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How do political leaders make foreign policy decisions? What are the primary influences on those decisions? Do political leaders simply respond to threats and opportunities in the external environment in order to advance the national interests of the state? Or are they influenced by factors internal to the state? How important is public opinion? Do leaders formulate foreign policy with an eye on how that policy will affect his or her domestic political support? To what extent do internal bureaucratic interests and rivalries influence political leaders’ decisions or the information upon which they base their decisions? How important is a state’s political culture or national identity in shaping its foreign policy decisions? Finally, does it matter who those decision-makers are? How important are political leaders’ belief systems, personalities, emotional make-up, political socialization, information-processing tendencies, leadership styles, willingness to take risks, time horizons, and other individual characteristics?

We can ask these questions about any political decision, but in this chapter we focus primarily on decision-making in foreign policy. Scholars generally agree that in most political systems, and certainly democratic political systems, political leaders have more freedom of action in the conduct of foreign policy—and especially in foreign policy dealing with national security issues—than in the conduct of domestic policy. For this reason, we should expect to find political psychology playing a greater role in decision-making on foreign policy than on domestic policy. We begin by putting our discussion of the psychology of foreign policy decision-making into the broader context of foreign policy analysis. We briefly summarize the “levels-of-analysis framework,” which is commonly used by international relations scholars to categorize the large number of different causal factors influencing the foreign policy decisions of states. Focusing on the individual level of analysis, we then turn to how leaders perceive the world and make their decisions. After outlining the “rational actor” model of judgment and decision-making, we turn to systematic deviations from rational decision-making. We examine common biases in the processing of information and departures from rational cost-benefit calculations in decision-making, with illustrations from historical examples.
THE LEVELS-OF-ANALYSIS FRAMEWORK

The levels-of-analysis framework (Waltz, 1959) aimed to categorize different causes of war, but has subsequently been used as a general framework for categorizing the various causal factors influencing the making of state foreign policies. Scholars offer different conceptions of the number and nature of the levels, but the following characterization is fairly standard. The system level refers to the international system. It includes the “anarchic” structure of the international system (defined as the absence of a central authority to regulate disputes and enforce agreements); the number of major powers in the system and distribution of military and economic power among them; patterns of alliances; the structure of the global economy; and other factors common to the external environments of all states, including the nature of international institutions, international norms, and transnational ideologies or cultures.

The nation-state level of analysis includes causal variables internal to the state and associated with the government and with society—which leads some analysts to suggest distinct governmental and societal levels of analysis. The governmental level includes variables like regime type, reflecting the hypotheses that democracies behave differently compared to autocracies, and that parliamentary democracies and presidential democracies also behave in different ways. The governmental level also includes internal conflicts between rival bureaucratic agencies (interservice rivalries, for example) and the standard operating procedures of organizations. The societal level includes the structure of a state’s economic system, the influence of private groups (economic, ethnic, environmental, etc.), the role of public opinion, and political culture, ideology, and religion.

The individual level of analysis consists of two sets of factors relating to elite decision-makers. One includes characteristics shared by all people, such as “human nature” and common tendencies and psychological biases. The second includes individual traits that vary across individuals. The latter include belief systems and world views, personalities, emotions, political socialization experiences, lessons learned from history, leadership style, patterns of information processing, gender differences, willingness to take risks, time horizons, and related variables.

The levels-of-analysis framework raises the key question of the relative causal impact of variables from different levels of analysis on foreign policy, and also on the interaction effects between variables at different levels. It is relevant for explaining particular historical outcomes and more general patterns of decision-making by most states at most times. The questions asked
in the opening paragraph of this chapter were basically driven by an implicit levels-of-analysis framework. It is important to note that many prominent theories of international relations give relatively little causal weight to individual-level psychological variables. Individuals play no significant causal role in realist balance of power theory, which posits that state foreign policies and international outcomes are determined primarily by the distribution of power between states; in democratic peace theory, which posits that democracies rarely if ever go to war with each other; in Marxist–Leninist theories, which focus on the economic structure of capitalist states and the role of private economic interests; or in national-level theories that suggest that political leaders subordinate everything to the maximization of their ability to gain and maintain positions of political power. Each of these general theoretical arguments suggest that given the national, class, or individual political interests at stake, most political leaders basically behave the same way.

When we look at a number of specific historical events, however, it appears that political leaders played an important causal role. How could we explain Russian foreign (or domestic) policy in the early twenty-first century without giving attention to the beliefs and idiosyncrasies of Vladimir Putin, Soviet policy in the 1930s and 1940s without Joseph Stalin, the outbreak of the Second World War and the Holocaust without Adolf Hitler, or the communist revolution in China without Mao Zedong? Individual beliefs and psychology may have less of a causal impact in more decentralized democratic states, but they cannot be ignored. British policy in the 1930s probably would have been different had Winston Churchill rather than Neville Chamberlain been Prime Minister; and the United States probably would not have gone to war with Iraq in 2003 if George W. Bush had not been US President. Many individual-level arguments take this form: if another leader had been in power, the outcome would have been different.

It is not often easy to assess the causal weight of individual political leaders in a particular historical episode, much less make a more general theoretical evaluation of their role in most states at most times. If structural pressures from the environment or domestic political pressures are strong, then most leaders might very well make the same decision. When those pressures are weaker or uncertain, however, the belief systems, personalities, and biases of individual political leaders might make more of a difference. When there was uncertainty about Hitler's intentions in 1937 and 1938, the fact that Chamberlain was prime minister made a difference in the British foreign policy response. As the German threat became clear after the "Prague coup" of March 1939 and especially after the German invasion of Poland that September, any British leader probably would have decided to intervene to stop German military expansion, in which case we could not attribute much causal weight to individual leaders. During the July 1914 crisis, British Foreign Secretary Edward Grey wanted to give a clear warning to German leaders that Britain would
intervene against Germany if it invaded France. The Cabinet and the public were divided, however, and Grey could not implement his preferred policy until after the war had started. This was consequential. Some argue that a timely warning from Britain would have deterred Germany, and the First World War might have been avoided (Fischer, 1967), though others dissent from this view (Copeland, 2014).

The fact that Grey was politically constrained from implementing his preferred policies in 1914 illustrates something else: psychological explanations of state foreign policies are logically incomplete. The impact of a leader's preferences, and of the beliefs and individual characteristics that generate those preferences are a function of the political context and decision-making process. As the social psychologist Herbert Kelman (1965, pp. 5–7) argued,

... it makes little sense to speak of a psychological theory of war or of international relations. There cannot be a psychological theory that is complete and self-contained .... There can only be a general theory of international relations in which psychological factors play a part.

This does not mean that individual-level factors are of secondary importance in any particular historical episode, only that it is necessary to include other factors to make the explanation complete.

With these preliminary conceptual considerations in place, we turn to more substantive theories of decision-making. Given that psychological models of decision-making are often viewed as deviations from a rational benchmark, we begin with the rational model of judgment and decision-making, which is regarded as a normative standard for good decision-making.

THE RATIONAL MODEL OF JUDGMENT AND DECISION-MAKING

Rationality is defined in different ways, but most social scientists conceive of rationality as instrumental rationality, in terms of means-ends calculations. Given an actor's goals, do they act to maximize those goals given existing constraints? Scholars disagree on exactly what a rational decision-making process looks like, but the following characterization is representative (March, 1994, Chapter 1; Levy & Thompson, 2010, pp. 130–133). If rationality involves maximization of goals given constraints, the first step is to identify one's goals. Actors usually have more than one goal, these goals often come into conflict, and actors often need to make tradeoffs between these goals (for example, between preserving the state's vital interests in a crisis while simultaneously avoiding a costly
war). This requires that actors prioritize among their goals, so that they know how much of one to risk or sacrifice in order to achieve the other.

A second component of a rational decision-making process is to specify the set of available strategies (policies), or combination of strategies, to advance those goals. Integral to this component is the estimation of the consequences of each of the alternatives, to enable decision-makers to weigh the costs and benefits of each strategy. This is a complex and difficult task, because the consequences of each strategy are shaped not only by one's own actions but also by the responses of the adversary, one's allies, and other actors. Those responses are highly uncertain, given the well-known difficulties of assessing the intentions of the adversary (Jervis, 1976). Thus the estimation of the consequences of one's actions has to be strategic and probabilistic—strategic in the sense that it incorporates the likely responses of others, and probabilistic in that it incorporates uncertainty.

The information to make these calculations with complete confidence is rarely available, even after an information search, which is another necessary sub-component of rational decision-making. Uncertainty is pervasive, especially in international relations, where there is no higher authority to enforce agreements and where states have incentives to conceal information and to bluff about their resolve. The existence of uncertainty, or incomplete information, does not preclude rationality, as there are more and less rational ways of responding to uncertainty. One key component of the rational evaluation of information involves learning—using information about another's past behavior to estimate its likely future behavior. We usually have some sense of what kind of actor the adversary is (hawk or dove, for example) and what his intentions probably are, and we can observe how an actor behaves. The question is how much weight to give to prior estimates ("priors") and how much weight to give to new information in the process of "updating" our beliefs about the adversary. The proper balance is specified by a mathematical formula developed by the statistician Thomas Bayes. Bayesian updating of one's beliefs based on this formula provides a model of rational learning, another key element of a rational decision process.

After decision-makers have defined their goals and prioritized among them, identified possible strategies for achieving those goals, assessed the consequences of each of those strategies, they need to reach a decision. Rational decision-making under conditions of uncertainty follows an expected utility decision rule. For each of their possible strategies, the decision-maker needs to assess the "expected utility" of that strategy, defined as the weighted sum of the utility (net benefits minus costs) of each possible outcome and its probability of occurrence. (There is also a risk component, but I leave that aside). The actor then selects the strategy with the greatest expected utility. It is important to note that rationality is linked to a particular actor or decision-maker. What is rational for an individual decision-maker is not necessarily rational for her organization.
or state. If a political leader puts her political interests of getting re-elected before the national interests of the state—and remember that rationality refers to the selection of a strategy to maximize one's goals, not to the goals themselves—then a foreign policy that maximizes the leader's domestic interests may be rational for the leader but not for the state. The "diversionary theory of war," for example, suggests that under some conditions a leader may go to war for the primary purpose of bolstering her domestic political support, even though the national interest might not call for war (Levy & Thompson, 2010). Many regard Argentina's 1982 invasion of the Falklands Islands, which led to war with Britain, as motivated by the diversionary ambitions of its political leaders. In the rest of this chapter we focus primarily on psychological models of departures from individual-level rationality.

PSYCHOLOGICAL MODELS OF INFORMATION PROCESSING

Psychological models of judgment and decision-making emerged in a response to dissatisfaction with the concept of a "rational economic man" who perceives the world accurately and who carefully makes the calculations necessary to maximize his utility. One of the most systematic critics of economic rationality was Herbert Simon, whose work won him a Nobel Prize in economics. Simon (1955) argued that people are limited in their cognitive capacities to process information and attain full economic rationality in a complex and uncertain world. People try to behave rationally and maximize their interests, but they do so with simplified mental representations of reality. Their behavior is best described as "bounded rationality." In an attempt to impose some degree of conceptual order on the world, people tend to adopt a number of cognitive shortcuts or "heuristics." These heuristics help people cope effectively with a wide variety of situations, but they also generate some significant cognitive distortions and departures from a value-maximizing rationality.

These mentioned biases in information processing are generally referred to as "cognitive biases," which are unconscious and "hardwired" into the brain. They exist independently of the human emotions and motivations, and for that reason are often described as "unmotivated." A different set of biases emerges from peoples' motivations and emotions. They are driven by an unconscious tendency to process information in a way that advances a goal or interest (state, organizational, or individual) or that fulfills emotional needs and desires, such as avoiding guilt and enhancing self-esteem (Janis & Mann, 1977; Kunda, 1990). Cognitive biases and motivated biases often lead to some of the same behavioral patterns, and are sometimes difficult to distinguish empirically. Moreover,
psychologists have demonstrated that people cannot behave rationally in the absence of emotions altogether (Damasio, 1994). Nevertheless, it is still useful to analyze these biases separately. We first examine cognitive biases in information processing, and then turn to motivated biases. These biases can be quite consequential in a wide range of foreign policy judgments and decisions. By generating misperceptions of both the intentions and capabilities of adversaries, and of potential enemies and allies as well, they can contribute in important ways to unwanted wars and other negative foreign policy outcomes (Jervis, 1976; Levy, 1983).

**COGNITIVE BIASES**

One of the most basic cognitive biases is the tendency for preexisting cognitive mind sets or worldviews to have a disproportionate impact on the way people perceive the world. Although one could not make sense of the world and the enormous amount of information to which one is constantly exposed in the absence of some elemental worldview, the problem is that those preconceptions tend to serve as cognitive blinders, leaving people more sensitive to some kinds of information rather than to other kinds of information. This cognitive tendency is reinforced by the human need for cognitive consistency among the different elements of a belief system. The result is the **selective attention** to information. Instead of giving equal weight to all information, people tend to focus on the information that is consistent with their prior beliefs, and to dismiss information deviating from their prior beliefs. They tend to see what they expect to see.

One consequence is the "**perseverance of beliefs**," past the point at which the evidence might dictate abandoning or modifying those beliefs. This pattern is reinforced by a tendency to engage in "**premature cognitive closure**." Instead of following the rational ideal of engaging in a complete search for information, people tend to stop their information search after their selective attention to information generates enough information to reinforce their existing views. These tendencies are nicely captured by a particular cognitive heuristic, the "**anchoring and adjustment**" heuristic, in which one's preexisting mind sets or "priors" serve as a cognitive anchor and in which updating is slow and inefficient (Tversky & Kahneman, 1974). Instead of engaging in rational Bayesian updating when processing information, people give their prior probability assessments too much weight and new information too little weight.

A good example of the impact of preexisting beliefs on the perception of threat in international relations is the Israeli intelligence failure that culminated in the 1973 Arab–Israeli War. Israeli intelligence analysts and political leaders had developed an implicit theory that predicted the conditions under which
Egypt and other Arab states might launch a war against Israel. This theory, known as the “Conception,” predicted that a necessary condition for an Egypt attack was the ability of the Egyptian air force to acquire a capability for control of the air, which would enable deep strikes into Israel and permit destruction of Israeli air fields. Although Israeli intelligence observed high levels of Egyptian military activity prior to the war, the belief that Egypt had not achieved either control of the air or a capability for crossing the Suez Canal led Israeli analysts to interpret Egyptian military actions as routine military maneuvers. A leading interpretation of Israel’s intelligence failure emphasizes the blinders imposed by the cognitive mind sets associated with the “Conception” (Agranat Commission, 1974).

Many analysts make a similar argument about the role of cognitive rigidity in the US failure to anticipate the September 11 2001 terrorist attacks. Although institutional factors such as poor coordination between different intelligence agencies played an important role, many analysts argue that the US intelligence failure was primarily a conceptual failure, driven by the cognitive straitjacket imposed by preexisting mindsets. As the National Commission on Terrorist Attacks Upon the United States (2004, p. 9) stated, “The most important failure was one of imagination.”

In these cases of intelligence failure, intelligence officials and political leaders were insufficiently attentive to new information that might have alerted them to an impending attack. Under different conditions, the same selective attention to information can lead to the opposite perceptual error. In a longstanding rivalry between states, it is common for each to develop an image of the other as implacably hostile. If one side makes conciliatory gestures in an attempt to signal its willingness to de-escalate tensions and reach some cooperative agreement, the first reaction of the other is often to misinterpret or discount those conciliatory gestures because they are not consistent with their hardline image of the adversary. This does not mean that beliefs do not change in response to incoming information, only that beliefs change more slowly than warranted by the evidence.

If prior beliefs serve as a perceptual lens through which new information is perceived and evaluated, the question that naturally arises is what determines these prior beliefs. This is hard to answer, given the multiple sources of beliefs, beginning with political socialization, political culture, and other factors. In international relations, to some extent beliefs are induced by the nature of the international system. The combination of anarchy and a fundamental uncertainty about the intentions of others generates a tendency toward “worst-case analysis.” This tendency is not universal, but it is common, especially among the leading states in most historical systems, including regional systems, though the European Union serves as a clear exception. The structurally induced tendency toward worst-case analysis is reinforced by a common psychological tendency emphasized by attribution theory (Kelley, 1967), which
deals with the question of how people explain the behavior of others. The theory distinguishes between dispositional factors relating to the other's intentions or character, and situational factors relating to outside influences. (It is worth noting that this distinction parallels the levels-of-analysis framework described earlier.) There is overwhelming evidence that individuals tend to interpret others' behavior, particularly behavior that they regard as undesirable, as the result of dispositional factors rather than situational factors. If an adversary state adopts a hardline foreign policy, we tend to assume that the policy reflects the adversary's hostile intentions or evil nature, rather than interpreting it as a defensive response to a hostile environment or perhaps to our own threats. We explain away our own hardline policies, however, by arguing that we had no choice, given the threats that we face. The tendency to interpret others' behavior in dispositional terms is known as the "fundamental attribution theorem." The tendency to interpret our own behavior differently, in situational terms, is known as the "actor-observer discrepancy." The combination of the two contributes to the escalation of international conflicts. Each perceives that the other's behavior reflects hostile intentions, not defensive precautions. In addition, the fact that each sees its own actions as defensively motivated, and assumes that the adversary understands those motivations, further reinforces beliefs about the adversary's hostility. The assumption is that only someone with hostile intentions could respond aggressively when they know that we pose no threat. These tendencies increase the likelihood of mutually reinforcing negative feedback and of an escalating conflict spiral. Examples include the US–Soviet rivalry during the Cold War and the ongoing Israeli–Palestinian relationship.

Another source of political leaders' prior beliefs—both about the adversary's intentions and about causal relationships in international politics—is history, and more particularly the lessons political leaders learn from history. In part due to the absence of good theories that provide reliable predictions as to how the adversary is likely to behave and what the consequences of certain policies are likely to be, political leaders often rely on historical analogies or "lessons of the past." The "Munich analogy," and its assumed lesson that appeasement never works, has been extremely influential in US foreign policy for over a half century. It influenced US decision-making in the Korean War, the Vietnam War, and the 1990–1991 Persian Gulf War (Khong, 1992). A competing analogy, for the United States since the 1970s, is the "Vietnam analogy," which suggests that US interventions abroad entail a significant risk of ending in a quagmire.

The analogical reasoning upon which learning from history is based is related to another cognitive heuristic, the "availability" heuristic (Tversky & Kahneman, 1974). Evidence suggests that judgments of probability are disproportionately shaped by events that are familiar, salient, and that come easily to mind, not by more general patterns validated by statistical evidence. People have a tendency to learn from events that have a major impact on
themselves or their country, that have occurred fairly recently, and that people observe firsthand and at a formative period in their lives. This suggests that, on average, US political leaders who experienced the Second World War directly (the first President Bush, for example) were likely to be influenced by the Munich analogy, while those who came to age during the Vietnam War (Bill Clinton, for example) were more likely to be influenced by the Vietnam analogy. Within these general tendencies, of course, are many individual variations.

The problem is that relying on such politically and personally salient events generates quite misleading lessons from history. Among other things, people tend to ignore the context within which those events occurred, and to draw universal lessons rather than conditional lessons. As Jervis (1976, p. 228) argued,

People pay more attention to what has happened than to why it has happened. Thus learning is superficial, overgeneralized … Lessons learned will be applied to a wide variety of situations without a careful effort to determine whether the cases are similar on crucial dimensions.

In addition, the most salient events do not necessarily provide the best predictor of the future, as implied by the saying that “generals are always fighting the last war.” In the period leading up to 1914 generals developed offensive war plans, based in part on the lessons they learned from the last big war in Europe, the Franco-Prussian War of 1870–1871, which was a war of movement. They ignored the lessons of a distant war in Asia that concerned others, not themselves—the Russo-Japanese War of 1904–1905, which demonstrated the contribution of trenches and machine guns to the power of the defensive. The generals of 1914 got it wrong, as the expected war of movement in 1914 soon turned out to be static trench warfare, at least on the western front.

One also needs to be careful when interpreting behavior in which lessons from history are invoked. US President George H. W. Bush (with strong encouragement from British Prime Minister Margaret Thatcher) responded to the Iraqi invasion in 1990 by sending large numbers of American troops to Saudi Arabia, at first to contain Iraq and then to forcefully expel Iraqi troops from Kuwait. He explained his policy in part by arguing that the situation was just like Munich in 1938, and that it was necessary to confront aggressive dictators when they stepped over the line. Did this represent genuine learning from history, in which historical lessons causally influence current policy? Or did Bush invoke the Munich analogy to rationalize and justify a war that he had already decided was necessary on other grounds? In this rhetorical or strategic use of history, the causal arrow is reversed, with policy preferences influencing the selection of historical lessons, not the other way around (Levy, 1994). It is worth noting that critics of American intervention in 1990–1991 invoked the Vietnam analogy about the dangers of getting sucked into a quagmire.
Did they really believe that the desert sands of the Middle East were like the jungles of Vietnam, or was the Vietnam analogy a convenient rationalization to support their opposition to the Bush Administration’s policies?

**MOTIVATED BIASES**

In contrast to cognitive biases, which are hardwired into the way the brain works and which exist independently of emotions and interests, motivated biases are influenced by peoples’ psychological needs, fears, guilt, and desires, and also by their interests or policy goals (Janis & Mann, 1977; Kunda, 1990). Information that runs contrary to peoples’ goals makes them feel emotionally uncomfortable. This generates the same selective attention to information that is generated by cognitive biases, though the psychological mechanism is different. Instead of seeing what they expect to see based on their implicit theories of the world, people see what they want to see—information that provides a convenient rationalization for their underlying political interests and that minimizes their emotional discomfort. Motivated reasoning and the resulting wishful thinking is particularly likely to emerge in decisions that involve high stakes and important value tradeoffs. Rather than recognize that two prized values are in conflict in a particular situation, people tend to deny the need to make tradeoffs between values (George, 1980). The emotional stress present in acute international crises, in which circumstances present substantial threats to vital national interests and which create difficult life and death decisions, also cloud the judgments of political leaders (Holsti & George, 1975).

It is important to emphasize that one consequence of motivated reasoning is that people’s assessments of the desirability of various outcomes unconsciously influence their perceptions of the probabilities of those outcomes. They perceive desirable outcomes as more likely to occur and undesirable outcomes as less likely, relative to an objective assessment based on the evidence. If the success of a particular strategy is seen as necessary for highly valued goals to be attained, wishful thinking can lead to an exaggeration of the probability of success of that strategy. This tendency for the desirability of outcomes to influence the subjective probabilities people attach to those outcomes directly violates a fundamental assumption of rational decision theory—that assessments of the probability of an outcome are independent of the utility of that outcome.

In retrospect, we know that British Prime Minister Neville Chamberlain and many of his key advisors significantly underestimated the hostile intentions of German Chancellor Adolf Hitler. A standard interpretation of Chamberlain’s judgments about Hitler holds that Chamberlain engaged in wishful thinking. He unconsciously allowed his abhorrence of war and fear of the devastating
consequences of war—influenced in part by his images of the horrors of the First World War—to distort his judgment of the likelihood that appeasement would work to satisfy Hitler and avoid a Second World War. Chamberlain’s motivated reasoning reinforced his existing policy preferences and distorted British policy. This argument is criticized by some, who argue that Chamberlain was well aware of the risks of war but concluded that he had no choice. Given temporary German military advantages and the expected reversal of the balance of power within a few years, Chamberlain pursued appeasement as a strategy for buying time until Britain was militarily capable of confronting Nazi Germany (Ripsman & Levy, 2008).

Motivated biases, just like cognitive biases, can have the opposite effect on perceptions of adversary intentions, and induce leaders to exaggerate external threats (Stein, 2013). Consider the 2003 Iraq War. Both US President George W. Bush and British Prime Minister Tony Blair defended their policy of an invasion of Iraq by emphasizing the dangers posed by Iraq’s nuclear weapons program. We know in retrospect that the Iraqi nuclear program had been discontinued several years before. How do we explain the misguided assumption of an ongoing Iraqi WMD (Weapons of Mass Destruction) program? Part of the explanation derives from the inherent uncertainty of international politics, along with the deliberate strategic deception of Iraqi President Saddam Hussein. In order to deter Iranian adventurism, and concerned about leaks of information, Saddam deceived even his own generals into believing that Iraq had a nuclear weapons program.

In addition to this strategic deception argument, scholars have offered psychological explanations for the erroneous American assumption that Iraq had an ongoing nuclear weapons program. One interpretation focuses on the cognitive biases of US intelligence analysts (Jervis, 2010, Chapter 3). It argues that evidence emerging after the 1990–1991 Iraq War demonstrating that Iraq had been much closer to achieving a nuclear capability than US intelligence had anticipated led analysts to lean over backward not to make the same mistake again. As a result, they were predisposed to make the opposite erroneous judgment. Another interpretation focuses on motivated rather than cognitive biases. It suggests that after the September 11 terrorist attacks on the United States, US President George W. Bush wanted to go to war with Iraq. The existence of an Iraqi nuclear weapons program would make it easier to justify the war, both to himself and to the American public and for foreign audiences as well. Given these goals, unconscious motivated reasoning led him to assume the existence of that program, to facilitate his policy objectives.

Closely related to the motivated bias explanation are two others, each of which is fundamentally rationalist in orientation. One is that Bush understood that Iraq did not have a nuclear program but deliberately deceived the American public by invoking that program. A related argument is that in addition, the Bush White House put pressure on US intelligence agencies to produce intelligence
that would support his argument about an Iraqi nuclear capability. That is, the "politicization of intelligence" was designed in order to help win public support for the war that the president wanted (Rovner, 2011). Each of these scenarios deviates from a rational state actor model, in which the best intelligence available shapes policy. Here, the causal arrow is reversed, with policy shaping intelligence, either through the psychological mechanism of motivated biases, or through the political mechanism of the politicization of intelligence.

PSYCHOLOGICAL MODELS OF CHOICE

The last section focused on psychological sources of errors in judgment. These errors distort the information that serves as key parameters entering into the calculations of decision-makers when they make choices in foreign policy and other issue areas. Even in the absence of such distortions, however, decision-making can deviate from the normative ideal for a rational decision-making process. As noted earlier, that ideal is defined by the expected utility decision rule, in which an actor selects the strategy with the highest expected utility, where the sum of the utility of each possible outcome is weighted by its expected probability.

One way in which decision-making sometimes departs from the rational ideal was emphasized by Simon (1957) in his early critique of rational choice models. Simon argued that people do not actually go through the complex and time-consuming calculations required by the expected utility rule. Instead of considering all possible options and selecting the one that maximized their expected utility, they implicitly adopt a simpler decision rule. They define a "target" or "aspiration" level of value that must be satisfied. They then examine alternative strategies or options sequentially, beginning with relatively simple ones, and estimate if each option is likely to generate consequences that exceed their aspiration level. If it does not, they move on to the next option. When they reach an option that satisfies their aspiration level, they end their search and select that option. They are willing to accept the first option that is good enough, as defined by their aspiration level, rather than to extend their consideration of additional options in an attempt to maximize their expected utility. This is known as a satisfying decision rule.

The concept of a target level has been incorporated into the "poliheuristic" theory of decision-making (Mintz, 2004). The theory is based on a two-stage decision-making process. First, the decision-maker eliminates all strategies that are expected to lead to unacceptable outcomes on a particular dimension, as defined by the target level. In the next stage the decision-maker picks the strategy with the highest expected utility. In decision-making in foreign policy, the key dimension is domestic support for the leader. The argument is that political leaders reject any foreign policy strategy that might
significantly undermine their domestic political support. This is quite plausible. Note that in contrast to expected utility theory, in which an outcome that is highly beneficial for one policy dimension (military security, for example) can compensate for a bad outcome on another dimension (domestic support, for example), in poliheuristic theory no amount of benefits on another dimension can compensate for sub-target-level outcomes along the critical domestic political dimension. For this reason, poliheuristic theory is a "noncompensatory" theory of decision-making.

During the last half century or so, social psychologists have identified a number of other ways in which individual decision-making deviates from the predictions of expected utility theory. Many of these have been incorporated into prospect theory (Kahneman & Tversky, 1979), which is now regarded as the leading alternative to expected utility as a theory of choice under conditions of risk (where the probabilities of various options are known).

**PROSPECT THEORY**

The influence of prospect theory has extended beyond its origins in social psychology to many social science disciplines, including behavioral economics, behavioral finance, cognitive science, and consumer economics. In political science, prospect theory has been particularly influential in international relations (Levy, 1997; McDermott, 1998). In this section, I summarize the theory and the behavioral patterns on which it is based, and suggest some of its implications for foreign policy and international relations.

The most fundamental assumption of prospect theory is that people define value in terms of changes in assets, not in terms of net assets or wealth. The theory posits that people frame choice problems around a reference point, which is absent in expected utility theory, which focuses on net assets. The reference point is important because losses and gains from the reference point are not treated symmetrically. First, people overweight losses relative to comparable gains, a tendency known as loss aversion. For that reason they rarely accept symmetric gambles involving a 50% probability of winning $x$ and a 50% probability of losing $x$, because losing $x$ brings more pain than gaining $x$ brings pleasure. As the former tennis player Jimmy Connors once said, "I hate to lose more than I like to win."

A second aspect of asymmetry is that people overvalue the things they have relative to the things they do not have, which is known as the endowment effect. After people acquire an item, they hesitate to sell it for anything close to the price they paid for it. That is the disutility of giving up a possession exceeds the utility of acquiring it. Acquiring something and then losing it does necessarily leave you back where you started. As Daryl Hannah's character in
the movie Wall Street said, "... when you've had money and lost it, it's much worse than never having had it at all."

A third dimension of asymmetry with respect to the reference point is that people respond differently to risk in the "domain of losses" than they do in the "domain of gains." If people are faced with choices among gambles that lead to positive outcomes (relative to their reference point), they tend to be risk averse, or cautious. When they are faced with choices among gambles that lead to negative outcomes, they tend to take more risks. In one experimental choice problem, subjects given a choice between a $40 gain for certain and a 50/50 chance of getting nothing or $100 generally chose the sure thing of $40. However, given a choice between a certain $40 loss and a 50/50 chance of no losses and a $100 loss, most subjects prefer the gamble. Note that in each of these scenarios, subjects chose the option with the lower expected value, violating expected utility theory. Losses, particularly "dead" (certain) losses, are so painful that people take substantial risks to avoid them, even at the risk of incurring greater losses.

With value being defined in terms of gains and losses relative to a reference point, the location of the reference point is critical. So is the process through which people identify their reference points, though this may not be a conscious process. In terms of traditional utility theory, it makes no difference whether the glass is half full or half empty. In terms of prospect theory, however, it can make a significant difference. Studies of people facing decisions over medical treatments respond differently if they are told that a particular treatment has a 90% survival rate than if they are told it has a 10% mortality rate. Depending on the precise values and probabilities, changing the reference point can induce a "preference reversal" and a change in choice, even if the two scenarios are mathematically equivalent.

In most applications of prospect theory within political science, scholars focus on the effects of reference points and framing on peoples' choices rather than on how people identify their reference points in the first place. In most situations, especially static situations, people adopt the status quo as their reference point, though social comparisons may also affect reference points. (If I get a salary increase, but everybody else gets a more substantial salary increase, do I treat this as a gain or a loss?) In more dynamic situations, however, when the status quo is changing, people often adopt the previous status quo or perhaps an expectation level or aspiration level as their reference point. There is substantial evidence, for example, that people "renormalize" their reference points after making gains faster than they do after incurring losses. This tendency helps to explain why people go to such lengths to recover "sunk costs." Whereas standard microeconomic theory suggests that people should move beyond losses and think on the margin, prospect theory predicts that people have trouble ignoring losses. Instead, they tend to be willing to take substantial risks to recover those losses.

The basic principles of prospect theory have some interesting and perhaps quite plausible implications for state foreign policies and international interactions.
Different risk orientations in the domains of gains and losses lead to the prediction that political leaders will take more risks to maintain their international positions, territory, and reputations against potential losses than they will to improve their positions. For the same reason, domestic publics punish political leaders more for incurring losses than they reward them for making gains. In dynamic situations involving power shifts, leaders of declining states tend to frame their reference point around their current position. They see inaction as leading to certain losses, and consequently engage in risky behavior, such as preventive war, in an attempt to avoid those losses and maintain their current position. They do so despite the realization that their policies might generate even greater losses. A good example here is the decision by Japan, faced with a conflict of strategic interests and an unwinnable economic competition with the United States, to gamble on a preventive attack against the United States at Pearl Harbor in 1941. In addition, losses can generate a multiplier effect, as gamblers often learn. The tendency not to renormalize reference points after suffering losses makes sunk costs important, generates greater risk-taking, and contributes to gradual entrapment in escalating conflicts (Brockner & Rubin, 1985). Good illustrations include France in Algeria, the United States in Vietnam, and the Soviet Union in Afghanistan (Taliaferro, 2004).

Prospect theory also makes a number of predictions about patterns of strategic interaction between states in the international system. It predicts that coerced territorial conquest is potentially destabilizing because the winner will quickly renormalize its reference point around its new acquisition and take disproportionate risks to defend the new status quo against subsequent losses. The loser will not renormalize its reference point after suffering losses, but instead engage in risky behavior in an attempt to recover its losses. The risky behavior by both sides increases the probability of a subsequent conflict. Another line of argument relates to deterrence. It is often said that it is easier to deter an adversary from engaging in aggressive behavior than it is to compel the adversary to stop doing what it is doing or undo what it has already done (Schelling, 1966). Prospect theory offers an explanation of this phenomenon based on the asymmetry of losses and gains, but at the same time introduces a modification: deterring someone from making gains is easier than either deterring it from recovering losses or compelling it to accept losses.

**CONCLUSION**

Social-psychological studies have generated substantial evidence that people depart from rational models of information processing and decision-making. Mainstream economists remain highly skeptical, but a small and growing group of economists has initiated a new academic field of "behavioral
They aim to validate (or not) hypothesized deviations from rational choice, and incorporate their findings into new mathematical models of decision-making that relax some of the more stringent assumptions of expected utility theory. An overlapping but more interdisciplinary field of “judgment and decision-making” also emerged (Gilovich & Griffin, 2010). This line of research has had a tremendous impact on political science and other fields (Redlawsk & Lau, 2013). Rational models still dominate the academic study of international relations, but a growing number of scholars have begun to recognize that a complete understanding of foreign policy decision-making and international interactions requires incorporating common biases in information processing and distortions in cost-benefit calculations into their theories and historical interpretations.

**SUMMARY**

- In analyzing the foreign policy decision-making process of states, it is useful to distinguish among causal factors at the international system, nation-state, and individual levels.
- Social-psychological studies have generated substantial evidence to show that people depart from rational models of information processing and decision-making.
- Rational decision-making entails an analysis of competing goals, strategies to achieve those goals and the cost/benefits of each strategy.
- Cognitive biases such as selective attention, the perseverance of beliefs and premature cognitive closure can distort judgment.
- Motivated biases arising from interests, needs, fears, and desires may also distort the way people process information and make decisions.
- Prospect theory emphasizes that people give more weight to possible losses that to possible gains in their decision-making calculations, and that they often adopt highly risky policies in an attempt to avoid certain losses.

**GLOSSARY**

**anchoring and adjustment** is a heuristic or judgmental short-cut for intuitively assessing probabilities. People start with a familiar starting point (anchor) and then adjust or update their estimates and new information.
Bayesian updating reflects a rational model of belief updating involving an optimal balance between “prior” estimates and new information.

behavioral economics explores hypothesized deviations from rational choice, and incorporates findings into mathematical models of decision-making that relax some of the more stringent assumptions of rational expected utility theory.

bounded rationality suggests that individuals cannot be fully rational because of their own cognitive limitations, the complexity of decision problems, the limited information at their disposal, and time constraints.

cognitive consistency refers to the tendency for people to strive for consistency in the different elements of their belief system, to avoid the psychological discomfort of holding contradictory beliefs.

cognitive heuristics are simple rules of thumb or shortcuts for assessing probabilities, making decisions, and solving problems, especially for complex problems for which there is incomplete information.

diversionary theory of war posits that political leaders sometimes resort to military force against an external adversary for the primary purpose of bolstering their domestic political support. They normally do this by creating a “rally ‘round the flag” effect.

endowment effect refers to the psychological tendency for people to value what they have more than equivalent things they do not have.

expected utility is a statistical calculation. The expected utility of a strategy or option is the sum, over all possible outcomes, of the value or utility of that outcome weighted by its expected probability. Expected utility theory posits decision-makers select the option with the highest expected utility.

fundamental attribution theorem (traditionally known as the fundamental attribution error) refers to the tendency to attribute observable behavior to the disposition of the individual rather than to social circumstances.

judgment and decision-making is an interdisciplinary field of study focusing on descriptive and normative theories of how people form judgments and make decisions.

levels-of-analysis framework is used by many international relations theorists to classify the different causes of foreign policy behavior.

loss aversion is the common tendency to overvalue losses relative to comparable gains.

perseverance of beliefs is the tendency for people to cling to their beliefs even after a substantial amount of incoming information has contradicted those beliefs.

polieuristic theory posits a two-stage process of decision-making. The decision-maker first eliminates all strategies that can lead to an unacceptable outcome on a particular highly valued dimension, and then selects from remaining strategies the one with the highest expected utility.

politicization of intelligence refers to the significant alteration of intelligence reports in response to pressure from higher political authorities for intelligence that supports their policies.
premature cognitive closure refers to the tendency for people to end their information search and reach conclusions before they have considered a sufficient amount of information.

prospect theory is a theory of decision-making under conditions of risk. It posits that people evaluate possible outcomes with respect to a reference point, overvalue losses relative to comparable gains, and engage in risk-averse decision-making when confronted with choices among possible gains, but risk acceptant decision-making when confronted with choices among possible losses.

rational actor model of judgment and decision-making involves specifying goals, identifying alternative strategies to achieve these goals, estimating the net costs and benefits of each strategy, and making a value-maximizing choice.

satisficing decision rule is a cognitive heuristic that involves specifying a threshold for a “good enough” outcome, searching through possible alternatives and then selecting the first alternative that satisfies that threshold.

selective attention refers to the tendency to select pieces of information—and particularly information that is consistent with one’s belief system—from the overwhelming amount of available data.

FURTHER READING


QUESTIONS FOR GROUP DISCUSSION

• In the making of foreign policy, are political leaders influenced more by constraints and opportunities in states’ external environments, by domestic political pressures, or by their own belief systems and world views?

• In what specific ways can the making of foreign policy deviate from a rational decision-making process?

• Are people truly cognitively consistent or are they a set of walking contradictions? Is there a general tendency to think in one way or another?

• How do peoples’ policy preferences influence the way they perceive the world?