Diversionary Foreign Policy in Democratic Systems

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This article examines how reelection incentives influence foreign policy decision making in democratic states. A formal model characterizes how future electoral prospects affect a government's decision to undertake adventurous foreign policies. When governments are assured of reelection, they make unbiased decisions considering only international factors. Decision making is similarly unbiased when governments have no prospects of reelection. When the voters' evaluation of foreign policy outcomes could have an effect on election results then governments are biased towards violent, adventurous foreign policy projects. Institutional constraints are shown to reduce the magnitude of these biases. The bias in foreign policy decisions at the end of the electoral cycle influences decision making in other countries. As a nation approaches the end of its electoral cycle other nations are more conciliatory and less confrontational towards it. With endogenous crisis formation, the model provides an explanation for the empirical phenomenon that democracies are more likely to become involved in war early in their electoral term.

In democratic states voters have the power to remove unsatisfactory governments. According to traditional democratic theory, a government should enact those policies that are in the best interest of the nation (Dahl, 1989). Unfortunately, under certain circumstances, the mechanism of elections causes the government to behave against the national interest when forming policy. These circumstances arise when the policies that maximize the government's chance of reelection are different from those that maximize the nation's welfare. To gain reelection, a democratically elected government may risk the lives of its citizens through its foreign policy choices.

Generally, foreign policies designed to help a government retain power are known as diversionary wars. This article discusses adventurous, active foreign policies and as such is not restricted to those events that end in war. There are numerous diversionary war theories (Levy, 1989, provides a comprehensive review). However, the central theme is that when a government, democratic or not, is under domestic pressure it enacts an adventurous, diversionary foreign policy. This foreign policy event diverts attention away from the domestic situation to the inter-

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national arena. If the foreign policy event overshadows domestic problems then the government avoids being removed from power.

Even if the crisis does not fully divert the public's attention, governments may still undertake risky foreign policies. If the government succeeds, by either winning a war or extracting foreign concessions, then it may retain power. Success is a signal of competence. Since the electorate prefers a competent government, successful policies convince the public that they should keep their leaders. This generates incentives for the government to undertake diversionary activities. These policies are not necessarily in the interest of the nation.

Suppose that a government is unpopular and expects to be removed from power. If it undertakes an adventurous foreign policy and loses then it is definitely replaced. However, if the government is successful, winning a war, then it may survive. Even when it expects to lose, the government is prepared to risk a war. Losing a war does not matter; the government expects to be replaced anyway. Therefore, diversionary policies have no down side in terms of remaining in office. However, if it is fortunate enough to win, it may retain power. From the government's viewpoint gambling on a war might be worth it. The public does not have the same incentives as the government. Voters only want to risk a war when it is in their interest. If the nation expects to lose the war then the public does not want to become involved. There exists the possibility that democratically elected leaders act against the interests of the citizens precisely because the public can remove them from office.

This article explores how electoral incentives in democratic systems cause governments to enact suboptimal foreign policies. The model shows how the prospect of future elections causes democratic governments to use foreign policy for political gains rather than the good of the nation. Emphasis is placed on deriving the conditions under which these diversionary policies are pursued. Next, institutional arrangements are shown to limit the ability of the government to act against the public interest. The final section uses the model of foreign policy formation to show that domestic factors in one country influence the formation of foreign policy in another. Empirically, Gaubatz (1991) observed that democratic nations are more likely to become involved in wars early in their electoral term. This empirical phenomenon initially appears to contradict diversionary war theories, where democracies have an incentive to engage in aggressive behavior prior to an election. By considering crisis formation as endogenous, I show that, although democracies become more likely to intervene in a crisis as the end of their electoral cycle approaches, they are presented with fewer opportunities to intervene.

Levy, in his critique of diversionary war theory (1989), states that part of the problem with explaining the interrelationship of domestic and international politics is the lack of attention to deriving precise testable hypotheses. A key problem he cites is that it is unclear whether domestic factors drive international events or if international factors affect domestic events.

The methodology I use highlights exactly how domestic factors influence foreign events. Domestic politics, together with international factors, drive the formation of foreign policy. The results produce empirically falsifiable hypotheses about foreign policy decision making in democratic systems. The results are similar to those derived in other diversionary war theories. However, the formal model provides additional predictions about the role of institutional structures in the formation of diversionary foreign policies.

Levy (1989) and Richards et al. (1993) review some of the competing explanations about how international and domestic factors interact. In this article the emphasis is placed not on the general correlation between international and domestic factors, but on stating how specific domestic variables influence the formation of foreign policy. Ostrom and Job (1986) have observed that presidential
decision making over foreign policy issues is determined mainly by domestic factors. Although James and Oneal (1991) have found that international issues are more important than Ostrom and Job initially concluded, they agree that domestic issues are still the most important determinant of foreign policy. From the opposite perspective, Nincic and Hinckley (1991) show that the evaluation of a government’s international performance is important in voting behavior. Marra et al. (1990) find evidence of hierarchical relations between public opinion and international and domestic factors that give the president windows of opportunity to affect public opinion.

There are several formal models of diversionary wars. Downs and Rocke (1993) assume that governments have an informational advantage over the electorate. The government can use their informational advantage to pursue the policies they prefer rather than those desired by the electorate. In a general framework they show that elections are insufficient to ensure that the government enacts the electorate’s preferred policies. My model sacrifices generality in order to derive predictions about when diversionary wars occur. The model I present also shows how institutional features limit a government’s ability to engage in diversionary foreign policy.

The model builds directly on the work of Richards et al. (1993) and Hess and Orphanides (1991). Richards et al. consider, as I do, a simple lottery between success and failure. In their model, leaders use expected utility calculations to decide whether or not to pursue a foreign policy. They conclude that competent governments, having a higher probability of success, are more likely to enact adventurous foreign policies. The electorate wants to elect those governments that are likely to produce good outcomes in the future, and they use the signal of past performance to infer whether a government is competent. Their model reveals that only competent governments intervene.\(^1\) If this is the case then the voters do not have to observe the outcome of a foreign policy since all the information they care about, the government’s competence, is contained in the decision to enact the policy. The voters should reelect all governments that intervene since they are the competent ones.

I consider a similar model. The electorate evaluates the government in terms of its ability to run the economy and its ability to organize foreign policy. The government makes its foreign policy decisions based upon its abilities. Unlike the Richards et al. model, the electorate uses foreign policy decisions as well as foreign policy performance in determining whether to retain the government. Voters are sophisticatedly rational and, as such, can use the information contained within the choice of foreign policy in evaluating the government. The electorate learns about the government from both its foreign policy decisions and the outcome of those policies. Nincic (1992) examines the arguments for and against assuming that the voters are rational. As I will show, even with sophisticated voters, governments still undertake diversionary foreign policies. The results are robust since the predictions of models using both sophisticated and naive voters coincide.\(^2\)

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1. Richards et al. (1993) also consider the effect of risk on the decision to intervene. They find that the more risk accepting a government is, the more likely it is to intervene.

2. Many other fields of political science debate whether or not voters are rational. In the political business cycles literature Rogoff (1990) shows that political business cycles still exist if voters are sophisticated. However, Austen-Smith (1991) has shown that if voters are sophisticated then endogenous tariff theories arguments do not work.

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The Model

In this model the government has two roles: controller of the economy and foreign policy decision maker. The electorate cares about economic and foreign policy
outcomes. The government cares about foreign policy but it also cares about retaining office.

Voters care about economic outcomes. The ability of the government to run the economy is defined as economic competence. Voters prefer good economic outcomes to bad ones. They use the signal of past economic performance to estimate the economic competence of the government. In public opinion terms, a government has a high approval rating if the voters believe it is economically competent. If competence is low the electorate does not retain the government and instead elects the opposition. The voters’ beliefs about economic competence provides electoral incentives for the government. This article asks, given the electoral incentives generated by the economy, how does the government make foreign policy decisions?

Voters also care about foreign policy issues. During its time in office the government has the opportunity to engage in international events. Although the nature of international events varies, I assume there is a simple underlying structure to the problem facing the government. The government has to decide whether to intervene in a particular situation or not. This framework cannot characterize all foreign policy decisions. However, the model captures the general tension between taking action and doing nothing. The model is not designed to consider all the possible strategies that a government could take. As a substantive example consider the Gulf War. The Iraqi military invaded Kuwait in July 1991. The decision that faced the Bush administration was whether or not to intervene in the conflict. Numerous actions could have been taken against Iraq in the Gulf War. U.S. options ranged from a nuclear strike, at one extreme, to using U.S. influence in the United Nations to condemn Iraqi aggression, at the other. However, in dealing with an international situation any government is faced with the basic choice of doing something or doing nothing. The model is restricted to this simple choice to generalize about government decision making across a range of international events. The details of specific circumstances are neglected to produce a parsimonious model of government decision making in the foreign policy arena.

If intervention occurs then it leads to either a successful outcome or failure. The government’s ability to manage international situations, which I call international or foreign policy competence, affects the likelihood of success. If a government chooses good military leaders, mobilizes resources well, and can influence its allies then it is likely to succeed. Many factors important in influencing the outcomes of international crises are beyond the control of the government. Despite this, governments that are internationally competent are more likely to be successful compared to incompetent governments. The electorate can use the outcomes from the cases of international intervention to estimate the foreign policy competence of the government. This is the calculation that Richards et al. (1993) assume voters make.

Given the government wants to be returned to office, it has an incentive to use foreign policy to enhance its electoral prospects. Political economy models of government behavior examine how the economy is manipulated to enhance reelection prospects. Political business cycles theories model how such processes as inflationary monetary and fiscal policies are used by governments (e.g., Hibbs, 1977; Abrams et al., 1980; Alt, 1985; Beck, 1987). Rather than consider how these processes work, this model assumes economic and other domestic policies are fixed. It is how the government uses foreign policy to influence voters that is of interest here. Clearly in the real world governments use all their available policy instruments simultaneously. Just as scholars who consider economic manipulation assume that all other policies are fixed, I assume that economic policy is fixed. From there I ask, all other things being equal, how does the government’s use of foreign policy influence its reelection chances? In order to show how electoral
incentives shape foreign policy decisions, I introduce a baseline model of foreign policy decision making.

**Foreign Policy Decision Making**

Governments vary in their ability to control foreign policy outcomes, $P$. This ability is defined as foreign policy (FP) competence, $f$. For simplicity, governments are assumed to be either FP competent, $f_H$, or FP incompetent, $f_L$. This competence reflects the probability that the government will succeed if it pursues an active foreign policy. When deciding whether to intervene in an international crisis the government considers the value of success over failure, $v$, the cost of enacting foreign policy, cost, and the probability that it will succeed, $f$. These costs and values are common knowledge. There are three possible FP outcomes: non-intervention (non), successful intervention (win), and failed intervention (lose). The expected utility of intervention and non-intervention are calculated below for the incumbent government, party $D$. The value of non-intervention, or failed intervention is normalized to zero:

$$E[U_d(\text{intervention})] = f.v + (1-f)0 - \text{cost}$$

$$E[U_d(\text{non-intervention})] = 0.$$  

Thus, the government should only intervene if $fv \geq \text{cost}$. A FP competent government intervenes if $f_Hv \geq \text{cost}$. However, an FP incompetent government does not intervene unless $f_Lv \geq \text{cost}$. This is the baseline decision. The purpose of this article is to show that electoral incentives cause governments to use alternative decision rules.

FP competent governments, $f_H$, are more likely to intervene than FP incompetent governments, $f_L$, since $f_Hv > f_Lv$. In addition, when intervention does occur, FP competent governments are more likely to be successful. Therefore, on average a nation receives better foreign policy outcomes if it has competent rather than incompetent government leadership. Both the government and the voters are, in expectation, better off if the government is FP competent. *Ex ante*, we do not know the particular international situations that the government will face. However, we know that for any given event it is better, in expectation, to have a competent government. Let the expected value of having a FP competent rather than a FP incompetent government be $2w$. This $2w$ represents the value of a competent versus an incompetent government integrated over the possible crises that the government might face. Thus, on average, the electorate is $2w$ better off if it removes an FP incompetent government and replaces it with a competent one.

The government is also responsible for the economy. Economic performance, $Q$, is affected by the economic ($E$) competence of the government, $e$, as well as other stochastic factors, $\xi$. For simplicity, the government is assumed to be either economically competent, $e_H$, or economically incompetent, $e_L$. Thus economic performance, $Q = e + \xi$. Economic performance is a noisy signal of economic competence. In expectation, the electorate prefers to have an economically competent government in office. On average, an $E$ competent government has $e_H - e_L$ better performance than an $E$ incompetent government. This difference is normal-

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5 The cost and value of intervention is the same for both the electorate and the government. This is consistent with the idea of the government attempting to maximize a social welfare function for the nation. Alternatively, the median voter theorem (Downs, 1957; Black, 1958) suggests that the government represents the preferences of the median voter. Neither of these explanations overcomes the Arrow problem; they are used for tractability (Arrow, 1963).
ized such that \( e_h - e_I = 1 \). The electorate wants to keep economically competent governments and remove economically incompetent governments.

The government knows whether or not it is competent. However, the electorate does not know the government’s type. However, the electorate has beliefs about the government and the opposition, parties \( D \) and \( R \), respectively. Let \( \lambda_i \) be the common belief of the electorate that party \( i \) is \( E \) competent, \( \lambda_i = \text{Prob}(e_E) \). The electorate uses the noisy signal of economic performance to update its beliefs about government competence. Suppose that \( \xi \) is distributed with density \( \kappa(\xi) \), where \( E[\xi] = 0 \), and the electorate’s prior belief about the government’s competence is \( \lambda^0_i \). Upon observing the economic outcome \( Q \) its posterior beliefs is \( \lambda^1_i \), where \( \lambda^1_i \) is given by Bayes’ rule.

\[
\lambda^1_i(Q) = \frac{\lambda^0_i \kappa(Q - e_I)}{\lambda^0_i \kappa(Q - e_I) + (1 - \lambda^0_i) \kappa(Q - e_I)}
\]

The electorate also has beliefs about whether party \( i \) is \( FP \) competent. \( \mu_i \) is the electorate’s beliefs that party \( i \) is \( FP \) competent, \( \mu_i = \text{Prob}(f_P) \). As we will see later the electorate updates its beliefs in response to foreign policy outcomes, \( P \). For simplicity, I assume that the electorate’s prior beliefs about both parties are one half: \( \mu^0_D = 1/2 \), \( \mu^0_I = 1/2 \), \( \lambda^0_D = 1/2 \), and \( \lambda^0_I = 1/2 \).

**The Game: Elections and Pre-election Decision Making**

The purpose of this model is to explain how elections affect \( FP \) decisions. The game below models economic performance and \( FP \) decision making prior to the election.

1) **Economic Outcomes Revealed.** Nature randomly draws \( \xi \) given the distribution \( \kappa(\xi) \). Economic performance, \( Q \), is revealed to the electorate and government. From \( Q \) the electorate updates its beliefs about the government’s economic competence.

2) **Foreign Policy Decision.** An international event occurs. The value of successful intervention and the cost of intervention are common knowledge. The government decides whether or not to intervene. The outcome of the international event, \( P \), is revealed: \( P \in \{ \text{non, win, lose} \} \). Having observed \( P \) the electorate updates their beliefs about the government’s \( FP \) competence.

3) **Election.** The electorate decides whether to retain the incumbent government, party \( D \), or elect the opposition, party \( R \).

I do not model strategic decisions after the election. However, from the earlier discussion, the government’s type affects the payoff voters receive. The electorate receives an expected payoff of \( 2w \) associated with foreign policy outcomes after the election if it elects a \( FP \) competent government. The electorate also receives an expected payoff of \( e_h - e_I = 1 \) if it elects an \( E \) competent government. I now characterize the perfect Bayesian equilibria.

**The Electorate’s Decision**

Having observed \( Q \) and \( P \) the electorate decides which party to elect. The electorate receives utility from both economic and \( FP \) outcomes. When voting the elec-
torate also cares about future outcomes. $Q$ and $P$ provide the voters with information about the ability of the government. If the voters reelect the incumbent party $D$, having observed $P$ and $Q$, they receive the following expected utility,

$$E[U_{\text{electorate}}(\text{Party } D \mid Q, P)] = Q + \theta(P) + (e_{h} - e_{l}) \cdot \lambda_{d}^{1}(Q) + 2w \cdot \mu_{d}^{1}(P),$$

where $\theta(\text{non}) = 0$, $\theta(\text{win}) = v - \text{cost}$, and $\theta(\text{lose}) = -\text{cost}$. The first term represents the economic performance of the incumbent government. The second term is the payoff that the electorate receives from the FP outcome. The third term is the expected economic performance of the incumbent party if it is reelected for another term. This expectation depends upon the electorate’s belief about the government’s economic competence. Finally, the fourth term is the voter’s expected payoff if party $D$ runs FP after the election.

Having observed economic and FP outcomes, $Q$ and $P$, the voters can elect the opposition, party $R$. If they elect party $R$ they receive the following expected payoff,

$$E[U_{\text{electorate}}(\text{Party } R \mid Q, P)] = Q + \theta(P) + (e_{h} - e_{l}) \cdot \lambda_{r}^{0} + 2w \cdot \mu_{r}^{0},$$

where $\theta(\text{non}) = 0$, $\theta(\text{win}) = v - \text{cost}$, and $\theta(\text{lose}) = -\text{cost}$. The first and second terms reflect the incumbent’s economic and FP performance. The third and fourth terms reflect the expected payoff that the electorate will receive as a result of party $R$’s economic and FP management after the election. Since the electorate has not observed party $R$ govern, it has not updated its beliefs about $R$’s competence; $\lambda_{r}^{0} = 1/2$ and $\mu_{r}^{0} = 1/2$. However, the electorate updates its beliefs about party $D$’s competence from its economic and FP outcomes.

The electorate’s strategy, $\sigma(P, Q)$, is the probability of returning the incumbent, party $D$, given FP outcome $P$ and economic outcome $Q$. The electorate elects the party that maximizes its expected payoff. Therefore, the voters return party $D$ if

$$E[U_{\text{electorate}}(\text{Party } D \mid Q, P)] \geq E[U_{\text{electorate}}(\text{Party } R \mid Q, P)].$$

$D$ is reelected if $(e_{h} - e_{l}) \cdot \lambda_{d}^{1}(Q) + 2w \cdot \mu_{d}^{1}(P) \geq (e_{h} - e_{l}) \cdot \lambda_{r}^{0} + 2w \cdot \mu_{r}^{0}$, substituting $(e_{h} - e_{l}) = 1$, $\lambda_{r}^{0} = 1/2$ and $\mu_{r}^{0} = 1/2$ implies that $D$ is reelected if

$$\text{Elect}(P, \lambda_{d}^{1}(Q)) = 2w \cdot \mu_{d}^{1}(P) + \lambda_{d}^{1}(Q) - 1/2 - w > 0.$$  

**Foreign Policy Decisions**

The government is assumed to care about FP outcomes and office holding. For each electoral period that the party $D$ is in office it receives a payoff of $\psi$. In addition, party $D$ receives payoffs similar to those of the voters from the outcome of foreign policy decisions. Thus, if party $D$ is reelected, it receives an expected payoff of

$$U_{d}(D \text{ reelected, } P, f) = 2\psi + \theta(P) + 2w \quad \text{if party } D \text{ is FP competent, i.e., } f_{h};$$

$$U_{d}(D \text{ reelected, } P, f) = 2\psi + \theta(P) \quad \text{if party } D \text{ is FP incompetent, i.e., } f_{l};$$

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4 For technical reasons the parties are assumed not to care about economic outcomes. If economic outcomes are included in their utility function then the type space doubles which introduces unnecessary math without adding any additional intuition. If parties did care about economic performance then incentive compatibility states that for any given beliefs the economically competent types have a weakly greater probability of re-election.
If party R is elected instead, party D receives an expected payoff of

$$U_d(R \text{ elected}, P) = \psi + \theta(P) + 2w. \mu^0.$$  

$\theta(P)$ is the government’s payoff from FP outcomes: $\theta(\text{non}) = 0$, $\theta(\text{win}) = \nu - \text{cost}$, and $\theta(\text{lose}) = -\text{cost}$. I assume that $\psi > w$; otherwise FP incompetent governments would not want to be reelected.

When making FP decisions the government considers two factors: the expected payoff from foreign policy outcomes and the effect of FP on the electorate. The government’s strategy is a mapping from its FP type, $f$, economic outcomes, $Q$, and the value of successful intervention, $v$, into the probability of intervention. As we can see from the electorate’s decision, it is the beliefs about the government’s competence that have electoral consequences and not the outcomes themselves. Since I am interested in how the government chooses FP given electoral incentives, I describe the government’s strategy in terms of the voters’ beliefs about economic competence rather than actual economic outcomes themselves. Thus, $s(f, \lambda^0_d(Q), v)$ is the probability that a government of FP competence $f$ will intervene given the electorate’s beliefs about economic competence, $\lambda^0_d(Q)$ and value of successful intervention, $v$.

### How FP Informs the Electorate About the Government

The electorate learns about the incumbent via FP outcomes. It learns via two mechanisms. First, the voters know that FP competent governments are more likely to be successful than incompetent governments. Thus, upon seeing an instance of successful intervention the electorate believes that the government is more likely to be competent. This is the updating procedure that Richards et al. (1993) use. However, the electorate also learns about the government from its decision to intervene in the first place. Suppose that for given economic beliefs, $\lambda^0_d(Q)$, and value, $v$, only FP competent governments intervene: $s(f_h, \lambda^0_d(Q), v) = 1$ and $s(f_b, \lambda^0_d(Q), v) = 0$. If the voters observe intervention then they know that the government is FP competent; if no intervention occurs the government is FP incompetent. More generally for any government strategy, $s(f, \lambda^0_d(Q), v)$, the electorate can update its beliefs using Bayes’ rule, as described below:

<table>
<thead>
<tr>
<th>Outcome, $P$</th>
<th>Posterior beliefs, $\mu^1_d(P \mid s(f, \lambda^0_d(Q), v))$</th>
</tr>
</thead>
<tbody>
<tr>
<td>successful intervention</td>
<td>$\mu^1_d(\text{win} \mid s(f, \ldots)) = \frac{s(f_h, \ldots) \mu^0 \cdot f_h}{s(f_h, \ldots) \mu^0 \cdot f_h + s(f_h, \ldots) \mu^0 \cdot (1 - f_h)}$</td>
</tr>
<tr>
<td>unsuccessful intervention</td>
<td>$\mu^1_d(\text{lose} \mid s(f, \ldots)) = \frac{s(f_b, \ldots) \mu^0 \cdot (1 - f_h)}{s(f_b, \ldots) \mu^0 \cdot (1 - f_h) + s(f_b, \ldots) \mu^0 \cdot (1 - f_b)}$</td>
</tr>
<tr>
<td>no intervention</td>
<td>$\mu^0_d(\text{non} \mid s(f, \ldots)) = \frac{(1 - s(f_h, \ldots)) \mu^0}{(1 - s(f_h, \ldots)) \mu^0 + (1 - s(f_b, \ldots)) \mu^0}$.</td>
</tr>
</tbody>
</table>
Government Decisions and Belief Formation

The electorate’s strategy has been defined in terms of its beliefs about the government’s competence. Given Bayes’ rule we know how the electorate forms its beliefs as a function of outcomes and the government’s strategy. When the government chooses a strategy, it does so knowing how outcomes will influence the electorate’s belief and how, in turn, these beliefs affect the government’s decision. Given the FP outcome, $P$, the government’s strategy, $s(f, \lambda_d^1(Q), v)$, and the voters’ strategy, $\sigma(P,Q)$, let the probability that the government is reelected be $\rho(P) = \rho(P, s(.), \sigma(.))$.

If $D$ intervenes its expected payoff is

$$E[U_d(\text{intervene} | f_h, \lambda_d^1(Q), v, s(.), \sigma(.))] = f_h(v - \text{cost} + \rho(\text{win}) \cdot (2\psi+2w) + (1-\rho(\text{win})) \cdot (\psi+w)) + (1-f_h) \cdot (-\text{cost} + \rho(\text{lose}) \cdot (2\psi+2w) + (1-\rho(\text{lose})) \cdot (\psi+w)); \text{ FP competent types,}$$

$$E[U_d(\text{intervene} | f_b, \lambda_d^1(Q), v, s(.), \sigma(.))] = f_b(v - \text{cost} + \rho(\text{win}) \cdot 2\psi + (1-\rho(\text{win})) \cdot (\psi+w)) + (1-f_b) \cdot (-\text{cost} + \rho(\text{lose}) \cdot 2\psi + (1-\rho(\text{lose})) \cdot (\psi+w)); \text{ FP incompetent types.}$$

The expected utility for non-intervention is

$$E[U_d(\text{non-intervention} | f_h, \lambda_d^1(Q), v, s(.), \sigma(.))] = \rho(\text{non}) \cdot (2\psi+2w) + (1-\rho(\text{non})) \cdot (\psi+w),$$

$$E[U_d(\text{non-intervention} | f_b, \lambda_d^1(Q), v, s(.), \sigma(.))] = \rho(\text{non}) \cdot 2\psi + (1-\rho(\text{non})) \cdot (\psi+w).$$

Let the function $ATT(f, \lambda_d^1(Q), v, s(.), \sigma(.))$ represent the difference in expected utility between intervening and not intervening for type $f$.

$$ATT(f, \lambda_d^1(Q), v, s(.), \sigma(.)) = E[U_d(\text{intervene} | f, \lambda_d^1(Q), v, s(.), \sigma(.))] - E[U_d(\text{non-intervention} | f, \lambda_d^1(Q), v, s(.), \sigma(.))].$$

Thus, for FP competent types, $f_h$

$$ATT(f_h, \lambda_d^1(Q), v, s(.), \sigma(.)) = f_h(v - \text{cost} + (\psi+w) \cdot \rho(\text{win}) + (1-f_h) \cdot \rho(\text{lose}) - \rho(\text{non})]$$

and for FP incompetent types, $f_b$

$$ATT(f_b, \lambda_d^1(Q), v, s(.), \sigma(.)) = f_b(v - \text{cost} + (\psi-w) \cdot \rho(\text{win}) + (1-f_b) \cdot \rho(\text{lose}) - \rho(\text{non}).$$

Results

The electorate is more likely to retain a government that intervenes successfully rather than a government that loses, $\rho(\text{win}) \geq \rho(\text{lose})$. This is because $\mu_d^1(\text{win}) \geq \mu_d^1(\text{lose})$. This is consistent with the prediction of Richards et al. (1993) and Hess
and Orphanides (1991). Empirically, Bueno de Mesquita et al. (1992, 1995) show that successful foreign policy leaders are more likely to be retained.

Incentive Compatibility

FP competent governments are more likely to intervene than FP incompetent governments. For any government strategy, \( s(f_1) \), \( \text{ATT}(f_{i_0}) > \text{ATT}(f_{i_r}) \). Thus, \( s(f_{i_0}) = 1 \) implies \( s(f_{i_r}) = 1 \) and \( s(f_{i_r}) = 0 \) implies \( s(f_{i_0}) = 0 \).

Proof. Suppose not then there exists \( s(.) \) such that \( s(f_{i_0}) > s(f_{i_r}) \). Since \( \rho(\text{win}) \geq \rho(\text{lose}), f_{i_0}(\rho(\text{win}) - \rho(\text{lose})) + \rho(\text{lose}) - \rho(\text{non}) \geq f_{i_r}(\rho(\text{win}) - \rho(\text{lose})) + \rho(\text{lose}) - \rho(\text{non}) \). Since \( \psi + w > \psi - w > 0 \) and \( f_{i_0} \psi > f_{i_r} \psi \) then \( \text{ATT}(f_{i_0}) > \text{ATT}(f_{i_r}) \). This contradicts \( s(f_{i_0}) > s(f_{i_r}) \). QED.

The intuition behind this result is as follows. Suppose that \( f_i \) types intervene but \( f_h \) types do not consider intervention worthwhile. If the voters observe intervention then they infer that the government is FP incompetent, \( f_i \) type. Given that they regard the government as incompetent they are unlikely to reelect it. Therefore, \( f_i \) types cannot be intervening for political reasons. However, we have already stated that \( f_h \) types do not intervene because intervention has low rewards. Since \( f_i \) types expect to do worse than \( f_h \) types there is no FP reason for \( f_i \) types to intervene. From neither a political nor a foreign policy perspective do \( f_i \) types want to intervene.

Equilibria

In an attempt to minimize the amount of mathematics included in the text all the proofs are deferred to the Appendix. The equilibria are summarized in Table 1. These equilibria are shown graphically in Figure 1. For clarity, I label pooling equilibria A. In equilibria A1–3 governments pool on non-intervention. In equilibria A4–7 all government types pool on intervention. Separating equilibria are labeled B, with semi-separating equilibria labeled Bs.

Optimal Decision Making

If a government is extremely popular \( (\lambda_i \geq w + 1/2) \), as a result of good economic outcomes, then it makes the best \textit{ex ante} optimal decisions with respect to foreign policy. It uses the optimal decision rule characterized above. A government that produces favorable economic outcomes is believed to be economically competent. The high popularity of an economically successful government means that international outcomes will not affect its reelection prospects. Caring about international outcomes, the government picks the best policy for the nation (although the \textit{ex post} realization of these actions may be suboptimal).

When the value of intervention is high \( (\psi \geq \text{cost}/f_h) \) then all governments intervene (equilibrium A4). If the value of successful intervention is extremely low \( (\psi < \text{cost}/f_h) \) then no governments intervene (equilibrium A1). When the value of successful intervention is between these two values \( (\text{cost}/f_i \geq \psi \geq \text{cost}/f_h) \) then only the FP competent, \( f_h \) governments intervene (equilibrium B1). Governments that are extremely popular, as a result of their economic performance, make foreign policy decisions in the best interests of the nation.

Suppose the government’s economic performance is so poor \( (\lambda_i \leq 1/2 \cdot w) \) that it has no chance of reelection. It makes \textit{ex ante} optimal decisions when forming
<table>
<thead>
<tr>
<th>Equilibrium</th>
<th>$\lambda^1 d(Q)$, Economic Beliefs</th>
<th>$v$, Value of Successful Intervention</th>
<th>$s(f_b)$, FP Competent Government's Decision</th>
<th>$s(f_i)$, FP Incompetent Government's Decision</th>
<th>$p($win$)$, Reelection if Successful</th>
<th>$p($lose$)$, Reelection if Failure</th>
<th>$p($non$)$, Relection if Non-intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>$\lambda d^1 \geq 1/2$</td>
<td>$v \leq \text{cost}/f_b$</td>
<td>non-intervention</td>
<td>non-intervention</td>
<td>retain</td>
<td>retain</td>
<td>retain</td>
</tr>
<tr>
<td>A2</td>
<td>$1/2 - w \geq \lambda d^1 \leq 1/2$</td>
<td>$v \leq (\text{cost} - (\psi + w))/\Gamma_b$</td>
<td>non-intervention</td>
<td>non-intervention</td>
<td>retain</td>
<td>retain</td>
<td>remove</td>
</tr>
<tr>
<td>A3</td>
<td>$\lambda d^1 \leq 1/2 - w$</td>
<td>$v \leq \text{cost}/f_b$</td>
<td>non-intervention</td>
<td>non-intervention</td>
<td>remove</td>
<td>remove</td>
<td>remove</td>
</tr>
<tr>
<td>A4</td>
<td>$\lambda d^1 \geq 1/2 + w$</td>
<td>$v \geq \psi w \sigma / f_i$</td>
<td>intervention</td>
<td>intervention</td>
<td>retain</td>
<td>retain</td>
<td>remove</td>
</tr>
<tr>
<td>A5</td>
<td>$1/2 + w - 2u(1-f_b)/(1-f_b)$</td>
<td>$v \geq (\text{cost} - (\psi - w))/f_i$</td>
<td>intervention</td>
<td>intervention</td>
<td>retain</td>
<td>retain</td>
<td>remove</td>
</tr>
<tr>
<td>A6</td>
<td>$1/2 + w - 2u f_b/(f_b + f_0) \geq \lambda d^1 \geq 1/2 + w$</td>
<td>$v \geq (\text{cost}/f_i) - (\psi - w)$</td>
<td>intervention</td>
<td>intervention</td>
<td>retain</td>
<td>remove</td>
<td>remove</td>
</tr>
<tr>
<td>A7</td>
<td>$\lambda d^1 \leq 1/2 + w - 2u f_b/(f_b + f_0)$</td>
<td>$v \geq \text{cost}/f_i$</td>
<td>intervention</td>
<td>intervention</td>
<td>remove</td>
<td>remove</td>
<td>remove</td>
</tr>
<tr>
<td>B1</td>
<td>$\lambda d^1 \geq w + 1/2$</td>
<td>$v \geq \text{cost}/f_i$</td>
<td>intervention</td>
<td>intervention</td>
<td>remove</td>
<td>remove</td>
<td>remove</td>
</tr>
<tr>
<td>B2</td>
<td>$1/2 + w \geq \lambda d^1 \geq 1/2 - w$</td>
<td>$(\text{cost} - (\psi - w))/f_i \geq v$</td>
<td>non-intervention</td>
<td>non-intervention</td>
<td>retain</td>
<td>retain</td>
<td>remove</td>
</tr>
<tr>
<td>B3</td>
<td>$\lambda d^1 \leq +/− w$</td>
<td>$(\text{cost} - (\psi - w))/f_i \geq v$</td>
<td>non-intervention</td>
<td>non-intervention</td>
<td>remove</td>
<td>remove</td>
<td>remove</td>
</tr>
<tr>
<td>Bs1*</td>
<td></td>
<td>mix</td>
<td>non-intervention</td>
<td>non-intervention</td>
<td>retain</td>
<td>retain</td>
<td>mix</td>
</tr>
<tr>
<td>Bs2</td>
<td></td>
<td>intervention</td>
<td>mix</td>
<td>retain</td>
<td>mix</td>
<td>remove</td>
<td>remove</td>
</tr>
<tr>
<td>Bs3</td>
<td></td>
<td>intervention</td>
<td>mix</td>
<td>retain</td>
<td>mix</td>
<td>remove</td>
<td>remove</td>
</tr>
</tbody>
</table>

Bs1: $s(f_b) = (2w - 1 - 2\lambda d^1)/(1/2 + w - \lambda d^1 - 2) \in (0, 1)$, $p($non$) = (\psi + w - \text{cost})/(\psi + w) \in (0, 1)$

Bs2: $s(f_b) = (w - 1/2 + \lambda d^1 f_b)/(1/2 + \lambda d^1 f_b) \in (0, 1)$, $p($win$) = (\text{cost} - f_0)/f_i(\psi - w) \in (0, 1)$

Bs3: $s(f_b) = ((1-f_b)(w - 1/2 + \lambda d^1)) / ((1-f_b)(w - 1/2 - \lambda d^1))$, $p($win$) = (\text{cost} - f_0)/(\psi - w)(1-f_b) - f_i(1-f_b) \in (0, 1)$

* There are other semi-pooling equilibria, Bs4 and Bs5, but they do not generically exist. For clarity they have not been included in the table.
foreign policy. As in the case of very popular governments, all types intervene when the value of doing so is high \( (v \geq \text{cost}/fh) \) equilibrium A7. No governments intervene when the value of winning is low \( (v < \text{cost}/fh) \) equilibrium A3). Between these extremes only competent governments intervene \( (\text{cost}/fi \geq v \geq \text{cost}/fh) \) equilibrium B3).

In both the cases above, governments make optimal foreign policy decisions. The government is either so popular, or so unpopular, as a result of its economic performance, that the voters' evaluation of its foreign policy performance does not affect elections. Governments have no incentives to distort foreign policy.

Unfortunately, when the voters' evaluation of foreign policy matters, governments distort foreign policy making. As a result of electoral incentives, governments choose \textit{ex ante} suboptimal foreign policies. Governments intervene in international events even when the best \textit{ex ante} decision is not to intervene. Electoral pressures introduce a bias towards violent, adventurous foreign policy. How electoral pressures affect policy making is considered next.

**Suboptimal Decision Making Due to Political Incentives**

There are numerous equilibria. Rather than discuss each individually this section aims to highlight the substantive importance of the equilibria. The equilibrium conditions are summarized in Table 1. Figure 1 shows the conditions under which the various equilibria exist.

Competent governments are more likely to achieve successful outcomes if they
intervene. They are also more likely to intervene. If governments use the optimal \textit{ex ante} decision about whether to intervene then in some situations, \((\text{cost}/f \geq v \geq \text{cost}/f_b)\), only \(f_b\) types should intervene. Under these circumstances the public can identify competent leaders, those that intervened, from incompetent ones, those that did not. Since the public does not elect \(FP\) incompetent leaders, any government not intervening is removed from office. \(FP\) incompetent leaders have an incentive to intervene in situations where the expected value to the nation is negative \((\text{cost}/f \geq v)\).

The electorally induced bias in foreign policy is always towards intervention. Nations are never unduly timid, \textit{ex ante}.

If a situation arises where all nations should intervene \((v \geq \text{cost}/f_b)\) then any government that behaves timidly is seen as incompetent. This is because incompetent types, \(f_b\) always have a smaller incentive to becoming involved in a crisis than competent types, \(f_0\). Since failure to intervene is a sign of incompetence then governments are never too pacific, \textit{ex ante}.

When foreign policy evaluations enter a voter’s decision calculus biases are introduced in foreign policy decision making. The magnitude of these biases depends on the voters’ beliefs about economic competence. Suppose that without additional information the voters would reelect the government \((\lambda_b \geq 1/2)\). Under these circumstances all governments intervene if \(v \geq \text{cost}/f_b\) (equilibria A5 and A6). If governments made optimal decisions then \(f_b\) types would not intervene until the benefits of a successful intervention rose to \(v \geq \text{cost}/f_b\). The \(f_b\) types mimic the behavior of the more competent \(f_0\) types. The voters always return a government that intervenes successfully (equilibria A5 and A6). If the government’s economic success is high \((1/2 + w - 2w(1-f_0)/(1-f_0 + (1-f_b))) \geq \lambda_b \geq 1/2 + w\) then even if the government loses it will be reelected (equilibrium A5). However, as its economic rating slides \((1/2 \geq \lambda_b \geq 1/2 + w - 2w(1-f_0)/(1-f_0 + (1-f_b)))\) then an unsuccessful intervention results in the government being removed from office (equilibrium A6).

For popular governments, \(\lambda_b \geq 1/2\), equilibria (B2, A5, and A6) exist that support intervention when \(v < \text{cost}/f_b\). However, under these conditions there exists another equilibrium, A1. In equilibrium A1 no government intervenes if \(v < \text{cost}/f_b\) and the government is also reelected. Since neither the electorate, \(FP\) competent governments, nor \(FP\) incompetent governments want to intervene, equilibria that predict intervention when \(v < \text{cost}/f_b\) are likely to be substantively unimportant.

If the government expects to be reelected if no foreign policy opportunity arises, \((\lambda_b \geq 1/2)\), then the magnitude of the bias in policy making is fairly small. The bias is produced only in those cases where incompetent leaders mimic competent ones. Unfortunately, if the government is less popular larger biases occur in foreign policy decision making. If the government expects to be removed from office at the next election then it may “gamble on resurrection.” This means that when the government faces a bleak electoral prospect, \((\lambda_b < 1/2)\), it may intervene when the expected value of doing so is extremely low. By doing nothing the government knows it will lose the election; intervening it may succeed, which offers the chance of reelection. Russell (1990) and James (1988) empirically demonstrate that nations in economic decline are more likely to behave aggressively. Morgan and Bickers (1992) find that leaders are more likely to use force when their support is declining within those groups that traditionally support them.

\footnote{Ex post, numerous foreign policies may be viewed as too timid. England’s appeasement of Nazi Germany in the 1930s is a clear case. However, at the time the policy was not viewed as timidity. Politicians must make their best estimates given the information available to them. As we all know, Monday morning quarterbacking is much easier than making decisions on Sunday afternoon.}

\footnote{Equilibrium A1 Pareto dominates equilibria B2, A5, and A6.}
Governments that produce poor economic results, \((\lambda^1_q < 1/2)\), expect to be dismissed by the electorate. Except at extremes (if \(\lambda^1_q < 1/2 - w\) then the government will never be reelected) the electorate may be prepared to forgive the government for its poor economic performance if it is confident that the government is competent at handling international affairs. Since a successful intervention is a signal of international competence, governments may enter crises even when the expected value of doing so is extremely low.

There are numerous equilibrium predictions for the case of a fairly unpopular government \((1/2 - w \geq \lambda^1_q \geq 1/2)\). However, they all predict that suboptimal foreign policy decisions are made. Figure 1 graphically illustrates how electoral incentives bias policy making. For example, equilibrium B2 shows that competent governments intervene when the value of success is close to zero. By becoming engaged in these crises, competent governments attempt to demonstrate their competence to the electorate. The unfortunate consequence is that leaders involve their nations in situations that have negative expected payoffs. The voters would never choose to intervene in these circumstances.

To understand how these large biases can be created consider a crisis where \(\text{cost}/f_i \geq v \geq \text{cost}/f_h\). If decisions are taken optimally then only \(f_h\) types intervene. Upon observing intervention, the voters know that the government is \(FP\) competent and hence they will reelect it. However, \(f_i\) types will not get elected because by not intervening they reveal themselves as incompetent. Thus, the \(f_i\) types prefer to intervene. This is the same mechanism by which biases are introduced when governments are popular. However, unlike popular governments, which have no incentives to intervene in crises if \(v < \text{cost}/f_h\) unpopular governments are prepared to intervene even when no government should want to.

If no types intervene when \(v < \text{cost}/f_h\) then the electorate does not receive any more information about the unpopular government. The government is removed from office at the next election. Voters are prepared to reelect the government if they believe it is \(FP\) competent. A competent leader may therefore intervene, not because it is in the nation’s interest, but because it signals competency. If only competent governments intervene, voters reelect any government that intervenes, knowing it to be competent. However, simply by intervening incompetent governments can also get reelected. Therefore, incompetent governments also want to intervene. Since both \(f_h\) and \(f_i\) types intervene the voters are likely to only reelect the government when it is successful.

The incompetent types have an incentive to mimic the competent types. To separate themselves from the incompetent types, competent leaders are prepared to enter ever-worsening crises. If the electorate believes that only a competent type would intervene they will reelect the government following an intervention. Under these conditions the \(f_i\) types have an incentive to intervene, too. This cycle of reasoning drives down the value, \(v\), for which nations will intervene. The net effect is that governments intervene in crises when the expected benefits are extremely low.

**A General Interpretation of the Results**

Examining the equilibrium conditions reveals that as the beliefs about economic competency rise the voters are more likely to reelect the government for any given outcome. As the value of a successful intervention, \(v\), rises, then leaders are weakly more likely to become engaged in the crisis. Morgan and Bickers (1992) find support for this, in that leaders are more likely to engage in external events that have low expected costs. \(FP\) competent leaders are weakly more likely to intervene in any given crisis than \(FP\) incompetent leaders. As the value to a successful
intervention, \( v \), falls, then the voters are weakly more likely to reelect the government following a successful intervention.

As James and Oneal (1991) find, both international and domestic factors are important in the formation of foreign policy. However, the model here reveals that domestic and international factors interact in a specific way. The set of international conditions under which a government will undertake a particular foreign policy changes with domestic conditions. If foreign policy evaluation is likely to be important at the next election then the range of international conditions under which intervention occurs increases.

When the voters’ evaluation of the government’s foreign policy performance affects the outcome of an election, the model shows that suboptimal foreign policy decisions are made. Since the government cares, not only about taking the best course of action for the nation, but also about getting reelected, it is biased towards violent behavior. Electoral pressures never cause the government to behave too timidly. Alternatively, fear of future elections causes the government to engage in international crises when the expected value of doing so is negative. These tendencies towards violence are particularly strong when the government’s economic performance is poor. Russett (1990) finds empirical support for this claim. An economic slowdown has also been shown to affect other aspects of foreign policy making. Morrow (1991), for example, shows that a government’s desire for an arms control agreement increases with mild, but not extreme, recessions.

As an empirical prediction, democratic governments facing a close electoral defeat engage in active foreign policies even when the expected benefits of doing so are low. Empirically, Stoll (1984) finds a relationship between the visible use of force and the election cycle, although he also finds that whether or not a country is at war is an important intermediate variable in the direction of the relationship. When the government has performed well enough during its term in office, then it is unlikely to be removed; or when the government has performed so badly that there is no chance of it getting reelected, then it will only undertake foreign policy initiatives that are in the national interest.

The use of a diversionary war or other foreign policy initiative does not guarantee electoral success. Unfortunately, the government is compelled to use foreign policy tools. If it does not, the electorate is forced to ask why it does not intervene when the opportunity is presented. Just as Barro and Gordon (1983) observe in monetary manipulation, with rational expectations, manipulating the economy often does not have the desired effect. However, without institutional constraints politicians continue to manipulate the economy even though it is not beneficial to either the economy or their electoral chances. How institutional constraints can limit these biases is considered next.

**Institutional Constraints**

So far the model has considered a simple two-party electoral system. In this section I want to expand the diversionary war discussion by considering how institutional features alter the basic model.

The United States constitution splits the authority for foreign policy between the Congress and the president. The ability of Congress to restrict the actions of the president has varied over time. In recent times, it is the War Powers Act of 1973 that has outlined the powers of the president to act without congressional approval. By restricting the president’s ability to deploy and use U.S. forces, the Congress prevents the president from taking actions against the national interest.

Suppose the president attempts to intervene in a situation where the expected payoff for both competent and incompetent types is negative. Congress can veto
this decision, which is not in the national interest. Being sanctioned by the Congress is politically costly for the president. In order to avoid these costs the president does not attempt to intervene unless it is in the national interest. The power of Congress to veto the president reduces the magnitude of possible biases in foreign policy decisions. Unfortunately, this ability is not perfect since the president can initially deploy troops for sixty days without congressional approval. Once an intervention has occurred significant costs have already been paid. Following intervention, the cost/benefit analysis for continuing the policy looks considerably different from the analysis before the intervention started. Although not perfect the U.S. system of government, with its checks and balances, can prevent extremely bad ex ante decisions from being made for electoral reasons. A two-party parliamentary system does not have this ability to constrain the leadership. There are no institutional barriers to prevent a party leadership from using foreign policy opportunities for electoral gain.

Congress is more likely to place strict controls on the presidential use of force when there is divided government. A Democratic Congress may be prepared to allow a Democratic president more leeway to use foreign policy for electoral goals because it shares a desire to see another Democrat as president. The limit of two terms removes the incentive of the president to use foreign policy for reelection purposes in the second term. Hess and Orphanides (1991) also conclude that lame-duck presidents will not seek opportunities to engage in war. Alternatively, Downs and Rocke (1993) assume that foreign policy has distributive effects. They claim that since a second-term president cannot be threatened by reelection, he adopts his preferred policies instead of those preferred by the electorate.

In parliamentary systems with proportional representation (PR) the government is typically composed of a coalition of parties. Although a full model of coalition formation and voting in PR systems is needed to fully characterize the biases in foreign policy decisions, some insight can be gained by considering the U.S. institutions discussed above. Assuming that decisions made at the cabinet level are always implemented, due to strong party discipline, leaders can use foreign policy opportunities to improve their electoral performance. Consider Germany as an example of a PR system. The stylized fact of coalition formation in Germany is that the party with the greatest number of seats forms a government with the Free Democrats (the obvious exception is the Grand coalition between the CDU and the SPD in 1966). The Free Democrats (FDP), therefore, expect to be the junior partner in every government that forms. Although the FDP may have preferences over which party it prefers to be in government with, the FDP receive similar office-holding benefits whichever government forms.

Since the FDP gain the benefits of office whichever government forms, it cares relatively more about national interests than electoral incentives. Just as the Congress limits the ability of the president to pursue electorally motivated foreign policies, the FDP veto policies not in the German national interest. More generally, provided one coalition partner in the government anticipates being a member of the next government in a similar capacity, then actions cannot be taken against the national interest for electoral reasons.

**Endogenous Crisis Formation**

Finally, I wish to return to the larger question of how domestic and international systems interact. This article asks how domestic political factors influence a leader’s decision to engage in an active foreign policy. The creation of an international event was modeled as exogenous. However, this characterization of international events is incorrect. International incidents are purposely created. When forming
foreign policy, leaders consider the domestic situation in their own countries. However, I want to show that they also consider domestic pressures in other countries.  

When deciding whether to start an international crisis a leader considers the likely response of other nations. As this article has shown, the reaction of a nation to international events is, in part, determined by its domestic circumstances. If a leader suspects that other nations will intervene in a crisis then the leader may be deterred from starting the crisis. Therefore, the leader in one country considers the domestic situation in another before deciding whether or not to start a crisis. Leaders are responsive to domestic pressures in both their own country and in other, foreign countries. Morrow (1991) demonstrated this in another area, arms control agreements. He shows that domestic events in the U.S. not only influence the U.S.'s behavior in arms control negotiations, but also affect the USSR's behavior.

The formal model assumes that international events are generated exogenously. Instead, suppose that the leader of country A decides whether or not to start an international incident. If A creates a crisis then the government in country B decides whether or not to intervene. Country A is less likely to be successful if B intervenes. Therefore, A's decision to create an international incident is affected by the likelihood of B intervening.

Suppose that nation B is approaching the end of its electoral term. If the government is extremely popular it is probably competent. A is deterred from aggression because, being competent, B is likely to intervene and win. If the government of B is unpopular it is looking for an opportunity to intervene internationally. Again, this situation may deter A. As the end of its electoral period approaches, nation B becomes more likely to intervene in a crisis. A is less likely to be successful if nation B intervenes. If A creates an international incident it has a higher probability of success at the beginning of B's electoral term than the end. All else being equal, A will start a crisis at the beginning of B's electoral term rather than the end. Therefore, the electoral incentives that distort foreign policy create periods of deterrence within the international system.

Gaubatz (1991) found that wars tend to start early in the electoral cycle of democracies. If there is a democratic state that can potentially intervene in a crisis then any aggressor is inclined to wait until the beginning of the democracy's electoral period before attacking. Since the later part of the electoral cycle deters nations from behaving aggressively there are more opportunities for democracies to intervene in the first half of their electoral term. For any given crisis a democratic nation is more likely to intervene in the latter half of its electoral term. However, crises are not generated exogenously. A democracy has more opportunities to intervene in the first half of its electoral term, precisely because it is less likely to intervene.

The formal model concluded that democracies are more likely to behave aggressively as the end of an electoral term approaches. Other nations avoid creating crises when democracies are likely to intervene. Therefore, there are fewer crises for democracies to intervene in as the end of their electoral term approaches. With endogenous crises formation, the model explains the empirical phenomenon that democracies are less likely to become involved in wars in the latter half of their electoral cycle.

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7 The informal ideas of endogenous crisis formation have been developed more formally in other contexts (Smith, 1995).
Conclusions

By formal modeling, precise statements have been generated about the conditions under which governments will use their foreign policy making powers for electoral gain. The model predicts that governments facing certain electoral defeat will not engage in foreign policies that are against the national interest. Similarly, governments that are certain of being retained do not distort foreign policy decision making. Biases are introduced into foreign policy decisions when the voters’ evaluation of the government’s foreign policy affects election results.

A government that performs well economically expects to be reelected. However, if the voters know it is incompetent at foreign policy, they will remove it from office. To avoid being identified, governments incompetent at foreign policy mimic the behavior of competent governments. There is a bias in foreign policy decision making as incompetent governments intervene in situations where only their competent counterparts should.

The biases in policy making are worse if the government does not expect to be retained in office. Rather than just trying to avoid being seen as incompetent, the government actively wants to convince the voters that it is competent. Governments hope that by intervening successfully they can demonstrate their competency to the voters. Governments that expect to lose at the next election intervene in crises that have low expected returns.

Institutional features affect the basic predictions of the model. If a political system has institutions where the consent of many political units is required to enact policies, then foreign policy is less likely to be used for electoral purposes. In the U.S., a congressman’s reelection is unlikely to be based on his/her foreign policy record. However, the president’s foreign policy performance affects his likelihood of remaining in office. Congress can restrict the president’s ability to deploy troops. It is hard for the president to engage in international situations that are against the U.S.’s national interests. The power of Congress to sanction the president reduces the magnitude of biases in foreign policy making. Similarly, coalition governments are constrained from making poor foreign policy choices because interventionist foreign policies will be pursued.

The model generates precise predictions about the conditions under which diversionary policies are pursued. It also provides a framework to consider how institutional features affect a politician’s ability to engage in diversionary activities. In response to Levy’s (1989) criticisms of diversionary war theories, this article has not concentrated on general correlations between domestic and international factors. Specific assumptions generate a parsimonious model. Empirically falsifiable hypotheses are derived from the model. These describe the conditions under which interventionist foreign policies will be pursued.

The final section of the article relaxes the assumption that crises are generated exogenously. Nations consider the likely response of other nations when determining their foreign policy. As a consequence, nations undertake actions that lead to crises when they expect the least intervention from other nations. Democracies are more interventionist in the latter half of their electoral term. Nations behave in a conciliatory manner towards democracies about to hold elections. However, early in their terms democracies are less likely to intervene. This is when most crises are generated. The model is able to explain why democracies become involved in wars early in their electoral cycle (Gaubatz, 1991).

Appendix

Proof of incentive compatibility conditions: $s(f_{10}) = 1$ implies $s(f_{01}) = 1$ and $s(f_{00}) = 0$ implies $s(f_{10}) = 0$. Suppose not then there exists $s(.)$ such that $s(f_{10}) > s(f_{00})$. 
Since \( p(\text{win}) \geq p(\text{lose}) \), \( f_h(p(\text{win}) - p(\text{lose})) + p(\text{lose}) - p(\text{non}) \geq f_h(p(\text{win}) - p(\text{lose})) + p(\text{lose}) - p(\text{non}) \). Since \( \psi + w > \psi - w > 0 \) and \( f_{h'}v > f_hv \) then \( ATT(f_{h'}) > ATT(f_h) \). This contradicts \( s(f_{h'}) > s(f_{h'}) \).

**Characterization and Proof of Equilibria**

The out-of-equilibrium beliefs used to sustain the pooling equilibria are based on universal divinity (Banks and Sobel, 1987). Since \( ATT(f_{h'}) > ATT(f_h) \), \( f_h \) types have a greater incentive to intervene. If the out-of-equilibrium message intervention is seen, then it is assumed that it was sent by \( f_h \) type. Upon seeing the out-of-equilibrium message no intervention it is assumed that \( f_i \) type sent the message.

**Separating Equilibria**

**B1:** If \( \lambda_d(Q) \geq w + 1/2 \) and cost/\( f_i \geq v \geq \text{cost}/f_h \) s(\( f_h \)) = 1, s(\( f_i \)) = 0, \( \sigma(P, Q) = 1 \) which implies that \( \mu_d(\text{non}) = 0 \) and \( \mu_d(\text{win}) = \mu_d(\text{lose}) = 1 \) and \( \rho(.) = 1 \).

Pf: Given \( \lambda_d > w + 1/2 \) and \( s_d \) then Elect(\( P, \lambda_d(Q) \)) > 0 for all foreign policy outcomes. Therefore, \( ATT(f_i) = f_iw - \text{cost} \leq 0 \) and \( ATT(f_h) = f_hw - \text{cost} \geq 0 \).

**B2:** If \( 1/2 + w \geq \lambda_d(Q) \geq 1/2 - w \) and \( (\text{cost} - (\psi - w))/f_i \geq v \geq (\text{cost} - (\psi + w))/f_h \) then s(\( f_h \)) = 1, s(\( f_i \)) = 0, \( \sigma(\text{win}, Q) = 1 \), \( \sigma(\text{lose}, Q) = 1 \) and \( \sigma(\text{non}, Q) = 0 \). Which implies that \( \mu_d(\text{non}) = 0 \) and \( \mu_d(\text{win}) = \mu_d(\text{lose}) = 1 \) and \( \rho(\text{win}) = \rho(\text{lose}) = 1 \) and \( \rho(\text{non}) = 0 \).

Pf: Given \( 1/2 + w \geq \lambda_d(Q) \geq 1/2 - w \) and \( s_d \) then Elect(\( \text{win}, \lambda_d(Q) \)) > 0, Elect(\( \text{lose} \)) \geq 0, and Elect(\( \text{non}, \lambda_d(Q) \)) < 0. Given \( v \) and \( \rho(.) \) then \( ATT(f_h) > 0 \) and \( ATT(f_i) < 0 \).

**B3:** If \( \lambda_d(Q) \leq 1/2 - w \) and cost/\( f_i \geq v \geq \text{cost}/f_h \) then s(\( f_h \)) = 1, s(\( f_i \)) = 0, \( \sigma(., Q) = 0 \), which implies that \( \mu_d(\text{non}) = 0 \) and \( \mu_d(\text{win}) = \mu_d(\text{lose}) = 1 \) and \( \rho(.) = 0 \).

Pf: Given \( \lambda_d(Q) \leq 1/2 - w \) then for any \( \mu_d \) Elect(\( P, \lambda_d(Q) \)) < 0. Given vote\( _i \) the \( \rho(.) = 0 \) for all \( s \), therefore \( ATT(f) = uf - \text{cost} \). Therefore \( s(f) \) is an equilibrium strategy.

In addition there exist semi-pooling equilibria:

**B1s:** s(\( f_h \)) = (\( 2w - 1 - \lambda_d \)) / (\( 1/2 + w - \lambda_d - 2 \)) \( \epsilon (0, 1) \), s(\( f_i \)) = 0 and \( \sigma(\text{win}, Q) = \sigma(\text{lose}, Q) = 1 \) and \( \sigma(\text{non}, Q) = (\psi + w + f_h - \text{cost}) / (\psi + w) \) \( \epsilon (0, 1) \). This implies that \( \rho(\text{win}) = \rho(\text{lose}) = 1 \) and \( \rho(\text{non}) = 0 \).

Pf: Given \( s \) and \( \lambda_d(Q) \) then Elect(\( \text{win}, \lambda_d(Q) \)) = Elect(\( \text{lose}, \lambda_d(Q) \)) > 0 and Elect(\( \text{non}, \lambda_d(Q) \)) = 0. Therefore \( \sigma(P, Q) \) is a best response. Given \( \sigma(P, Q) \) and \( v \) then \( ATT(f_h) < 0 \) and \( ATT(f_h) = 0 \), so randomizing is a best response for \( f_h \) type governments.

**B2s:** s(\( f_h \)) = 1, s(\( f_i \)) = (\( w - 1/2 + \lambda_d \)) / (\( w + 1/2 - \lambda_d \)) \( \epsilon (0, 1) \), and \( \sigma(\text{win}, Q) = (\text{cost} - f_iw) / (f_i(\psi - w)) \) \( \epsilon (0, 1) \) and \( \sigma(\text{lose}, Q) = \sigma(\text{non}, Q) = 0 \).

Pf: Given \( s \) and \( \lambda_d(Q) \) then Elect(\( \text{win}, \lambda_d(Q) \)) = 0, Elect(\( \text{lose}, \lambda_d(Q) \)) < 0 and Elect(\( \text{non}, \lambda_d(Q) \)) < 0. Therefore \( \sigma(P, Q) \) is a best response. Given \( \sigma(P, Q) \) and \( v \) then \( ATT(f_h) > 0 \) and \( ATT(f_h) = 0 \), so randomizing is a best response for \( f_i \) type governments.
Bs3: \( s(f_h) = 1, s(f_f) = ((1-f_h)(w-1/2+\lambda_d^h))/((1-f_h)(w+1/2-\lambda_d^f)) \) and \( \sigma(\text{non}, Q) = 0, \sigma(\text{win}, Q) = 1 \) and \( \sigma(\text{lose}, Q) = (\text{cost}-f_h)/(\text{cost}-w)(1-f_h) - f_h/(1-f_f) \).

Pf: Given \( s \) and \( \lambda_d^h(Q) \) then Elect(\text{win},\lambda_d^h(Q)) = 1, Elect(\text{lose},\lambda_d^h(Q)) = 0, and Elect(\text{non},\lambda_d^h(Q)) < 0. Therefore \( \sigma(P,Q) \) is a best response. Given \( \sigma(P,Q) \) and \( v \) then \( ATT(f_h) > 0 \) and \( ATT(f_f) = 0 \), so randomizing is a best response for \( f_i \) type governments.

In addition to those equilibria described in Table 1 two additional semi-pooling equilibria were excluded because they are generically unimportant. Bs4. \( s(f_h) \in (0,1) \) and \( s(f_f) = 0 \), \( \rho(\text{non}, Q) = 0 \), \( \rho(\text{win}, Q) = \rho(\text{lose}, Q) = (\text{cost}-f_h v)/(\text{cost}-w) \) if \( \lambda_d^h = 1/2 - w \). Bs5. \( s(f_h) = 1, s(f_f) \in (0,1) \), \( \rho(\text{non}, Q) = (f_f v - \text{cost})/(\psi + w) + 1 \), \( \rho(\text{win}, Q) = \rho(\text{lose}, Q) = 1 \) if \( \lambda_d^h = 1/2 - w \).

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**Pooling on Non-intervention**

A1: \( s(.) = 0 \) for all types, \( \sigma(.) = 1 \) for all outcomes, \( \mu_d^h(\text{non}) = \mu_d^f = 1/2 \) and \( \mu_d^f(\text{win}) = \mu_d^f(\text{lose}) = 1 \) if \( v \leq \text{cost}/f_h \) and \( \lambda_d^f(Q) \geq 1/2 \).

Pf: Given \( \lambda_d^f \) then for all outcomes Elect(.)(\lambda_d^f(Q)) \geq 0. Given \( \sigma(.) \) then \( ATT(f_h) < ATT(f_f) = f_h v - \text{cost} \). If \( \sigma(.) \) then \( ATT(.) \% \leq 0 \) for all government types.

A2: \( s(.) = 0 \) for all types, \( \sigma(.) = 1 \) for all outcomes, \( \mu_d^h(\text{non}) = \mu_d^f = 1/2 \) and \( \mu_d^f(\text{win}) = \mu_d^f(\text{lose}) = 1 \) if \( v \leq (\text{cost} - (\psi + w))/f_h \) and \( \lambda_d^f(Q) \in [1/2 - w, 1/2] \).

Pf: Given \( \lambda_d^f \) and \( s \) then for all outcomes Elect(\text{non}, \lambda_d^f(Q)) < 0 and Elect(\text{win},\lambda_d^f(Q)) = Elect(\text{lose},\lambda_d^f(Q)) \geq 0. Given \( \sigma(.) \) then \( ATT(f_h) < ATT(f_f) = f_h v - \text{cost} \). If \( v \leq (\text{cost} - (\psi + w))/f_h \) then \( ATT(.) \leq 0 \) for all government types.

A3: \( s(.) = 0 \) for all types, \( \sigma(.) = 0 \) for all outcomes, \( \mu_d^h(\text{non}) = \mu_d^f = 1/2 \) and \( \mu_d^f(\text{win}) = \mu_d^f(\text{lose}) = 1 \) if \( v \leq \text{cost}/f_h \) and \( \lambda_d^f(Q) \leq 1/2 - w \).

Pf: Given \( \lambda_d^f(Q) \) then for all outcomes Elect(.) \leq 0. Given \( \sigma(.) \) then \( ATT(f_h) < ATT(f_f) = f_h v - \text{cost} \). If \( \sigma(.) \) then \( ATT(.) \leq 0 \) for all government types.

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**Pooling on Intervention**

A4: \( s(.) = 1 \) for all types, \( \sigma(.) = 1 \) for all outcomes \( v \geq \text{cost}/f_i \) and \( \lambda_d^f(Q) \geq 1/2 + w \).

Pf: Given \( \lambda_d^f(Q) \) then Elect(.) \geq 0 for all outcomes. Given \( \sigma(.) \) for all outcomes then \( v \geq \text{cost}/f_i \) implies that \( ATT(.) \geq 0 \).

A5: \( s(.) = 1 \) for all types, \( \sigma(\text{non}) = 0 \), \( \sigma(\text{lose}) = 1 \) and \( \sigma(\text{win}) = 1 \) if \( v \geq (\text{cost} - (\psi - \text{w}))/f_h \) and \( \lambda_d^f(Q) \in [1/2 + w - 2w(1-f_h)/(1-f_h) + (1-f_f), 1/2 + w] \).

Pf: Given \( \lambda_d^f(Q) \) then Elect(\text{non}, \lambda_d^f(Q)) \leq 0, Elect(\text{lose}, \lambda_d^f(Q)) \geq 0 \) and Elect(\text{win}, \lambda_d^f(Q)) \geq 0. \( v \geq (\text{cost} - (\psi - \text{w}))/f_i \) implies that \( ATT(.) \geq 0 \) for all types.

A6: \( s(.) = 1 \) for all types, \( \sigma(\text{non}) = 0 \), \( \sigma(\text{lose}) = 0 \) and \( \sigma(\text{win}) = 1 \) if \( v \geq (\text{cost}/f_f) - (\psi - \text{w}) \) and \( \lambda_d^f(Q) \in [1/2 + w - 2w(f_f + f_f)/(1-f_h) + 1/2 + w - 2w(1-f_f)/(1-f_f) + (1-f_f) + (1-f_f)] \).

Pf: Given \( \lambda_d^f \) then Elect(\text{non}) \leq 0, Elect(\text{lose}) \leq 0 and Elect(\text{win}) \geq 0. \( v \geq (\text{cost}/f_f) - (\psi - \text{w}) \) implies that \( ATT(.) \geq 0 \) for all types.
\(A7\):\(s(.) = 1\) for all types, \(\sigma(\text{non}) = 0, \sigma(\text{lose}) = 0 \) and \(\sigma(\text{win}) = 0\) if \(\nu \geq (\text{cost}/f)\) and \(\lambda_{d}(Q) \leq 1/2 + w - 2w f/(f + f)\).

\textbf{Pf:} Given \(\lambda_{d}(Q)\) then \(\text{Elect(\text{non},\lambda_{d}(Q)) < 0, \text{Elect(\text{lose},\lambda_{d}(Q)) < 0 and} \text{Elect(\text{win},\lambda_{d}(Q)) \leq 0.} \nu \geq (\text{cost-(\psi-w)})/f\) implies that \(\text{ATT(.)} \geq 0\) for all types.

\textbf{References}


