

Decision-Making, Psychological Dimensions of Foreign Policy

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Social scientists have long looked to psychology to help understand and explain political decision-making. Sometimes psychological principles have been imported into theories of world politics (e.g., Morgenthau's notion of man's "urge to dominate"), but more often such inquiry has taken the form of the study of individual and group decision-making. This subfield has varied over the years in its methods (from "process tracing" and qualitative analysis to experimental methods, and virtually everything in between) and in the focus of its attentions. As a result, a comprehensive review would fill several books. This article should therefore not be considered a complete review of the field of foreign policy decision-making (hereafter, FPDM). Rather, it is a sample of some of the more persuasive and interesting avenues of research that have been prominent in recent years. It is hoped that this introduction will spur readers to seek out more information on these and other subjects within the field. (See *INTERNATIONAL RELATIONS, PSYCHOLOGICAL PERSPECTIVES ON; DECISION-MAKING, THE ROLE OF EMOTIONS IN FOREIGN POLICY.*)

PROSPECT THEORY

Prospect theory is a model of how individuals make decisions under conditions of risk and uncertainty (Kahneman & Tversky, 1979). It rests on the argument that the most significant carriers of utility are not states of

wealth or welfare, but changes relative to a reference point. Of the insights from the theory, two stand out as critical to the study of international politics: loss aversion and risk seeking in losses.

The phenomenon known as loss aversion describes the observation that losses are "felt" more strongly than gains. This implies that the displeasure associated with losing a sum of money is greater than the positive utility associated with winning the same amount. Loss aversion explains a number of anomalies in decision-making behavior that pose difficulties for traditional expected-utility theory, which maintains that actors make decisions on the basis of a rational analysis of costs and benefits. For instance, individuals who acquire an item such as a coffee-mug seem unwilling to sell it at a price they would not have considered paying for it in the first place. This is known as the endowment effect, and has its basis in the fact that people over-weight losses relative to foregone gains.

This has important implications for diplomacy, where actors will treat their own concessions as losses and the opponent's concessions as gains. Because their own losses will carry more psychological weight, each side will view an objectively equitable deal as unfair, posing serious obstacles to negotiations between states. Similarly, the endowment effect will increase the perceived value of land won during conflict, contributing to the difficulties of postwar settlements and reconciliation. While there is evidence that this effect can be moderated by an expectation of eventually trading the goods or land, there is no guarantee that land once taken as a bargaining chip will not eventually become integrated into a people's national identity, making concessions significantly less likely.

Aversion to certain losses, sometimes referred to as risk seeking in losses, is analytically distinct from loss aversion proper and refers to the tendency to take greater risks when faced with the prospect of a certain loss. According to prospect theory, this preference is explained by two separate factors. The first is the shape of the value function, which implies a diminishing marginal disutility. In other words, even though it is the same amount of money in *absolute* terms, it hurts more to lose \$1,000 when you were not previously in debt than to go \$1,000 further in debt after already owing \$10,000.

The second cause of risk seeking is known as the certainty effect. This refers to the observation that individuals overweight outcomes that are “sure things” relative to those that are not. Most people would pay more for a drug that increased their chance of survival from 90% to 100% than one that changed it only from 30% to 40%. In the domain of gains, both the certainty effect and the shape of the value function favor risk aversion: most would prefer a sure gain of \$85 rather than a 90% chance to win \$1,000.

In choosing between a certain loss and a possible loss, the same logic contributes to a preference for gambles. In the domain of losses, individuals tend to prefer the risk-acceptant choice over the certain loss, in effect “doubling down” rather than cutting their losses. One can also induce risk seeking by changing the framing of a choice, without actually altering the expected utilities or any information about the prospects. So, for example, actors will treat problems differently depending on whether they are framed as affecting the “mortality rate” or the “survival rate” (this is known as a framing effect).

An aversion to certain losses carries a number of significant implications for international politics. The most-noted implication of the aversion to certain losses is the tendency to escalate commitment to a chosen course of action even when the

project has consumed considerable resources and appears to be failing. In such cases, the rational prescription is to ignore sunk costs and evaluate the costs of new efforts against the value of their expected outcome, but decision-makers often persevere even with poor odds of success. The aversion to certain losses is critical here because it causes actors to favor the high-risk option of pouring in ever more resources into a project in the hope of snatching victory from the jaws of defeat. This may work in some small percentage of cases, but overall the odds are that such a strategy will wind up costing far more than the “sure loss” would have in the first place. This may be exacerbated by an agency problem, where leaders reap the rewards of potential success but do not pay the attendant costs of failure (and in democratic countries, the costs may be “capped” at simply losing reelection).

Risk seeking in losses might also be of value in explaining broader dynamics, such as how certain key ideas take hold. For instance, prospect theory might help to explain the prevalence of “domino theory” during the Cold War. Domino theory maintained that if a country fell to communism, that country could affect surrounding countries that in turn would fall like dominos to communism. Hence, if any gain (even a very small one) by an adversary is perceived as one’s own loss, then it helps to explain why the United States focused so much of its resources during this period on conflicts on the periphery of its core interests (e.g., Korea, Vietnam) and in each case also expanded its commitment in spite of the ambiguous benefits conferred by these efforts.

POSITIVE ILLUSIONS

One of the most robust findings in cognitive and social psychology is that individuals often fall victim to what have become known

as positive illusions. Among these positive illusions are unrealistically positive views of one's self, the illusion of control, and unrealistic optimism (Taylor & Brown, 1988). Unrealistically positive views of one's self have been documented in many domains: from driving to teaching to picking stocks, most people believe themselves to be quite a bit better than average. And because individuals resist information that conflicts with positive self-assessments, these unrealistically positive views generally persist over time. The illusion of control is an exaggerated perception of the extent to which one can control or influence outcomes. Experiments have shown that people often believe and act as if they can control outcomes which are objectively the result of chance. Furthermore, stress (common in FPDM) interacts with this tendency by increasing the preference for strategies that engender a feeling of control, even if it is illusory, and even if it leads to worse outcomes.

Evidence for unrealistic optimism can be found in the differences between how actors judge themselves and others. They generally believe that positive outcomes are more likely for themselves (and their friends) than for other peers, and correspondingly that the probability of negative outcomes occurring is less for themselves than for others. In addition, there is evidence that people's predictions of what *will* occur correspond closely to what they would *like* to happen, rather than what is objectively likely to occur. Domain expertise does not necessarily ameliorate these biases: professional financial analysts, making judgments and predictions in their areas of expertise, were just as overconfident as a control group of students.

The consequences for FPDM are clear. While some evolutionary biologists have argued that overconfidence is adaptive (or was, at some point in human history), it seems clear that positive illusions will have deleterious effects in the political arena.

Leaders may overestimate their ability to lead, or overestimate the capabilities of their militaries. Either way, such illusions are likely to lead to a series of ever more destructive beliefs (Hitler told his generals that a campaign against Russia would be "like a child's game in a sandbox"), eventually culminating in wars in which all belligerents foresee victory for their own side.

Systematic *underconfidence* is also relevant to the study of foreign policy. Just as leaders may overestimate their own abilities or chances of prevailing in conflict, so too might they overestimate an adversary's intentions or capabilities under certain conditions (Moore & Cain, 2007). Unfortunately, such biased judgments are likely to be just as destabilizing as errors in the opposite direction. While overestimating the strength of an adversary might in some cases contribute to conciliatory behavior, it seems more likely that such judgments would lead to a speedy arms buildup (e.g., similar to those that occurred after both the purported missile and bomber gaps in the United States) or to contemplation of preventive war. The latter option would look especially attractive if the erroneous overestimation was paired with the belief that time was working against one (i.e., one's adversary was only getting stronger). Similarly, the overestimation of the hostility of one's adversary might lead to the conclusion that efforts at conciliation would be useless, thus further cementing reciprocal bad faith images.

ATTRIBUTION

The issue of attribution is crucial for FPDM: How a leader understands or explains the actions of adversaries has critical implications for the decisions they will make. Whether leaders view potentially hostile actions as the result of truly aggressive intentions, or a byproduct of

situational constraints, matters a great deal. However, because the motivations of others are not directly observable, individuals must rely on inferences to explain behaviors. This would not be a problem if this process provided relatively accurate and objective conclusions. However, decades of research have established a systematic bias in the way that individuals draw causal attributions. In particular, we tend to over-attribute observed behaviors to dispositional factors (personality, motivations, etc.) and underestimate the role of situational context or constraints. This occurs even when we are specifically instructed that the target of our observation had no choice in their actions (Jones & Harris, 1967). (See *ATTRIBUTION THEORY, INTERGROUP CONFLICT AND.*)

This tendency has been labeled the fundamental attribution error, and is remarkably resilient to intervention. For example, in one case, subjects read a study of how people can make errors in attributions and then proceeded to make exactly the same mistake that they had just read about, predicting behavior on the basis of dispositional rather than situational factors (Pietromonaco & Nisbett, 1982). And while individuals are often inaccurate in inferring motivations to others, they are equally poor at forecasting how their own behavior will be seen by others. This is labeled the illusion of transparency and describes the tendency to overestimate the extent to which our own good motivations are visible to others.

Both types of attribution errors have important consequences for FPDM. The fundamental attribution error doubtless contributes to the reification of bad faith images of the adversary: Bad behavior by adversaries will further harden one's belief in their hostility, but even "good" behavior is likely to be discounted as motivated by context and not disposition. In other words, in dealing with adversaries, almost any action they take helps to confirm the

hypothesis that they are irrevocably hostile, contributing to the difficulty of conciliation between former opponents. And because leaders will often assume that others will see their true, good motivations, they might proceed in actions with pure motives only to cause irreparable damage. Many humanitarian interventions might be explained this way: powerful countries seeking to help only to find that others question their motives and see the intervention through the frame of "colonialism" or "imperialism." (See *IMAGE THEORY.*)

GROUP DECISION-MAKING

While many of the theories and ideas described above are focused primarily on individual decision-making, group decision-making is clearly an important aspect of peace and conflict studies. One of the most influential early approaches to group decision-making was Janis's "groupthink" theory. Janis (1972) argued that an excessive desire for group unanimity and cohesiveness would result in the marginalization of out-group and even ingroup dissenters, leading to a policymaking process that ignores alternate points of view and disconfirming information. This theory has attracted a great deal of attention and acceptance of its major insights throughout the social sciences (particularly in explaining the Vietnam decision-making process), though paradoxically rather little in the way of empirical studies designed to test its propositions. (See *GROUPTHINK.*)

Also relevant to FPDM is the issue of how the beliefs of group members interact during the decision process. Original work focused mainly on the "risky shift" phenomenon, which described the tendency of groups to make riskier decisions than the members made individually. It was soon discovered that "cautious shifts" could also be induced, leading to the more robust

theory of group polarization: the observation that initial tendencies of individual group members are strengthened and exaggerated by group discussion and decision-making.

Research on group psychology and decision-making has also led to a fruitful examination of optimal decision structures for political decision-making. Alex George (1980) proposed a "multiple advocacy" structure designed to harness conflict and disagreement and improve the quality of decision-making. Also available to leaders is the "devil's advocate," designed as a corrective for inflated optimism and biased information search. Both of these systems require a substantial investment by the executive in order to function properly, but the difference between Kennedy's unsuccessful decision-making in the Bay of Pigs fiasco as contrasted to the highly successful approach during the Cuban Missile Crisis speaks to the importance of proper organization and structure.

SEE ALSO: Attribution Theory, Intergroup Conflict and; Decision-Making, The Role of Emotions in Foreign Policy; Groupthink; Image Theory; International Relations, Psychological Perspective on.

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ADDITIONAL RESOURCES