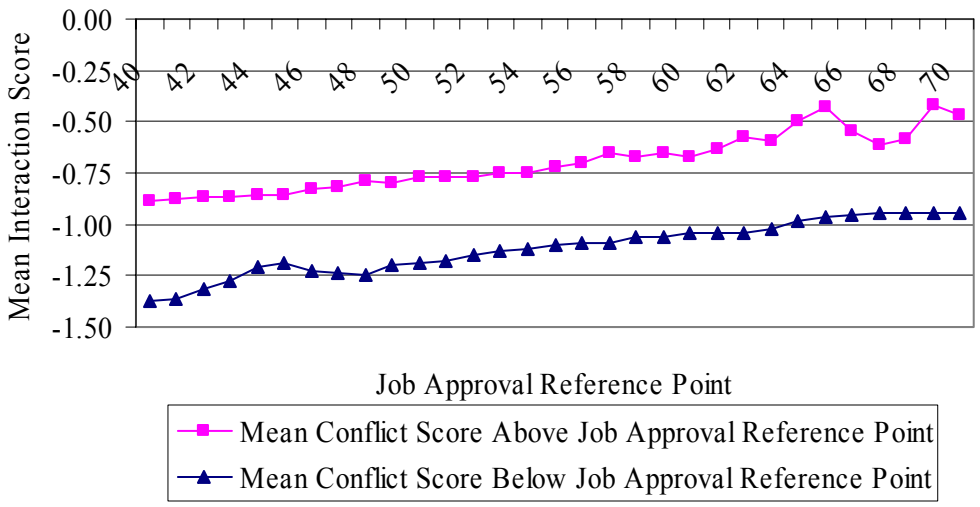


The mean interaction scores for low risk relationships show almost no variation at each job approval reference point. This indicates that foreign policy actions toward nations considered a low risk relationship are not affected by different job approval reference points.

The graph on figure 6.4 includes high and medium risk nations from Table 6.3 during periods when there was no use of force. As expected, both lines slope upward, indicating that mean scores above each breakpoint are less conflictual than below the breakpoint. Based on a difference of means t-test, the mean interaction score above and

below each breakpoint below 67 are significantly different at the .05 level. The smooth line is a result of the very small changes in the sample at each iteration. An examination of the data shows a slight flattening of the mean in the 50-54% range.

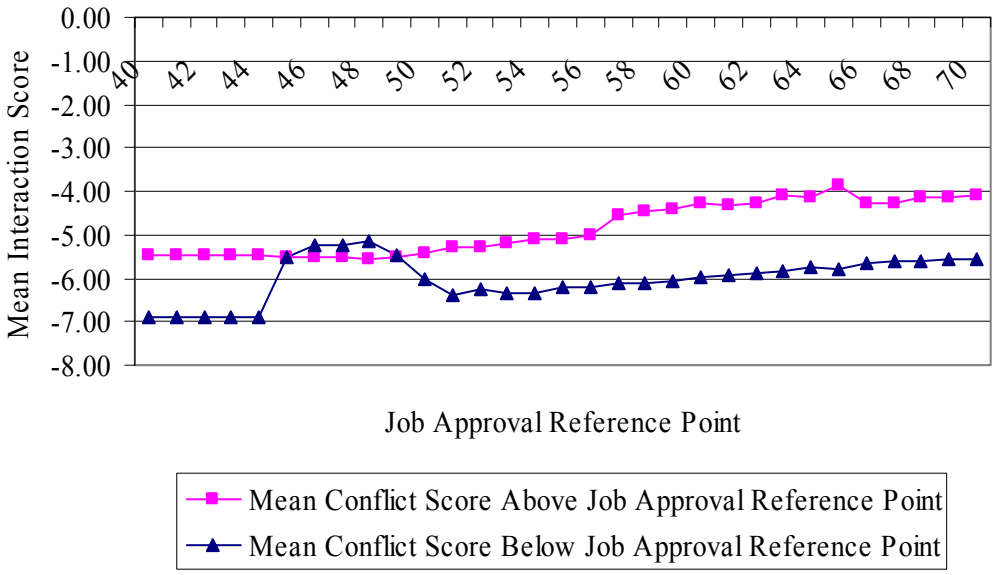
FIGURE 6.4 Mean Interaction by Job Approval-High/Medium Risk (No Force)



Mean interaction scores involving nations when the use of force is ongoing are dramatically different. Figure 6.5 shows mean interaction scores above and below approval breakpoints with nations in which the U.S. is using military force (see Table 6.3). The mean interaction scores are smaller, more conflictual, due to the ongoing use of force. The lines are both sloping upwards indicating that even when force is being used, the mean US foreign policy action is more cooperative as job approval increases. The means of the two lines are significantly different at the .05 level, except between the

45-49 range. During periods when force is used, the magnitude of the conflicts score is much greater than periods when force is not applied regardless of the approval level. Unless noted, the analysis to follow considers interactions involving force separately from interactions not involving force. This allows for the consideration of more routine foreign policy actions, rather than only actions involving the use of force.

FIGURE 6.5 Mean Interaction by Job Approval-High/Medium Risk (Force)



Figures 6.3 to 6.5 lend support to the theory that there is an observable difference in foreign policy actions as job approval changes. Prospect theory suggests that the change occurs around a reference point. In the previous discussion, a range of options were offered, 50% approval as a minimum level, and 55% or 60% as an acceptable level of approval. If one point on the approval spectrum were to make a difference, it would

be 50%. Although it is difficult to distinguish the importance of a job approval rating of 52% vs. 53% or 57% vs. 58%, falling below 50% causes presidents concern. Using 50%, 55%, and 60% as possible reference points, figures 6.6 (no use of force) and 6.7 (use of force) show the results of graphing the mean interaction scores by 10-point job approval ranges above and below the 50% to 59% range. Similar to the previous figures, the line slopes upward indicating a more cooperative mean interaction score as job approval increases. If the reference point lies between 50% and 59%, the mean interaction scores below and above this range should be measurably different.

FIGURE 6.6 Mean Interaction by 10-Point Job Approval-No Use of Force

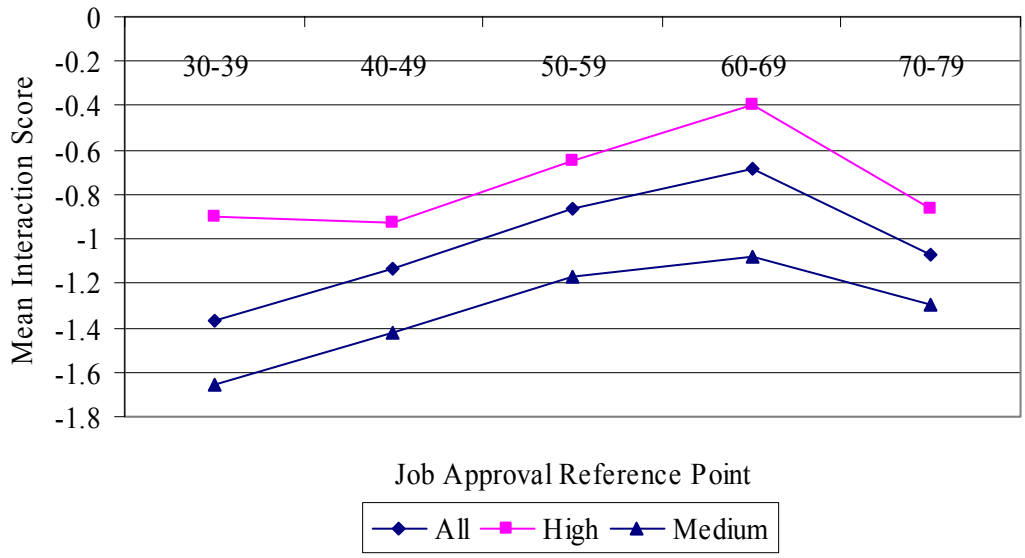


FIGURE 6.7 Mean Interaction by 10-Point Job Approval-Use of Force

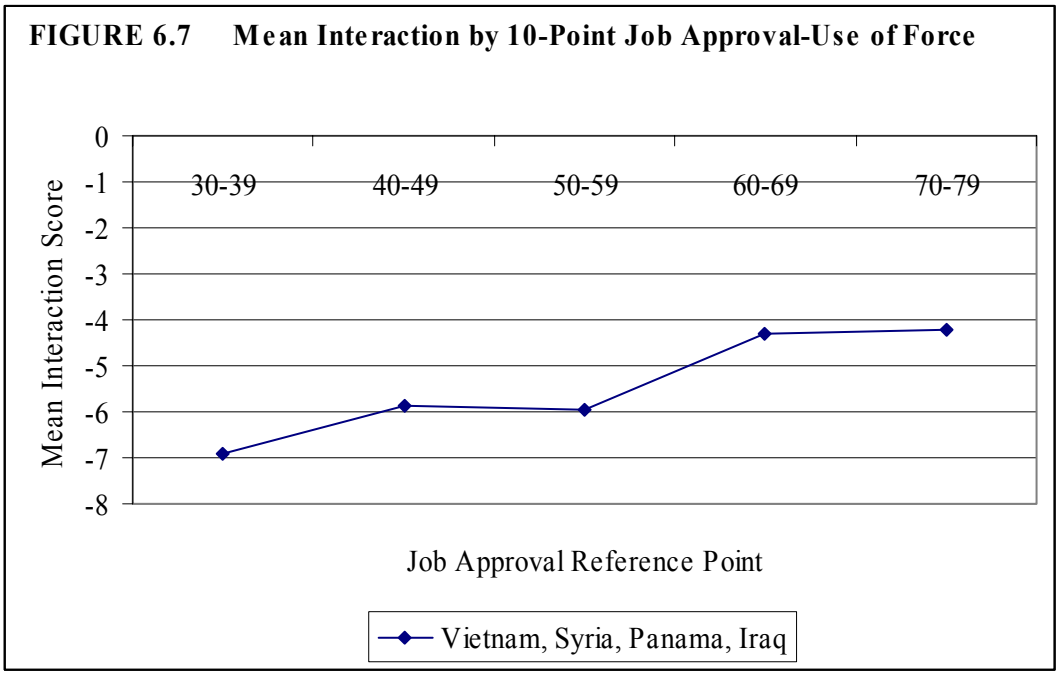


Table 6.4 reports the results of equality of means test for Figures 6.6 and 6.7. Considering foreign policy actions when no force is used, the mean interaction score in the 40-49 job approval range is significantly different than the 50-59 range and the 60-69 range (column 2). The mean interaction score in the 50-59 ranges is not significantly different than the 60-69 range (column 3). When force is applied, the mean interaction score in the 40-49 job approval range is significantly different the 60-69 range, but not different from the 50-59 range (Column 2). Simple difference of means tests show that mean interaction scores appear to change in a manner that is not likely to be based on random chance. An examination of the mean interaction scores above and below the 50-59% job approval range provide evidence of a reflection effect, a change in risk orientation, around a reference point.

TABLE 6.4 Difference of Means Test (Reference Point 50-59)
t-test for equality of means (significance 2-tailed test)

No Use of Force	10 point Job Approval Range			
	30-39	40-49	50-59	60-69
30-39	n/a	0.158	0.003	0.000
40-49	0.158	n/a	0.010	0.000
50-59	0.003	0.010	n/a	0.232
60-69	0.000	0.000	0.232	n/a
Use of Force				
	30-39	40-49	50-59	60-69
30-39	n/a	0.037	0.027	0.000
40-49	0.037	n/a	0.744	0.000
50-59	0.027	0.744	n/a	0.000
60-69	0.000	0.000	0.000	n/a

Loss Aversion and Gain Endowment. In addition to a change in risk orientation around a reference point, prospect theory suggests that individuals will exhibit tendencies toward loss aversion and gain endowment. Loss aversion is the inclination to perceive losses as temporary and engage in risky behavior to regain what is lost. According to Kahneman and Tversky (1979, 287), a "person who has not made peace with his losses is likely to accept gambles that would be unacceptable to him otherwise." They cite the example of gamblers who have a tendency to bet on more long shots at the end of the betting day. Gain endowment is a propensity to hold on to what is gained as if it is permanent. The concave value function in the domain of gain suggests that decision-makers will overvalue their current state. There is a diminishing utility to further gains and the decision-maker becomes more cautious in order to hold on to those gains. Table 6.5 examines a set of cases when job approval has decreased from above

55% to below 50% and from below 50% to above 55%.[30] In the former, I would expect loss aversion and in the latter, gain endowment. A drop in job approval from a relatively safe 55%+ to below 50% should increase conflictual behavior as the decision-maker tries to get back what he has lost. An increase from an insecure job approval below 50% to above 55% should result in less risky, cooperative behavior as the decision-maker attempts to hold on to his gain.

TABLE 6.5 Loss Aversion and Gain Endowment
Mean Conflict Scores 4 & 8 weeks before/after Job Approval Shift crossing 50%

	Mean 4 weeks before	Mean 4 weeks after	Equality of Means (2-tailed test)	Mean 8 weeks before	Mean 8 weeks after	Equality of Means (2-tailed test)
Loss Aversion	-0.7846	-1.0803	0.367	-0.9124	-1.2941	0.111
Gain Endowment	-2.0504	-1.1489	0.038	-1.5290	-1.3103	0.479

In the rows labeled loss aversion and gain endowment, the data moves as expected. When job approval decreases below 50% (loss aversion), the mean interaction score becomes more conflictual after the drop in job approval in comparison to the weeks before the shift. When job approval increases from below 50% to above 55% (gain endowment), the mean interaction score becomes less conflictual. This result is the same for both four and eight week periods. Although the means move in the expected direction, a test of the equality of the means reveals only a hint of loss aversion for the eight week period (sig. .111). Evidence from the data does suggest support for gain endowment. When approval moves from below 50% to above 55%, there is a

[30] Table 6.8 is based on data collected before and after the following periods. Decrease in approval: 4/30/1973, 11/11/1974, 8/4/1975, 2/14/1978, 1/22/1979, 3/10/1980, 12/14/1981, 12/5/1986, 1/18/1992. Increase in approval: 6/2/1975, 10/13/1978, 12/3/1979, 11/21/1983, 4/5/1987.

significant difference in the mean conflict score 4-weeks before the gain and 4-weeks after the gain (sig. .038). Actions become less conflictual as the decision-maker attempts to secure his gains by taking fewer foreign policy risks.

The preceding analysis provides guarded support for a prospect theory explanation of risk-taking in foreign policy decision-making. The value of these results is limited to what they actually explain. Figures 6.3 to 6.7 calculate a mean interaction score based on foreign policy actions and the most recent job approval rating. Although this is valuable information and an essential first step, the complexity of foreign policy decisions requires models that account for influences from both the domestic and international systems.

Modeling the Foreign Policy System

Foreign policy decisions are actions and reactions in a dynamic environment. The president is constantly monitoring his political context and assessing inputs from the domestic and international systems. The course of action he chooses takes into account the constraints and opportunities from the political context and is congruent with the decision-maker's current risk orientation. Each decision creates a new decision-making context as the actors react to a new set of circumstances. Furthermore, the president is making foreign policy decisions simultaneously with his domestic policy efforts. Presidents are cognizant of their public standing because they desire to maintain their political capital to aid in the governing process.

Although numerous scholars have applied prospect theory to international relations in order to explain foreign policy decisions (see McDermott 1998; McDermott and Kugler 2001; Berejikian 1997; Farnham 1994), each of these efforts relies heavily on detailed case studies of foreign policy events. This study applies a prospect theory framework to foreign policy decision-making using a large-n, quantitative model. The model replicates the dynamic process of foreign policy in the smallest increments possible given the constraints of the data.

Data limitations result from available information lagging behind possible social science applications. Monthly calculations of unemployment figures and irregular fielding of many survey questions hamper the development of time series data in increments smaller than monthly or quarterly. Media data relating to foreign policy is available, but the media (Reuters) is the source for the KEDS interaction data used in this study. The inclusion of a media variable result in a correlation problem between media mentions of foreign policy and the foreign policy event data.

Any model of the foreign policy decision-making process is at best a limited representation of reality due to the vast number of influences in the foreign policy system. Similar problems confront the Federal Reserve's efforts to model the economy.

> However, despite extensive efforts to capture and quantify what we perceive as the key macroeconomic relationships, our knowledge about many of the important linkages is far from complete and, in all likelihood, will always remain so. Every model, no matter how detailed or how well designed, conceptually and empirically, is a vastly simplified representation of the world that we experience with all its intricacies on a day-to-day basis.[31]

[31] Federal Reserve Chairman Alan Greenspan remarks to the American Economic Association, January 3, 2004.

Although the challenges of modeling foreign policy decisions are numerous, valuable knowledge results from the effort.

The model below seeks to gain some leverage in understanding foreign policy decisions by "explaining as much as possible with as little as possible" (King, Keohane, and Verba 1994, 29). According to King, Keohane, and Verba (1994), "If we can accurately explain what at first appears to be a complicated effect with a single causal variable or a few variables, the leverage we have over a problem is very high."

My model uses four primary variables: three structural and one actor specific. Appendix A provides an explanation of the variables used in the model. The structural variables are international actions toward the U.S., the unemployment rate, and U.S. actions towards other nations. These variables form the context within which the president must act. The unemployment rate serves as a proxy for the domestic environment. A large body of research has found economic conditions to influence elections and domestic politics (Alesina and Rosenthal 1989; Chappell and Keech 1985; Erikson 1989; Fair 1978; MacKuen, Erikson, and Stimson 1992). If employment is increasing, the domestic conditions are likely to be good for the president. In contrast, declining employment creates dissatisfaction with the administration. Certainly there are other options for assessing the domestic political environment, such as inflation, growth in the S&P 500, or GDP. Some scholars have employed a "misery index" that combines several economic indicators (Ostrom and Job 1986; James and Oneal 1991; Meernik 1994). Fordham (1998) shows that many economic variables, such as unemployment and inflation, have conflicting supply and demand effects and including these variables

in the same model may be problematic. Unemployment is a highly personal and public issue that is reported widely each month.

Job approval is the actor specific variable. Chapter III shows that of the possible factors that considered political capital, job approval is the most useful and important. Job approval is also personal. Presidents believe that a part of their future political fortunes rests with their public approval. For the purposes of this model, I convert actual job approval numbers to their natural log. The logged approval numbers below the reference point are multiplied by minus one. This change allows the model to comment directly on the theory of reference dependence. These variables are highly correlated with job approval (50% job approval reference point, .82; 55% job approval reference point, .80; 60% job approval reference point, .76).

Vector Autoregression

VAR techniques allow the modeler to incorporate fewer explanatory variables and not specify causal relationships, allowing the data to determine the causation. "VAR focuses on the causal relationships implied by the estimated reduced form of what is essentially an unknown structural model and on certain of that model's dynamic properties" (Freeman et. al. 1989). The multiple lags allowed in the model helps to control for history and reduce specification errors (Edwards and Wood 1999). Because past theories of foreign policy decision-making are not a certain guide, vector auto regression (VAR) is an appropriate empirical method to build a theory upon. This technique imposes less rigid restrictions on the parameters and does not force the

practitioner to specify causal direction (Edwards and Wood 1999, 334, Freeman, Williams, and Lin 1989, 843). Each of the variables is regressed on the past lags of itself and all other variables in the model. The numbers of lags in the models below were determined by using Bayesian Information Criterion (BIC).

There is some controversy in the literature whether conventional OLS-VAR requires stationary variables. Sims (1980), Harvey (1990), and Doan (1996) reason against differencing even if the variables contain a unit root. "They argue that the goal of VAR analysis is to determine the interrelationships among the variables, not the parameter estimates. The main argument against differencing is that it 'throws away' information concerning the comovements in the data" (Enders 1995, 301). Others suggest that unit roots can bias causal inferences from VAR results (Phillips 1992; Freeman et al. 1998). Each of the variables in the model were tested for a unit root using the KPSS test, Phillips Perron test, and the Dickey Fuller test. The dependent variable series, U.S. foreign policy actions, is stationary. The domestic politics variable, unemployment, contains a unit root. The question is whether or not to difference the unemployment series. Differencing the unemployment variable gives the change in unemployment from one period to the next. A change in unemployment does not account for the level of unemployment. Unemployment is theoretically important to the model. It is well-known that unemployment influences job approval and it is likely that the magnitude of unemployment is more influential than the change in unemployment. The results below report p-values without differencing unemployment. A comparison of models with and without differenced unemployment is provided in Appendix C at the

end of this chapter. The models test for residual autocorrelation using the Ljung-Box Test and the Lagrange Multiplier Test.

Model Results—High and Medium Risk Relationships

The models report results involving two relationships: U.S. with all other high and medium risk nations and U.S./USSR. The importance of relations with the USSR during the 1969 to 1992 period requires a separate examination of this relationship. From 1969 to 1992, the U.S. and the Soviet Union were the lone superpowers and 14% of all U.S. interactions were with the USSR.

The theory presented in this paper suggests that foreign policy actions are a function of the direct effects of the domestic political context and the international system and the indirect effect of each mediated by presidential resources. Table 6.6 shows the influence of the variables on U.S. actions toward all other high and medium risk nations using three different reference points, and controlling for international actions and unemployment.[32] The results of the model lend support to the theory. The results demonstrate that US foreign policy actions toward other nations are strongly driven by past US actions. This result is similar to Edwards & Wood (1999) and Wood and Peake (1998), who found strong inertia from past actions, indicating the US is likely to do in the future what it has done in the past. Additional research has found evidence

[32] My theory suggests that foreign policy actions are a function of both the direct effects of the domestic political context and the international system and the indirect effect of each mediated by presidential resources. To measure the indirect effects, I attempted to use interaction terms for domestic influences (unemployment) and political resources (job approval) and international system (actions toward U.S.) and (job approval), but the interactions terms were too highly correlated with other variables. Also, too many variables in a VAR model dramatically increase the degrees of freedom.

of reciprocity in international relations (Goldstein 1991; Goldstein and Freeman 1989, 1990, 1991). The fact that U.S. actions influence the actions of other nations and other nations influence U.S. actions is not surprising.

TABLE 6.6 Granger Test for Influence on US Foreign Policy Actions All High and Medium Risk Relationships

Dependent Variable	Coefficient Block	Reference Point 50%	Reference Point 55%	Reference Point 60%
USA Foreign Policy Actions				
	USA Actions	0.000	0.000	0.000
	International Actions	0.044	0.023	0.010
	Unemployment	0.002	0.014	0.060
	Job Approval Reference Point	0.001	0.023	0.368
	Number of observations	624	624	624
	AIC	18.97	20.21	20.37

Note: The numbers in the tables are p values calculated from Granger causality Wald Test (Chi-squared statistics). The data is in two-week increments with one lag used in the analysis. Two lags were tested and it was determined that 1 lag yielded a lower BIC than two lags. Dummy variables are included for Nixon, Ford, Carter, and Reagan presidencies. There were 625 observations running from 1/5/69 to 12/31/92.
Note: High and medium risk relationships are listed in Table 6.3

The primary variable of interest is the job approval reference point. In two of the three models (50% and 55%), the reference point is significant. This means when presidential job approval moves from above the reference point to below the reference point, actions become more conflictual (i.e., actions move down the -10 to +10 scale). Using the AIC to compare the three models, the reference point at 50% performs slightly better than the other two.

How do we know that 50% is better than 49% or 51%? To answer this question, I ran repeated models changing the reference point each time. Table 6.7 shows that the model with a significant reference point and the lowest AIC, indicating the model with the best fit, is exactly 50%. As explored earlier in this chapter, this figure makes theoretical sense.

TABLE 6.7 Analysis of Job Approval Reference Point
Significance levels at 95% confidence intervals

Reference Point Break	Significance of Reference Point	AIC
47+	.007	20.17
48+	.008	20.07
49+	.006	20.13
50+	.003	20.02
51+	.001	20.11
52+	.001	20.30
53+	.001	20.23
54+	.016	20.21
55+	.020	20.22
56+	.123	20.58
57+	.578	20.58
58+	.365	20.68
59+	.608	20.64
60+	.368	20.37

Since a VAR model provides information concerning all possible causal relationships, I can report the influences on the job approval reference point and comment on indirect influences on U.S. foreign policy actions. Table 6.8 shows that the influences on the job approval reference point are the previous value of the reference point, U.S. foreign policy actions, and unemployment. It is not surprising that both U.S. actions and unemployment (economy) influence job approval, since each of these variables forms a component of job approval ratings.

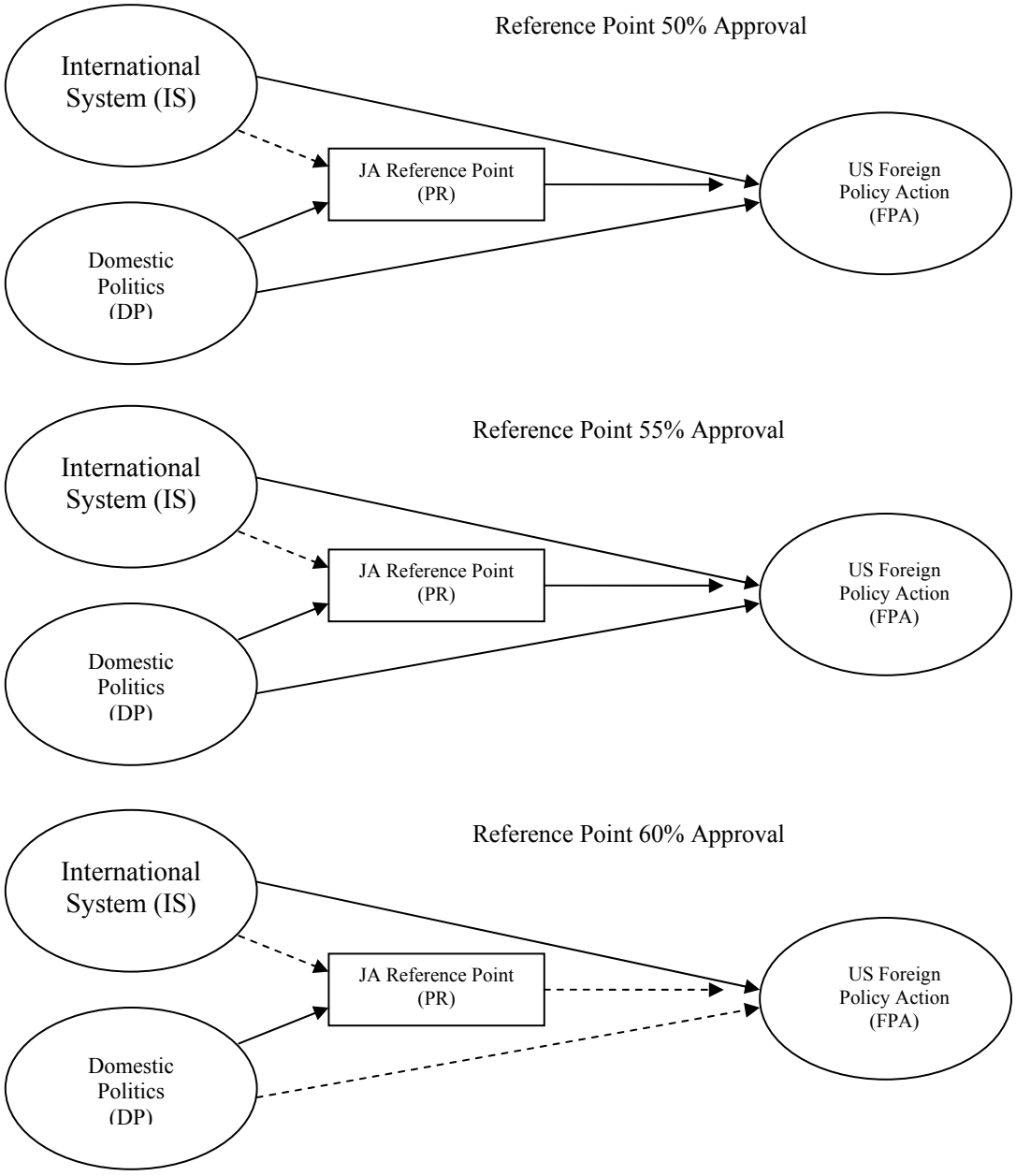
TABLE 6.8 Influence on the Reference Point (High and Medium Risk)

Dependent Variable	Coefficient Block	Reference Point 50%	Reference Point 55%	Reference Point 60%
Reference Point				
	USA Actions	0.003	0.975	0.849
	International Actions	0.391	0.082	0.303
	Unemployment	0.000	0.002	0.013
	Job Approval Reference Point	0.000	0.000	0.000
	Number of observations	624	624	624
	AIC	18.97	20.21	20.38

Note: The numbers in the tables are p values calculated from Granger causality Wald Test (Chi-squared statistics). The data is in two-week increments with one lag used in the analysis. Dummy variables are included for Nixon, Ford, Carter, and Reagan presidencies.
Note: High and medium risk relationships are listed in Table 6.3

The significance of unemployment's influence on U.S. foreign policy is puzzling. Proponents of the diversionary theory have suggested that the president will use force when confronted with a poor economy to divert attention from the economy. I believe that there are reasons that this model cannot be used to support that theory. First, when the model is run without the job approval reference point variable, unemployment is not significant at the .05 level. This would lead me to believe that unemployment has an indirect effect on U.S. foreign policy actions through job approval. A second and less likely explanation is that foreign nations know when the U.S. domestic economy is poor and become more conflictual, which forces presidents to respond in-kind. Figure 6.8 graphically summarizes the results of the three models with the job approval reference points at 50%, 55%, and 60%. When the job approval reference point is set at 60%, job approval does not influence U.S. foreign policy actions.

FIGURE 6.8 Foreign Policy Decision-Making Model-High/Medium Risk



Note: Solid lines are significant at the .05 level.
Dotted lines represent hypothesized relationships that are not significant.

US/USSR Relationship

During the period from 1969 to 1992, relations with the Soviet Union required a disproportionate amount of attention from U.S. presidents, and therefore were highly salient to the American public. Figure 6.9 shows a model identical to the previous analysis but limited to U.S./USSR interactions from 1969 to 1992 (results compiled from Tables 6.9 and 6.10). The results tell an interesting story concerning U.S. and Soviet relations. During the period from 1969 to 1992, no U.S. and Soviet interactions involved the use of force. Therefore, the data represents day-to-day interactions between the countries. In the models where the job approval reference point is 50% and 55%, U.S. actions toward the Soviet Union are influenced by past U.S. actions and the president's job approval, and not by Soviet actions. In contrast, when the reference point is 60%, U.S. actions are not influenced by job approval. As job approval increases, USSR actions are more influential on U.S. actions. At a 60% job approval reference point, USSR actions influence U.S. actions at the .06 level. This would indicate that as job approval decreases, the behavior of U.S. foreign policy is more influenced by job approval than Soviet actions. As with the previous set of models, unemployment is not significant when the reference point is removed from the model. In the models where the job approval reference point is set at 50% and 55%, the reference point variable is significant. As job approval declines below the reference point, actions toward the USSR become more conflictual. In the 50% and 55%% models, U.S. actions are not influenced by Soviet actions.

TABLE 6.9 Influence on US Foreign Policy Actions Toward USSR

Dependent Variable	Coefficient Block	Reference Point 50%	Reference Point 55%	Reference Point 60%
USA Foreign Policy Actions				
	USA Actions	0.000	0.000	0.000
	International Actions	0.130	0.110	0.064
	Unemployment	0.020	0.023	0.131
	Job Approval Reference Point	0.031	0.021	0.902
	Number of observations	624	624	624
	AIC	16.50	17.73	17.90

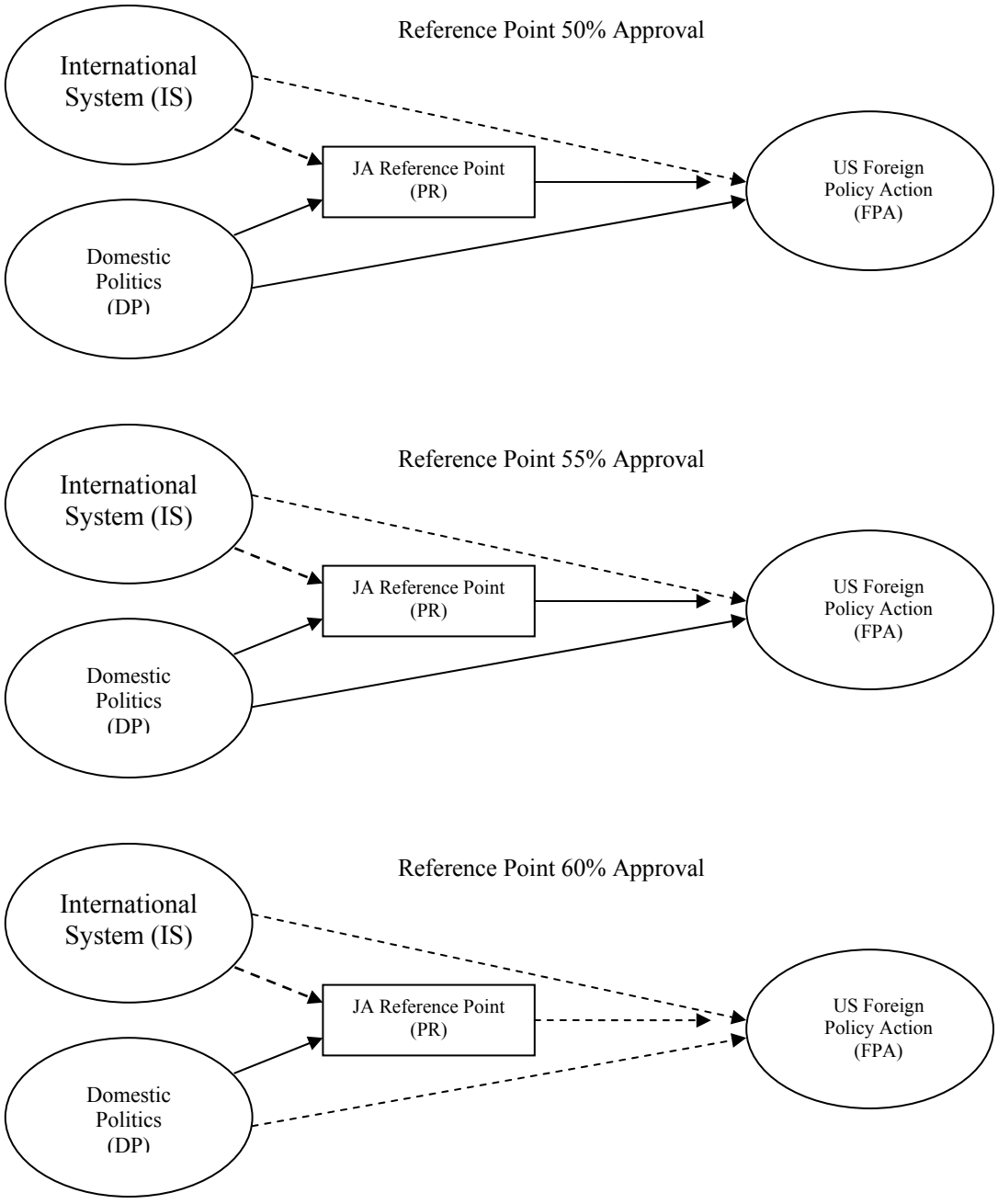
Note: The numbers in the tables are p values calculated from Granger causality Wald Test (Chi-squared statistics). The data is in two-week increments with one lag used in the analysis. Two lags were tested and it was determined that 1 lag yielded a lower BIC than two lags. Dummy variables are included for Nixon, Ford, Carter, and Reagan presidencies. There were 625 observations running from 1/5/69 to 12/31/92.

TABLE 6.10 Influence on the Reference Point (USA/USSR)

Dependent Variable	Coefficient Block	Reference Point 50%	Reference Point 55%	Reference Point 60%
Reference Point				
	USA Actions	0.034	0.577	0.851
	International Actions	0.451	0.365	0.703
	Unemployment	0.005	0.005	0.018
	Job Approval Reference Point	0.000	0.000	0.000
	Number of observations	624	624	624
	AIC	16.50	17.73	17.90

Note: The numbers in the tables are p values calculated from Granger causality Wald Test (Chi-squared statistics).

FIGURE 6.9 Foreign Policy Decision-Making Model-U.S./Soviet Union



Note: Solid lines are significant at the .05 level.
Dotted lines represent hypothesized relationships that are not significant.

Results Dependent on the USSR

Fourteen percent (14%) of all U.S. interactions from 1969 to 1992 involved the USSR. In order to insure that the reported results are not dependent on the inclusion of interactions with the USSR in the model, Table 6.11 shows the models resulting from all high and medium risk relationships excluding the USSR. The influence of the job approval references point at 50% and 55% is consistent with the models presented above.

TABLE 6.11 Influence on US Foreign Policy Actions (No USSR)

Dependent Variable	Coefficient Block	Reference Point 50%	Reference Point 55%	Reference Point 60%
USA Foreign Policy Actions				
	USA Actions	0.000	0.000	0.000
	International Actions	0.010	0.010	0.009
	Unemployment	0.073	0.179	0.258
	Job Approval Reference Point	0.004	0.315	0.585
	Number of observations	624	624	624
	AIC	18.40	19.60	19.80

Note: The numbers in the tables are p values calculated from Granger causality Wald Test (Chi-squared statistics). The data is in two-week increments with one lag used in the analysis. Two lags were tested and it was determined that 1 lag yielded a lower BIC than two lags. Dummy variables are included for Nixon, Ford, Carter, and Reagan presidencies. There were 625 observations running from 1/5/69 to 12/31/92.

Tables 6.6 to 6.10 report Granger causal test numbers. Regression coefficients in VAR models are difficult to interpret because of high colinearity resulting from the lags in the model; consequently, analysts typically do not interpret coefficients but track the

system dynamics. Appendix D at the end of the chapter includes graphs of impulse and response functions. The graphs show the result when introducing an impulse or shock to the reference point variable, foreign policy actions become more conflictual for 3-4 periods (6-8 weeks) in high/medium risk relationships and 1-2 periods (2-4 weeks) in relations with the USSR.

Discussion

The difference of means test and the full VAR models support the theory that the foreign policy behavior of presidents is influenced by their propensity to take risks and the level of acceptable risk is a function of political capital. The VAR models control for the influence of international actions toward the U.S., domestic political conditions, and the political capital of the president. As hypothesized, when a president's job approval decreases below a reference point, the president becomes more risk-acceptant (H1). Similarly, when a president's job approval increases above a reference point, foreign policy actions become more cooperative (H2). These results hold for job approval reference points at 50% and 55%. Foreign policy actions are not influenced by the job approval reference point at 60%. Additionally, there is strong evidence for an endowment effect, and less evidence for loss aversion (H3&H4). When a president's job approval increases from below 50% to above 55%, president's become more cooperative (risk-averse) in the short term in order to hold on to the gain. President's with a drop in approval from above 55% to below 50% become more conflictual (risk-acceptant), but the mean differences are not significant at the .05 level. According to the models, the

domestic economy (unemployment) influences both job approval and foreign policy actions. It is more likely that unemployment indirectly influences foreign policy actions through job approval (H5). When job approval is removed from the model, unemployment does not influence foreign policy actions.

The important elements in my theory are presidential political capital (job approval) and risk-propensity. The politically rational president becomes more conflictual in his foreign policy actions as his popularity declines and more cooperative as his popularity increases. When a president is unpopular, the status quo is unacceptable and efforts are made to confront the problem. When a president is popular the status quo is acceptable and efforts are made to maintain the current state. The shift between the two positions occurs around a reference point. According to this analysis, the most likely reference point is 50% job approval. Although determining whether this reaction is due to a belief that conflictual actions will increase his standing in the public or a natural human tendency toward risk-acceptant behavior is beyond the scope of this dissertation, I believe prospect theory offers a more reasonable explanation for the data. The diversionary theory suggests that presidents will resort to using force to divert the attention of the public from poor domestic conditions, yet major military operations are no more likely to occur when the president is popular than when the president is unpopular (Table 6.12).

TABLE 6.12 High Profile Conflicts Involving the United States from Nixon to Bush 1**

Military Operation	Beginning Date	Job approval prior to use of force 90 days	60 days	30 days	Domain
U.S. Intervention in Lebanon	08/01/82	45	45	42	Loss
U.S. Invasion of Grenada	10/23/83	42	43	47	Loss
U.S. Invasion of Panama	12/20/89	68	60	69	Gain
U.S. Invasion of Kuwait (Iraq)	08/20/90	65	69	60	Gain
U.S. Intervention in Somalia	08/14/92	41	38	32	Loss
U.S. Occupation of Haiti	09/19/94	45	42	45	Loss
NATO Intervention in Bosnia	11/08/95	45	44	46	Loss
Kosovo War	04/07/99	65	68	68	Gain
Afghanistan War	10/07/01	50	55	*54	Mixed
U.S. Invasion of Iraq	03/19/03	61	58	58	Gain
Single Incidents					
The Mayaguez Rescue Operation	05/12/75	39	38	44	Loss
Iranian Hostage Rescue	04/24/80	58	55	39	Loss
Down Libyan planes (Gulf of Sidra)	04/19/81	51	55	60	Gain
Bombing of Libya	04/15/86	63	64	63	Gain
Down Libyan planes (Gulf of Sidra)	01/04/89	54	51	57	Mixed
Bombing in Sudan, Afghanistan	09/20/98	60	63	60	Gain
Bombing in Iraq/UNSCOM	12/16/98	63	65	66	Gain

Note: Unless noted, all job approval numbers are Gallup polls.
*Democracy Corps poll 9/6/01. Gallup did not conduct a poll until after the 9/11/01 terrorists attack (9/22/01) and Bush's approval had jumped to 90%.
**Vietnam excluded because the war had begun before Nixon took office in January 1969.

If presidents can count on the use of force to raise their approval ratings, why not use force more often? I believe presidents view the use of force as a risky foreign policy tool to be used with discretion and not for personal gain. This dissertation examines all foreign policy interactions, not just the use of force, and finds support for a prospect theory explanation of presidential foreign policy decision-making. Also, the data suggest a diminishing value for approval as approval increases.

The preceding analysis reveals some interesting tendencies in foreign policy decision-making. In relations with high and medium risk nations, U.S. foreign policy is

influenced by past U.S. actions and the actions of other nations (reciprocity). This is not a surprising finding in light of previous work in this area. Reciprocity helps to explain why a president will use force even when he is popular. As the president's job approval drops below 55%, job approval begins to influence foreign policy actions, and future actions become more conflictual.

In U.S. and USSR interactions, the results are slightly different. U.S. policy towards the USSR is influenced by past U.S. actions and job approval when approval is below 55%. As job approval increases to 60%, U.S. actions are not influenced by approval, but by past actions and actions by the USSR. In other words, a popular president is more reactive toward the USSR and an unpopular president more proactive.

The idea that presidential behavior varies according to the context has important implications for continued study of foreign policy decision-making. In the final chapter, I will summarize the findings of this dissertation and suggest some possible extensions of the analysis.

CHAPTER VII

CONCLUSION

The introduction to this dissertation suggests that how a president makes foreign policy decisions remains an unanswered question. This study is only a first step and represents one approach to further our understanding of presidential foreign policy actions. In this final chapter, I revisit my approach to studying foreign policy decision-making, comment on contributions this dissertation makes to the study of the presidency and foreign policy, and propose promising directions for future study.

Approach to the Study

The theoretical approach and the models created in this study attempt to mimic three important realities of the foreign policy arena, the systemic, the dynamic, and the political. Determining causal influences on the president is challenging because of the large number of possible variables and time sensitive nature of foreign policy. I designed the models to reflect these fundamental realities and capture key causal relationships.

The foreign policy arena is a complete system. Foreign policies result from the interaction of the international system, domestic politics, and individual actors. A consideration of each of these factors improves our ability to understand foreign policy. By combining international, domestic, and actor-specific variables in one model, I am able to replicate closely actual system related processes.

The nature of the foreign policy system is dynamic rather than static. It is a constantly moving target. Because each action by a member of the system results in a reaction, foreign policy actions by one member of the system result in a new decision-making environment. Using Vector Autoregression (VAR) statistical techniques, I model the foreign policy system in bi-weekly periods rather than monthly or quarterly periods and test for causal relationships among key independent variables.

The political nature of foreign policy makes isolation from the influence of domestic politics impossible. Presidents recognize that there are domestic and international consequences that result from foreign policy decisions. Depending on the perceived success or failure of his foreign policy-decisions, reaction from the public, media, and Congress can increase or decrease the president's ability to govern domestically in the future.

The systemic, dynamic, and political nature of the foreign policy system creates a decision-making environment that the scholar must endeavor to comprehend fully. The president is not a causal mechanism that responds to stimulus A with response B. As presidents assess their political context, they make foreign policy choices that they deem appropriate, represent good policy, and match their risk propensity. In making foreign policy decisions, presidents have a range of conflictual and cooperative policy choices. The findings of this dissertation lend support to the theory that presidents will respond in a more conflictual manner when their job approval is below a job approval reference point and more cooperatively when above the same job approval reference point.

The Politically Rational Decision-Maker

The politics of decision-making plays a prominent role in my analysis of how presidents make foreign policy decisions. Although all presidents desire to make good public policy, other objectives such as reelection, maintaining influence, and legacy goals influence presidential decisions. I argue that when faced with a decision, politics plays an important role in choosing among alternative policy choices. The contribution of this dissertation is the development of a theoretical approach that provides a link between structural and individual theories of foreign policy decision-making, improving our ability to explain how presidents make foreign policy decisions.

Presidential decision-making occurs in an environment with numerous incentives and constraints that influence the president. The models presented in Chapter VI show that both domestic politics and the international system influence presidential foreign policy decisions, and presidential political capital. The primary explanatory factors in the study of U.S. foreign policy actions are risk propensity and political capital, measured by job approval. The analysis shows that the propensity to take foreign policy risk increases as job approval drops below 50% and decreases as job approval moves upward. Numerous experiments have documented the tendency of individuals in a domain of loss to take extraordinary risk; these results indicate a similar response in a large-n study.

It is relatively straightforward to recognize the importance of a job approval number above 50% for the president. Although job approval is no panacea for leaders, presidents need to operate from a position of strength in order to have the greatest

opportunity for success. The desire to regain lost approval and maintain high approval alters the probability that the president will take risks in foreign policy actions.

I argue that the greatest risk in foreign policy for a U.S. president is failure. The United States is the strongest nation in the world both militarily and economically, and the public expects foreign policy success. Although both cooperation and conflict involve some level of risk, the prospect of failure and consequences of failure increase when actions involve conflict. The politically rational decision maker is less willing to jeopardize political capital unless he is in a domain of loss.

It is possible to explain a large portion of day-to-day U.S. foreign policy actions by the concepts of consistency and reciprocity. Past U.S. actions (consistency) and the actions of other nations toward the U.S. (reciprocity), shape U.S. foreign policy actions toward other nations. The uniqueness of this study is to show that foreign policy behavior changes, violates consistency and reciprocity, near a job approval reference point of 50%. The political context matters to the president.

In Chapter II, I suggest that a comprehensive theory of foreign policy should help to explain anomalies in this field of study. These questions include:

- Why are presidential foreign policy actions sometimes congruent with public opinion and other times contradictory to public opinion?
- Why are presidential foreign policy actions sometimes cooperative and sometimes conflictual, even under similar circumstances?
- Why do some presidents take more foreign policy risk than others do?

By focusing on the risk propensity and political capital of the president in a prospect theory framework, the answers to each of these questions become clearer.

Future Study

There are many approaches to studying foreign policy decision-making and the large-n study of this dissertation represents one method. A focus on two important questions provides an opportunity to extend this analysis into the future. First, how does the increasing interdependence of the world's economy affect presidential foreign policy decisions and relationships with domestic institutions? Globalism has changed economic relationships between the U.S. and many key nations such as China and India. U.S. companies increasingly commit huge resources to operations in other countries. Jacobs and Page (2005, 120) find that "internationally oriented business leaders exercise strong, consistent, and perhaps lopsided influence on the makers of U.S. foreign policy." The influence of economic interdependence on international relations and domestic business interests on presidential decision-making are important considerations in the future study of foreign policy. Second, how and when do domestic elites in the media, business community, think tanks, and other interest groups influence presidential decision-making? Considerable qualitative research has documented the influence of these groups, yet it is very difficult to quantify their influence. We know very little about the relative influence of the mass public versus elite groups on presidential decisions.

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APPENDIX A

Public Opinion

The primary public opinion variable of interest is presidential job approval. Since 1945, Gallup has been using a standard approval question: "Do you approve or disapprove of the way that [president's name] is handling his job as president?" The Gallup data provides the most complete time series of presidential approval information available. The Gallup time series is not entirely complete. Additional presidential job approval survey data from CBS/New York Times polls from 1976 to 1992 were added to the series and bi-weekly data computed using Stimson's algorithm for combining survey data (Erikson, Mackuen, Stimson 2002, 32).

Foreign Policy Actions

The dependent variable in question is U.S. foreign policy actions. For the purposes of this study, a data set is produced that includes all interactions between the U.S. and high and medium risk nations. A bi-weekly time series of foreign policy actions from 1969 to 1992 is created using the PANDA24 data set. Using machine-readable text, the Kansas Events Data System (KEDS) parses the text into source and target countries and events/actions (see Schrodt and Gerner 1994 for validity tests of machine coded events). The events/actions are tied to a World Event Interaction Survey (WEIS) code in order to categorize the action (McClelland and Hoggard 1969). The 61 WEIS events were weighted by Goldstein (1992) producing a conflict/cooperation scale ranging from –10 (military attack) to +8.3 (military assistance). The series is divided into bi-weekly periods to better model real-world decision making. Goldstein (1991) found that models that aggregated measures into larger periods (i.e., quarterly, yearly) yield less satisfying results than finer delineations such as weekly or monthly periods.

The events are aggregated into bi-weekly data for use in time series analysis. Foreign policy actions will be separated into events with the USA as the source and events with USA as the target. This allows the model to account for possible stimuli from the international political system. This database has been used in numerous studies (see Wood & Peake 1998; Goldstein & Pevehouse 1997; Edwards & Wood 1999; and Pevehouse & Goldstein 1999)

Economic Data

The influence of the economy on foreign policy and presidential approval is examined by looking at both objective and cognitive factors. Objective indicators of the economy, including unemployment and inflation statistics, are obtained from the Bureau of Labor Statistics at the U.S. Department of Labor. Additionally, consumer expectations concerning the economy is measured by using data from the Index of Consumer Sentiment (University of Michigan Survey Research Center).

APPENDIX B

KEDS PROJECT MODIFIED WEIS EVENT CODES WITH GOLDSTEIN SCALE VALUES

Code	Meaning	Goldstein Weight
223	MILITARY ENGAGEMENT	-10
211	SEIZE POSSESSION	-9.2
212	ARREST PERSON	-9
220	FORCE	-9
225	ASSASSINATE TORTURE	-9
222	NONMILITARY DESTR	-8.7
221	NONINJURY DESTR	-8.3
226	COUP ATTEMPTED	-8
182	MILITARY DEMO	-7.6
173	SPECIF THREAT	-7
195	BREAK DIPL RELAT	-7
224	RIOT VIOLENT CLASH	-7
174	ULTIMATUM	-6.9
170	THREATEN	-6
180	DEMONSTRATE	-6
196	STRIKE	-6
172	NONMIL THREAT	-5.8
193	CUT AID	-5.6
181	NONMIL DEMO	-5.2
113	DEFY LAW	-5
152	CLAIM RIGHTS	-5
197	CENSOR	-5
200	EXPEL	-5
201	EXPEL PERSONNEL	-5
203	BAN ORGANIZATION	-5
204	EXPEL FROM GOVT	-5
210	SEIZE FINE	-5
214	SPY	-5
150	DEMAND	-4.9
202	EXPEL GROUP	-4.9
171	UNSPECIFIED THREAT	-4.4
192	CUT ROUTINE ACT	-4.1
110	REJECT	-4
111	TURN DOWN	-4
112	REFUSE	-4
151	ISSUE COMMAND	-4
190	REDUCE RELATIONS	-4
198	WITHDRAW FROM	-4
194	HALT NEGOTIATION	-3.8
122	DENIGRATE DENOUNCE	-3.4
160	WARN	-3
161	WARN POLICIES	-3
162	WARN OF PROBLEM	-3
213	KIDNAP SENTENCE JAIL	-2.5
132	FORMAL PROTEST	-2.4
121	CRITICIZE	-2.2
191	CANCEL EVENT	-2.2
114	ALTER RULES	-2
120	ACCUSE	-2
130	PROTEST	-1.9
131	MAKE COMPLAINT	-1.9
63	GRANT ASYLUM	-1.1
123	INVESTIGATE	-1
133	SYMBOLIC ACT	-1
140	DENY	-1

Code	Meaning	Goldstein Weight
141	DENY ACCUSATION	-0.9
22	PESSIMIST COMMENT	-0.4
96	REQUEST POLICY CHANGE	-0.3
97	REQUEST RIGHTS	-0.3
23	NEUTRAL COMMENT	-0.2
21	DECLINE COMMENT	-0.1
94	CALL FOR	-0.1
102	URGE	-0.1
20	COMMENT	0
25	EXPLAIN POSITION	0
91	ASK INFORMATION	0.1
24	OPTIMIST COMMENT	0.4
100	PROPOSE	0.5
11	SURRENDER	0.6
2	RETREAT	0.6
10	YIELD	1
30	CONSULT	1
31	MEET	1
34	VOTE ELECT	1
95	PLEAD	1.2
101	OFFER PROPOSAL	1.5
61	APOLOGIZE	1.8
32	VISIT	1.9
66	RELEASE	1.9
13	RETRACT	2
60	GRANT	2
62	STATE INVITATION	2.5
33	RECEIVE	2.8
54	ASSURE	2.8
65	TRUCE	2.9
14	ACCOMODATE CEASEFIRE	3
82	AGREE FUTURE ACT	3
90	REQUEST	3
41	PRAISE	3.4
92	ASK POLICY AID	3.4
93	ASK MATERIAL AID	3.4
40	APPROVE	3.5
67	APPOINT	3.5
42	ENDORSE	3.6
43	RALLY	3.8
50	PROMISE	4
51	PROMISE POLICY SUPPORT	4.5
53	PROMISE OTHER SUPPORT	4.5
55	PROMISE RIGHTS	4.5
15	CEDE POWER	5
52	PROMISE MAT'L SUPPORT	5.2
64	GRANT PRIVILEGE	5.4
80	AGREE	6
83	ALLY	6
73	GIVE OTHER ASSIST	6.5
81	MAKE AGREEMENT	6.5
70	REWARD	7
71	EXTEND ECON AID	7.4
72	EXTEND MIL AID	8.3
84	MERGE INTEGRATE	10

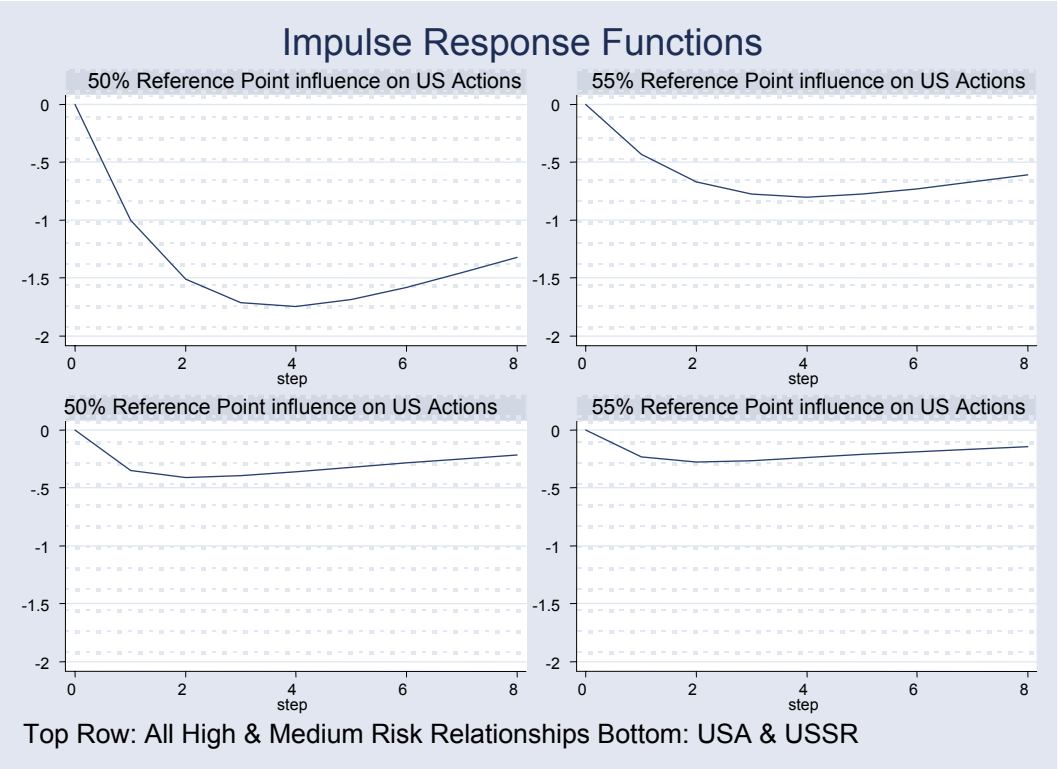
APPENDIX C

Comparison of Results of Differenced versus Not Differenced Unemployment Granger Tests for Influence on US Foreign Policy Actions

Dependent Variable	Coefficient Block	Reference Point 50%	
		Not Differenced	Differenced
All High and Medium Risk Relationships			
USA Foreign Policy Actions			
	USA Actions	0.000	0.004
	International Actions	0.044	0.008
	Unemployment	0.002	0.474
	Job Approval Reference Point	0.001	0.035
	Number of observations	624	624
	AIC	18.97	19.04
US and USSR Relationship			
USA Foreign Policy Actions			
	USA Actions	0.000	0.000
	International Actions	0.130	0.028
	Unemployment	0.020	0.474
	Job Approval Reference Point	0.031	0.191
	Number of observations	624	624
	AIC	16.49	16.57
High/Medium Risk Relationships (No USSR			
USA Foreign Policy Actions			
	USA Actions	0.000	0.000
	International Actions	0.010	0.008
	Unemployment	0.073	0.485
	Job Approval Reference Point	0.004	0.017
	Number of observations	624	624
	AIC	18.40	18.43

Note: The numbers in the tables are Chi-squared statistics; p values in parentheses.

APPENDIX D


Impulse Response Functions
50% Reference Point influence on US Actions
55% Reference Point influence on US Actions
50% Reference Point influence on US Actions
55% Reference Point influence on US Actions
0
-.5
-1
-1.5
-2
0
2
4
6
8
step
Top Row: All High & Medium Risk Relationships Bottom: USA & USSR

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