

Diversionsary Incentives and the Bargaining Approach to War

AHMER TARAR

Texas A&M University

I use a game theoretic model of diversionary war incentives to help explain the lack of a consistent empirical relationship between domestic conditions and the use of force abroad. I argue that when diversionary behavior is about demonstrating competence rather than creating a short-term “rally round the flag” effect, a leader has incentives to use force against a challenging target, and this may dissuade many would-be diversionary uses of force. I then combine the diversionary model with the bargaining approach to war and show that when war is costly and bargaining is allowed, the diversionary leader can be peacefully appeased short of war as long as the benefit of holding office is not too large compared with the cost of war and other factors. However, when the office holding benefit is sufficiently large, the diversionary incentive emerges as a new domestic politics based “rationalist explanation for war.”

The well-known diversionary theory of war (Levy 1989) stipulates that domestic problems lead to incentives for a nation’s leader to engage in aggressive foreign behavior, perhaps even war, to boost the nation’s cohesiveness, to enhance the leader’s popularity, and to thus increase her chances of remaining in power. There is now an immense empirical literature that attempts to ascertain whether or not leaders are more likely to be involved in foreign disputes when facing domestic problems. However, the empirical findings on this matter are quite inconsistent. While many studies find evidence for the diversionary hypothesis (e.g., Ward and Widmaier 1982; Stoll 1984; Ostrom and Job 1986; Russett 1990; James and Oneal 1991; Morgan and Bickers 1992; Hess and Orphanides 1995; Miller 1995; Gelpi 1997; Fordham 1998; Dassel and Reinhardt 1999; Miller 1999; Morgan and Anderson 1999; DeRouen 2000; Enterline and Gleditsch 2000; Fordham 2002),¹ many other studies find evidence against it (e.g., Meernik 1994; Meernik and Waterman 1996; Leeds and Davis 1997; Gowa 1998; Meernik 2000; Mitchell and Moore 2002; Chiozza and Goemans 2003).

Author’s note: A technical supplement to this article, which is available from the author’s website (<http://www-polisci.tamu.edu/faculty/tarar>), contains the proofs of the results presented in this article as well as additional analysis of the formal model. My thanks to Matthew Baum, Vesna Danilovic, Hein Goemans, Brett Ashley Leeds, T. Clifton Morgan, and three anonymous reviewers for helpful comments. I am responsible for any remaining shortcomings.

¹ Some of these works only find support for a significantly revised version of diversionary theory. Dassel and Reinhardt (1999), for example, find that domestic problems lead to external conflict only when the domestic problems challenge the core interests of the military, and not just the civilian leadership. Morgan and Bickers (1992) and Morgan and Anderson (1999) find that diversionary measures are resorted to only when the leader’s popularity among *core* supporters drops. The basic idea, however, that domestic problems lead to the external use of force, is supported by all of these works.

In this paper, I seek to accomplish two objectives. I first analyze a game theoretic model of diversionary war behavior that helps shed some light on the lack of a consistent empirical relationship between domestic conditions and the use of force abroad. I analyze a model in which the citizens are uncertain about the competence of their incumbent leader (Richards et al. 1993; Hess and Orphanides 1995; Smith 1996). If the economy (or other domestic conditions) turns out to be weak, this is a noisy signal to the citizens that their leader is probably incompetent and perhaps should be replaced. But if the leader undertakes an aggressive foreign policy *and is successful in it*, then the citizens may reassess the competence of their leader and reelect her despite the weak economy. However, in equilibrium *this only occurs if the target of the diversionary policy is sufficiently strong*, because even success against a weak foe does not demonstrate competence to the citizens, and the leader would hence be deposed anyway.

Thus, the model helps provide an explanation for the lack of a consistent empirical relationship between domestic conditions and the use of force abroad. Although the incentive for diversionary behavior does emerge in the model when the economy is weak,² the diversionary policy (in order to work) has to be directed against a sufficiently difficult target, and this may deter many would-be diversionary uses of force. Many leaders contemplating the diversionary use of force may decide to focus on less risky, perhaps domestic (Miller 1995) means of enhancing their reelection chances rather than begin a risky foreign adventure against a difficult target. Other leaders may simply not have sufficiently difficult targets in their neighborhood, and hence may not have the *opportunity* to engage in “worthwhile” diversionary uses of force.

In the second part of the paper, I show how the results of this diversionary model of war can be insightfully incorporated into the bargaining approach to war (Powell 2002) pioneered by Fearon (1995) and Powell (1996). One prominent approach to the study of war, which Reiter (2003) calls the “bargaining model of war,” assumes that war is inherently costly and that countries have the opportunity to bargain to peacefully settle the issue under dispute. Given that war is costly, Fearon (1995) shows that under very general conditions there always exists a range of peaceful agreements that both sides to a dispute strictly prefer to war. This has spurred much research into the causes of war that focuses on explaining why costly war can occur between two rational unitary states despite the existence of this bargaining range (Fearon 1995; Powell 1999; Slantchev 2003a; Powell 2006).

Diversionary theories of war, on the other hand, relax the unitary actor assumption and focus on the domestic political *benefits* that an aggressive foreign policy can bring to a domestically troubled leader. Unlike bargaining models of war, these models tend to underemphasize the cost of war, and they ignore the possibility of bargaining altogether. This can lead to misleading conclusions, however, because it is not clear why the diversionary incentive would necessarily cause the preferred-to-war bargaining range in bargaining models to completely disappear.

I show how the results of the diversionary model of war can be insightfully incorporated into a bargaining model of war in which war is costly and bargaining is allowed. It turns out that under these conditions, the diversionary incentive does not necessarily lead to war. Instead, it may simply allow the leader with the diversionary incentive to get a better bargain from the other side, and with the diversionary leader thus appeased, war is avoided. On the other hand, if the value of holding office is sufficiently high relative to other factors, then the diversionary incentive makes a peaceful bargain impossible and causes war to occur, even when

² Technically, it is inappropriate to call this “diversionary” behavior, because the attention of the citizens is not literally being diverted. Rather, the leader undertakes an aggressive foreign policy to try to enhance the citizens’ perception of her competence. Whether diversionary behavior is about revealing competence or creating a patriotic “rally round the flag” effect is an empirical question that remains to be answered.

war is costly and bargaining is allowed. Thus, the diversionary incentive amounts to a new domestic politics based “rationalist explanation for war” that does not rely on private information about military capabilities or resolve and incentives to misrepresent them, issue indivisibilities, or dynamic commitment problems (Fearon 1995). Finally, by identifying the conditions under which the diversionary incentive leads to a negotiated settlement rather than war, the analysis provides additional explanation for the lack of a consistent empirical relationship between domestic conditions and the use of force abroad.

The paper proceeds as follows. In the next two sections, I present the diversionary war model and discuss the equilibria. I then incorporate the results of this diversionary model into Fearon’s (1995) and Powell’s (1999: chapter 3) bargaining models of war. I conclude by discussing the implications of all these results for the broader research agenda on the causes of war.

The Diversionary Model

The diversionary model is a fully strategic game theoretic generalization of Richards et al.’s (1993) partially strategic decision theoretic model. There are two main actors in the model, the incumbent leader (whose pronoun will henceforth be “she”) and the voter (a “he”).³ The game tree is depicted in Figure 1. In the first move of the game, which the voter does not observe, nature chooses the incumbent’s type, either competent or incompetent (the thick dot at the center of the game tree depicts this initial move by nature, N). The incumbent is competent (henceforth, the competent type of incumbent will be denoted by CI) with probability $0 < p < 1$, and incompetent (II) with probability $1 - p$.

Nature then chooses the state of the economy (or other domestic conditions—the economy is used as a proxy for domestic conditions in general), either good or bad, a move that the incumbent (who knows her own type) as well as the voter (who does not know the type of the incumbent, only the probability distribution with which nature drew her type) observes. For a competent incumbent, the economy is good with probability $0 < q < 1$ and bad with probability $1 - q$. For an incompetent incumbent, the economy is good with probability $0 < q' < 1$ and bad with probability $1 - q'$. It is assumed that $q' < q$ to reflect the idea that a competent incumbent is more likely to achieve a good economy (or produce favorable domestic conditions) than an incompetent incumbent. (These probabilities are common knowledge.) Thus, the state of the economy is a noisy signal of the leader’s competence.

Knowing her own type as well as the state of the economy, the incumbent then has to decide whether or not to engage in an aggressive foreign policy. Maintaining Richards et al.’s (1993) notation, I denote the decision to engage in an aggressive foreign policy by A (denoting “aggression” in foreign policy), and the decision to not do so by \bar{A} . If the incumbent chooses not to use an aggressive foreign policy (\bar{A}), the voter then decides whether to retain the incumbent (RI) or not (\bar{RI}), knowing only the state of the economy and that an aggressive foreign policy was not chosen (\bar{A}).⁴

If the incumbent chooses to engage in an aggressive foreign policy (A), then the policy ends either successfully ($S(A)$, denoting successful aggression) or unsuccessfully ($US(A)$). The foreign policy is successful with probability $0 < s < 1$ if the incumbent is competent and with probability $0 < s' < 1$ if the incumbent is incompetent, with $s' < s$ to reflect the idea that a competent leader is more likely to be successful than an incompetent one. (These probabilities are common

³ The logic of the model is not limited to democratic systems. The voter can be interpreted as any domestic actor that has the power to remove the incumbent leader, for example, the military in a military dictatorship.

⁴ The dotted lines in the game tree are information sets, reflecting the idea that the voter did not observe the initial move by nature in selecting the incumbent’s type.

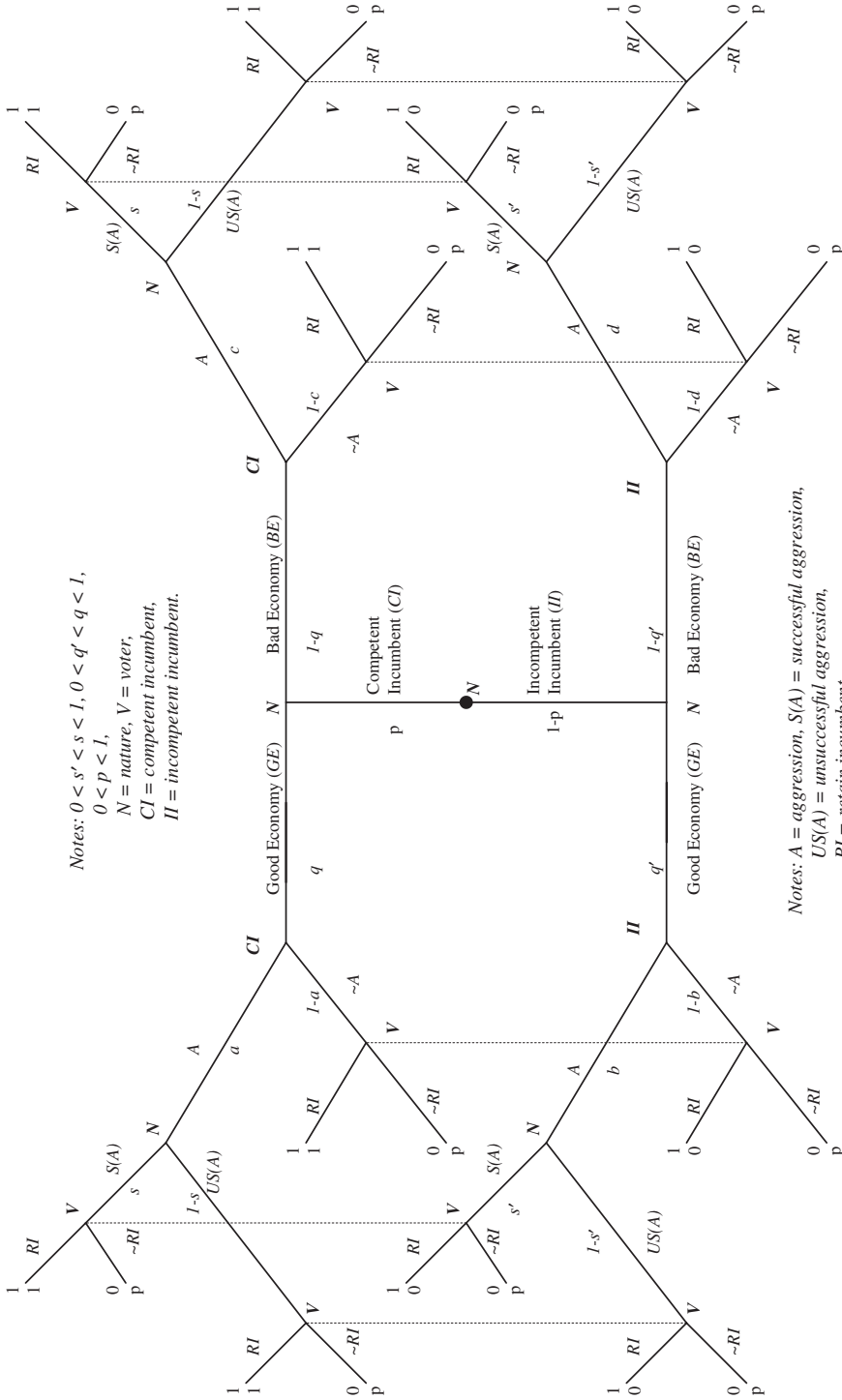


Fig. 1. Diversionary War Game Tree

knowledge.) Thus, the outcome of the aggressive foreign policy, if one is undertaken, is another noisy signal of the leader's competence.

The voter observes whether the foreign policy is successful or not, and then has to vote whether (RI) or not (\overline{RI}) to retain the incumbent, knowing the state of the economy and whether or not the foreign policy was successful, but not knowing for certain the incumbent's type.

This completes the description of the sequence of moves in the model. The last thing that remains is to specify the payoffs for the players. In the game tree, at each outcome the incumbent's payoff is shown at the top and the voter's payoff is at the bottom. It is assumed as in Richards et al. (1993) that if the incumbent is retained (RI), she obtains a payoff of 1, and her payoff is 0 if she is deposed (\overline{RI}). Thus, the incumbent only cares about keeping office.

Richards et al. (1993) do not have to specify payoffs for the voter because they do not model the voter as a deliberate actor and instead make the simplification that the voter's decision is probabilistic. In particular, they stipulate that the probability with which the incumbent is retained equals the probability that the voter assigns (at that decision node, or information set) to the incumbent being competent, without offering a behavioral justification for this type of behavior. Because I wish to include the voter as a full-fledged strategic actor in the model, I need to explicitly model the voter's choice by assigning payoffs to his two options (RI or \overline{RI}).

For simplicity and for reasons that will become clear below, I assume that the voter obtains a payoff of 1 if he is led by a competent leader in the next period, and a payoff of 0 if led by an incompetent leader.⁵ Thus, if a competent (incompetent) incumbent is retained, the voter's (expected) payoff is 1 (0). If the voter decides *not* to retain the incumbent (\overline{RI}), then nature randomly draws a challenger (new leader) from the same pool as it drew the incumbent, that is, the challenger is competent with probability p and incompetent with probability $1 - p$.⁶ Thus, the voter's expected payoff at any of his information sets (decision nodes) for *not* retaining the incumbent (\overline{RI}) is $p(1) + (1 - p)0 = p$. (To avoid making Figure 1 too tedious, I do not show nature's move of choosing the type of the challenger when the voter chooses \overline{RI} , but instead represent this simply by showing the voter's expected payoff for choosing \overline{RI} to be p .) Moreover, at any given information set (decision node) of the voter, if the voter's (updated) belief at that information set that the incumbent is competent is v , then the voter's expected payoff at that information set for retaining the incumbent (RI) is $v(1) + (1 - v)0 = v$.

Thus, these payoffs for the voter lead to the reasonable decision rule that, at any given information set of the voter, if the (updated) probability that the voter assigns at that information set to the incumbent being competent is v , then the voter chooses to retain the incumbent (RI) if and only if $v \geq p$, and chooses to depose the incumbent (\overline{RI}) if and only if $v < p$.⁷ If the (updated) probability that the voter assigns to the incumbent being competent is at least as great as it is for an untested challenger, then the voter retains the incumbent; otherwise, she is deposed in favor of a challenger.

Strategies, Beliefs, and Updating

This completes the description of the model. The voter has to decide whether or not to retain the incumbent, not knowing for certain the incumbent's type. Instead,

⁵ This is similar to Smith (1996), except that he separates the voter's future expected payoff into an economic component and a foreign policy component. Technically speaking, the voter's payoff should be based on outcomes rather than directly on the leader's competence. Then, the payoff of 1 should be interpreted as the voter's future expected payoff under a competent leader, and the 0 is his future expected payoff under an incompetent leader.

⁶ Later on, I relax this assumption.

⁷ If the voter's expected utility for retaining the incumbent (v) equals its expected utility for bringing in a challenger (p), it is assumed that the voter retains the incumbent.

he can only update his prior belief about the incumbent’s type based on the state of the economy and the outcome of the aggressive foreign policy, if one is undertaken. He can also update his belief based on the strategies of the two types of incumbent.

I first need to specify the strategy of the incumbent. Let $0 \leq a \leq 1$ denote the probability with which the *competent* type chooses aggression (A) when the economy is good, and $0 \leq b \leq 1$ the probability with which the *incompetent* type chooses aggression when the economy is good. Conversely, let $0 \leq c \leq 1$ denote the probability with which the competent type chooses aggression when the economy is bad, and $0 \leq d \leq 1$ the probability with which the incompetent type chooses aggression when the economy is bad. A strategy for the incumbent is a vector $((a, b, c, d) \in [0, 1] \times [0, 1] \times [0, 1] \times [0, 1]$. These probabilities are shown in the game tree.

Let $v_{GE/\bar{A}}$ denote the updated probability that the voter assigns to the incumbent being competent when he observes a good economy (GE) and no aggressive foreign policy (\bar{A}). Similarly, let $v_{GE/S(A)}$ denote the voter’s updated belief about the probability that the incumbent is competent when he observes a good economy and successful aggression, and let $v_{GE/US(A)}$ denote the voter’s updated belief when he observes a good economy and unsuccessful aggression. Conversely, let $v_{BE/\bar{A}}$, $v_{BE/S(A)}$, and $v_{BE/US(A)}$ denote the updated probabilities that the voter assigns to the incumbent being competent when he observes a bad economy and no aggression, successful aggression, and unsuccessful aggression, respectively. (The voter has six information sets, and hence six updated beliefs.)

When these outcomes lie on the equilibrium path of play given the incumbent’s strategy (a, b, c, d) , then these probabilities are calculated from the strategy of the incumbent (a, b, c, d) and the exogenous parameters $(p, q, q', s, \text{ and } s')$ of the model using Bayes’ rule as follows:⁸

$$\begin{aligned}
 v_{GE/\bar{A}} &= \frac{pq(1-a)}{pq(1-a)+(1-p)q'(1-b)} \\
 v_{GE/S(A)} &= \frac{pqas}{pqas+(1-p)q'bs'} \\
 v_{GE/US(A)} &= \frac{pqa(1-s)}{pqa(1-s)+(1-p)q'b(1-s')} \\
 v_{BE/\bar{A}} &= \frac{p(1-q)(1-c)}{p(1-q)(1-c)+(1-p)(1-q')(1-d)} \\
 v_{BE/S(A)} &= \frac{p(1-q)cs}{p(1-q)cs+(1-p)(1-q')ds'} \\
 v_{BE/US(A)} &= \frac{p(1-q)c(1-s)}{p(1-q)c(1-s)+(1-p)(1-q')d(1-s')}.
 \end{aligned}$$

I am now ready to present the perfect Bayesian equilibria of the model, in pure strategies (the mixed strategy equilibria, which are not substantively interesting, are presented in the technical supplement to this article, which also contains the proofs of all of the formal results). For convenience, I separate the description of the set of equilibria into two “half equilibria” sets, one for when the economy is good and one for when the economy is bad. An equilibrium for the entire game is constructed by matching any good economy “half equilibrium” (a GEx) with a bad economy “half equilibrium” (a BEy). The pure strategy equilibria are summarized in Table 1, and discussed in detail below.

Good Economy Equilibria

When the economy is good, there are three equilibria. In one of these (labeled GE1 in Table 1), the incumbent does not undertake an aggressive foreign policy and is reelected. Because the economy is good, the voter’s impression of the leader’s competence is high, and so there is no need to undertake the risk of an aggressive

⁸ When the outcomes do *not* lie on the equilibrium path of play, then these are off-the-equilibrium path beliefs, which the analyst specifies, as Bayes’ rule does not apply.

TABLE 1. Pure Strategy Equilibria

<i>Equilibrium</i>	<i>Competent</i>	<i>Incompetent</i>	\bar{A}	$S(A)$	$US(A)$	<i>Necessary and Sufficient Conditions</i>
GE1	Non-aggression	Non-aggression	Reelected	Depends*	Depends*	None
GE2	Aggression	Aggression	Depends*	Reelected	Reelected	$\frac{q}{q'} \geq \frac{1-s'}{1-s}$
GE3	Aggression	Aggression	Deposed*	Reelected	Deposed	$\frac{q}{q'} < \frac{1-s'}{1-s}, (v_{GE/\bar{A}}^* < \hat{p})$
BE1	Aggression	Aggression	Deposed*	Reelected	Deposed	$\frac{s}{s'} \geq \frac{1-q'}{1-q}, (v_{BE/\bar{A}}^* < \hat{p})$
BE2	Aggression	Aggression	Deposed*	Deposed	Deposed	$\frac{s}{s'} < \frac{1-q'}{1-q}, (v_{BE/\bar{A}}^* < \hat{p})$
BE3	Non-aggression	Non-aggression	Deposed	Deposed*	Deposed*	None $(v_{BE/S(A)}^* < \hat{p}, v_{BE/US(A)}^* < \hat{p})$

The column labeled “competent” (“incompetent”) indicates the action taken by the competent (incompetent) type of incumbent in that equilibrium. The \bar{A} , $S(A)$, $US(A)$ columns indicate whether the voter reelects or deposes the incumbent when the outcome is non-aggression, successful aggression, or unsuccessful aggression, respectively (“depends” in GE1 and GE2 indicates that whether the incumbent is reelected or deposed depends on the off-the-equilibrium path beliefs, which can be anything in those two equilibria). The last column indicates the necessary and sufficient conditions for that equilibrium to exist (note that GE1 and BE3 always exist, although the latter requires restrictive off-the-equilibrium path beliefs).

* Off-the-equilibrium path outcomes and beliefs.

foreign policy which might fail, thereby reducing the voter’s impression of the leader’s competence (and hence jeopardizing her reelection chances). By not undertaking an aggressive foreign policy, the only information which the voter has to evaluate the leader’s competence is that the economy is good, and so the incumbent is reelected.

Note that this equilibrium shows how an incompetent incumbent with the good luck of a good economy can be reelected without having to use a diversionary foreign policy to try to “trick” the voter into believing her to be more competent than she really is.

When the economy is good, there exist two equilibria (GE2 and GE3) in which the incumbent *does* use an aggressive foreign policy. In one of these (GE2), the incumbent is reelected whether the foreign policy succeeds or fails. The reason is that, in this equilibrium, the incumbent chooses either a much weaker target or a much stronger one (compared with the incumbent’s own country).⁹ When the incumbent chooses a much stronger or a much weaker opponent, the voter knows that the outcome (success or failure) is not much of an indicator of the leader’s competence—rather, the military balance largely determines the outcome (in particular, both types of incumbent are likely to be successful against a much weaker target, and both types are unlikely to be successful against a much stronger one). Hence, the voter infers the leader’s *competence* mainly from the state of the economy. As the state of the economy is strong, the incumbent is reelected.¹⁰

⁹ A necessary and sufficient condition for this equilibrium to exist is the technical condition that $q/q' \geq (1 - s')/(1 - s)$. This condition intuitively means that a good economy is a stronger indicator of competence than failure in aggression is a sign of incompetence (i.e., the odds that a competent incumbent achieves a good economy relative to an incompetent type exceed the odds that an incompetent incumbent fails in aggression relative to a competent type). For this condition to hold, s cannot be much larger than s' , compared with how large q is relative to q' . For very weak targets s and s' are both high (i.e., both types of incumbent are very likely to be successful), and for much stronger targets they are both low (both types are unlikely to be successful). Therefore, very weak and much stronger targets satisfy the condition for this equilibrium to exist. For relatively equal targets, on the other hand, s is significantly higher than s' (i.e., the incumbent’s competence plays a significant role in determining success or failure), and hence the condition is not likely to hold.

¹⁰ It could reasonably be argued that the act of choosing a much stronger target may be perceived as an act of incompetence by the voter. Although this is not explicitly incorporated in the model, this suggests that the leader will choose a much weaker rather than a much stronger opponent in this equilibrium.

In the final equilibrium when the economy is good (GE3), the incumbent chooses an aggressive foreign policy and is only reelected if it is successful. However, this equilibrium is Pareto dominated by GE1, in which the incumbent chooses not to use an aggressive foreign policy and is reelected *with certainty*, and hence is not of great substantive significance.¹¹

To summarize, when the economy is good the leader will either use no aggressive foreign policy or an electorally “safe” one against a much weaker or a much stronger target, against whom the incumbent’s competence does not play a major role and which does therefore not carry much electoral risk.

Bad Economy Equilibria

When the economy turns out to be bad, there are again three equilibria. One is what might be called the “diversionary war” equilibrium (BE1). In this equilibrium, the incumbent undertakes an aggressive foreign policy and is only reelected if it is successful. If the incumbent chooses *not* to use an aggressive foreign policy, the only information that the voters have to evaluate the incumbent’s competence is that the economy is bad, and hence the incumbent would be deposed. If the incumbent chooses an aggressive foreign policy and it fails, this is an *additional* signal that the leader is probably incompetent, and hence she is deposed. If it turns out to be successful, however, then the incumbent is reelected in this equilibrium despite the weak economy.

Of central interest, however, is that this equilibrium, in which a successful aggressive foreign policy gets the incumbent reelected, only exists if the target is roughly a militarily equal one.¹² With much weaker opponents, the voters attribute the outcome largely to the military balance rather than the incumbent’s competence. Hence, they infer the incumbent’s competence largely from the state of the economy. As the economy is weak, the incumbent is deposed even if the aggressive foreign policy is successful. This is, in fact, exactly what happens in the BE2 equilibrium, in which the incumbent chooses a much weaker opponent and is deposed regardless of the outcome.¹³

If the incumbent chooses a militarily roughly equal opponent (as in the BE1 equilibrium), however, then the outcome is a significant signal of the leader’s competence.¹⁴ If the aggressive foreign policy is successful, then this is a strong signal that the incumbent is probably competent despite the weak economy, and the incumbent is reelected.

This prediction that a diversionary policy can only get the leader reelected if it is directed against a sufficiently difficult (in particular, a militarily roughly equal)

¹¹ This equilibrium also requires the perhaps unreasonable off-the-equilibrium path belief on the part of the voter that if the incumbent chooses *not* to use an aggressive foreign policy when the economy is good, the voter believes her to be incompetent with high probability.

¹² A necessary and sufficient condition for this equilibrium to exist is the technical condition that $s/s' \geq (1 - q)/(1 - q')$. This condition intuitively means that success in aggression is a stronger indicator of competence than a bad economy is a sign of incompetence. For this condition to be satisfied, s has to be sufficiently large compared with s' , relative to how large q is compared with q' . As discussed earlier, s is most likely to be large compared with s' for militarily roughly equal targets against whom the incumbent’s competence plays a significant role in determining success or failure, rather than against much weaker or much stronger opponents, against whom the military balance largely determines the outcome.

¹³ A necessary and sufficient condition for BE2 to exist is the technical condition that $s/s' < (1 - q)/(1 - q')$, the exact opposite of BE1. Note that BE2, in which the incumbent is deposed with certainty, is Pareto dominated by BE1, in which the incumbent is reelected with positive probability.

¹⁴ Technically, the leader does not explicitly *choose* a target in the model. However, for this equilibrium, in which a successful aggressive foreign policy gets the incumbent reelected, to *exist*, the target has to be sufficiently difficult. This suggests that a rational reelection-seeking leader facing domestic problems will choose a sufficiently challenging target if she wants to have a chance of being reelected. In the technical supplement to this article, I analyze a variant of the model in which the leader actually *chooses* which target she wants. All of the results described here still hold.

target helps account for the lack of a consistent empirical relationship between domestic conditions and the use of force abroad. On the one hand, the model points out that the incentive to use diversionary force exists when the leader faces domestic problems. On the other hand, it points out that (in order to work) the diversionary policy cannot be directed against an easy target, and so many leaders contemplating the diversionary use of force may decide to focus on less risky, perhaps domestic (Miller 1995) means of enhancing their reelection chances. Other leaders may simply not have sufficiently difficult targets in their neighborhood, and hence may not have the *opportunity* for “worthwhile” diversionary uses of force.

It should be noted that this argument is based on the premise that leaders see the purpose of diversionary behavior as being about revealing competence. If it is instead about creating a patriotic “rally round the flag” effect (or about literally *diverting* the attention of the citizens; Mueller 1973; Lian and Oneal 1993), then the leader may still rationally choose a weak target. And even if it is about revealing competence, the leader may not be aware of the rational need to choose a sufficiently difficult target, and hence may choose a weak target without realizing that even success will not enhance her reelection chances much. Whether leaders feel that diversionary behavior is about revealing competence or “rallying around the flag” is an empirical question that remains to be answered. The model’s prediction is that if it is about revealing competence, leaders will have incentives to choose tough targets.

It may be that empirical studies of the diversionary use of force and the “rally-around-the-flag” effect can attain greater consistency by controlling for the types of targets available and the type of target (if any) chosen. Also, empirical studies may benefit by controlling for the alternative, perhaps domestic means of enhancing their reelection chances that leaders have available.

Next, note that this argument that diversionary leaders have incentives to choose tough targets is contrary to the argument by Bueno de Mesquita et al. (1999) that democratic leaders choose weak targets when going to war. Their argument is that democratic leaders selectively choose weak targets because they know that they will probably be deposed if they lose a war, and hence selectively choose targets against whom they expect to win. Unlike their model, my model focuses on diversionary situations where a leader is domestically vulnerable and will probably lose office if she *does not* take action, and to *credibly* demonstrate competence in a situation where the citizens believe her to be incompetent, she has to be successful against a challenging target. In other words, their model is implicitly based on a leader who is otherwise secure in power, whereas mine is based on a domestically vulnerable leader. Therefore, it is not surprising that our predictions are contrary to each other, as they are based on different domestic situations for the leader.¹⁵ In fact, my model also predicts that if the economy is strong and the leader chooses to use an aggressive foreign policy, it will be against a weak target (the GE2 equilibrium discussed earlier).

Another comparative static is worth noting. How difficult the target has to be depends on how much control the incumbent is perceived to have over the economy. When the incumbent is perceived to have *a lot* of control over the state of the economy (i.e., when q is much higher than q' , meaning that a competent type is much more likely to achieve a good economy than an incompetent type), then the target has to be especially challenging (i.e., s has to be much higher than s').¹⁶ When

¹⁵ In the technical supplement to this article, I show that in the variant of the model in which the leader actually chooses which target she wants, the incumbent prefers the BE1 equilibrium in which, among all targets such that the condition $s/s' \geq (1 - q')/(1 - q)$ holds, she chooses the weakest one, that is, the one for which s and s' are the highest. That is, among all targets that are challenging (competence revealing) enough to get her reelected if successful, the incumbent prefers to choose the weakest one, as this maximizes her probability of being successful.

¹⁶ This can be seen from the necessary and sufficient condition $s/s' \geq (1 - q')/(1 - q)$.

the incumbent is perceived to have a lot of control over the state of the economy, then a weak economy is a *very strong* signal that the incumbent is probably incompetent, and to overcome this impression the incumbent has to be successful against a very challenging (competence revealing) target.

On the other hand, when the incumbent is not perceived to have much control over the state of the economy (i.e., when q is not much higher than q' —the state of the economy does not depend much on the leader's competence), then a weak economy is not too strong a signal that the leader is incompetent, because the incompetent type is only slightly more likely than the competent type to produce a weak economy (and hence the weak economy downgrades the voter's impression of the leader's competence only a little). Hence, the incumbent can overcome this impression and be reelected by being successful against a moderately challenging target (i.e., one for which s is not that much higher than s' , such as a relatively weak target for which s and s' are both quite high).

Thus, a prediction of the model is that countries in which the leader is perceived to have less control over the state of the economy will choose weaker targets on average if they decide to engage in diversionary policies than countries in which the leader is perceived to have a lot of control, other things equal. For instance, a leader who has been in office for a long time and/or has a unified government might be considered especially responsible for the weak state of the economy, and will have to be successful against an especially challenging target to revive the voter's impression of her competence, relative to a leader who has not been in office for long and/or leads a divided government (e.g., a Republican president and a Democratic congress in the U.S.). Indeed, Leeds and Davis (1997:829–830) suggest that for small open economies in which the incumbent is not perceived to have much control over the state of the economy, a strong position on international economic policy might serve the same purpose as the diversionary use of force. Of course, this is less competence revealing than the use of force, but according to the model presented here, such leaders can get away with that. Thus, the incumbent's perceived control over the state of the economy (or other domestic conditions) is another factor that might usefully be incorporated into future empirical tests of diversionary theory.

A final comparative static is worth noting. I assumed that if the incumbent leader is deposed, the challenger (new leader) comes from the same pool as the incumbent leader, that is, the challenger is competent with probability p , which is also the prior probability for the incumbent. Suppose, however, that the challenger comes from a weaker pool of candidates than the incumbent, that is, the challenger is competent with some probability p' , where $p' < p$. Then, as long as the incumbent is not perceived to have too much control over the state of the economy (i.e., as long as q is not too much higher than q'), even if the economy turns out to be weak, the incumbent will be reelected even if she decides not to use an aggressive foreign policy.¹⁷ Although the weak economy downgrades the voter's impression of the incumbent's competence, it does so only a little, and the incumbent is still preferred over the challenger, who comes from a weaker pool, and hence is reelected. But if the incumbent is perceived to have a lot of control over the state of the economy, then if the economy turns out to be weak, she has to undertake an aggressive foreign policy against a sufficiently challenging target in order to have a chance of being reelected. But the weaker the pool from which the challenger comes (i.e., the lower p' is), the less challenging a target she needs to

¹⁷ A necessary and sufficient condition for this equilibrium to exist is the technical condition that $(1 - q)/(1 - q') \geq p'/p$, which means that q cannot be too large relative to q' , compared with how large p is relative to p' .

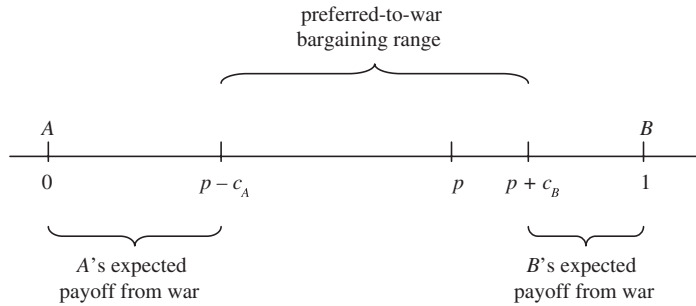


FIG. 2. Fearon's (1995) Bargaining Model

choose, because the competency threshold that she needs to exceed in order to be reelected is lower.¹⁸

To summarize, the weaker the pool from which the challenger comes, the more control over the economy the incumbent needs to have in order to have to choose a diversionary policy if the economy turns out to be weak. And if she is perceived to have so much control over the economy that she needs to choose a diversionary policy, the weaker the target she can choose. Having a weaker challenger base reduces the likelihood of the need to use diversionary foreign policies, as well as the strength of the target chosen if one is needed. The quality of the domestic political opposition is another factor that might usefully be incorporated into empirical tests of diversionary theory and the “rally round the flag” effect.

Finally, the BE3 equilibrium is one in which the incumbent would not be reelected even if the aggressive foreign policy was successful, and hence she does not even try a diversionary policy, and is deposed. This equilibrium is Pareto dominated by BE1, in which the incumbent chooses an aggressive foreign policy against a difficult target and is reelected with positive probability, and is therefore not of great substantive significance.

Allowing the Possibility of Bargaining

Until now, I have been analyzing a model of diversionary incentives to help provide some explanation for the lack of a consistent empirical relationship regarding the diversionary use of force. The explanation has focused on the credibility incentive of the diversionary leader to choose a challenging target, and has introduced a number of new factors that might affect a leader's incentive to use a diversionary policy. Additional insight might be gained by allowing for the possibility of bargaining, by which a leader with diversionary incentives might be appeased short of war. In this section, I pursue this line of thought by incorporating the diversionary war equilibrium (BE1) of the previous model into the bargaining models of war of Fearon (1995) and Powell (1999:chapter 3).

As mentioned earlier, bargaining models of war tend to (1) treat the state as a unitary actor, (2) assume that war is inherently costly, and (3) allow the countries to bargain to peacefully settle the issue under dispute. Diversionary theories of war, on the other hand, relax the unitary actor assumption and focus on the domestic political *benefits* that an aggressive foreign policy can bring to a domestically troubled leader. Unlike bargaining models of war, these models tend to underempha-

¹⁸ For this equilibrium to exist, the target has to be such that $s/s' \geq [(1 - q)p'(1 - p)]/[(1 - q)p(1 - p')]$, that is, s has to be sufficiently large relative to s' . The lower p' is relative to p , the lower the right hand side of this inequality, meaning that s does not have to be as large relative to s' in order for it to be satisfied.

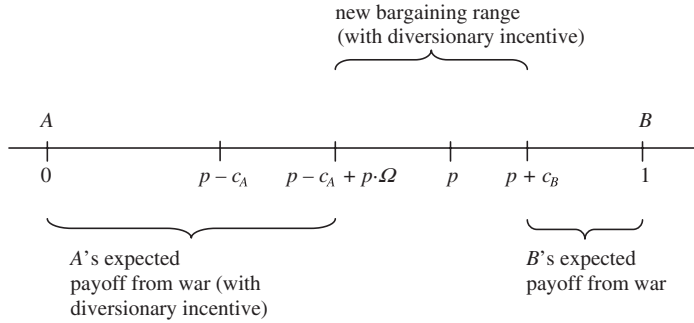


FIG. 3. Bargaining Model with Diversionary Incentive

size the cost of war, and they ignore the possibility of bargaining altogether. I now show how the results of the previous diversionary model of war can be insightfully incorporated into a bargaining model of war in which war is costly and bargaining is allowed.

Figure 2, drawn from Fearon (1995), graphically illustrates the bargaining approach to war. Two countries are involved in a dispute over a divisible good (e.g., territory) whose value to both sides is normalized to 1. The two sides can either peacefully reach an agreement on a division of the good, or they can go to war, in which case the side that wins obtains the entire good and the side that loses receives none of it. Moreover, war is costly, with side *A* and *B*'s cost of war being $c_A, c_B > 0$, respectively. Assume that if war occurs, side *A* wins with probability $1 > p > 0$ and side *B* wins with probability $1 - p$. Then, country *A*'s expected utility from war is $EU_A(war) = (p)(1) + (1 - p)(0) - c_A = p - c_A$. Similarly, country *B*'s expected utility from war is $EU_B(war) = (p)(0) + (1 - p)(1) - c_B = 1 - p - c_B = 1 - (p + c_B)$. Thus, as seen in Figure 2, there is a bargaining range of agreements $[p - c_A, p + c_B]$ such that for all agreements in this range, both sides prefer the agreement to war (and both sides *strictly* prefer any agreement in the interior of this range).¹⁹ Under Fearon's unitary actor framework, a rationalist explanation for war has to explain why costly war can occur between two rational unitary states despite the existence of this bargaining range.

Reiter (2003), in a review of various bargaining models of war, suggests that bargaining models, which assume that war is inherently costly, and diversionary-related theories, which are based on the premise that war can bring domestic political benefits to a leader, are seriously at odds with each other. However, based on the results of the previous model, I suggest that the two frameworks can be fruitfully combined. In the diversionary equilibrium of the previous model, a leader facing domestic problems that signal incompetence can obtain domestic political benefits from being successful in an aggressive foreign policy against a sufficiently challenging (and hence competence revealing) opponent. In the bargaining approach to war, this has the effect of raising the leader's expected utility from war, as winning brings domestic political benefits in addition to obtaining the disputed good. However, as I show below, this does not always mean that war will occur, because although the increase in the leader's expected utility from war causes the bargaining range of preferred-to-war peaceful agreements to shrink, it only causes it to completely disappear, and hence causes war to occur, if the domestic political benefits of keeping office are particularly high relative to the cost of war and other

¹⁹ As Powell (2002) points out, the interpretation that the victorious side wins everything and the losing side gains nothing is not necessary for this argument. Simply interpret p to be the expected division of the good resulting from war. War is inefficient ex post, because the two sides could have peacefully divided the good in the same ratio and avoided the costs of war (Fearon 1995).

factors. A leader with diversionary *incentives* can sometimes be peacefully appeased short of war, a factor that previous diversionary models of war, because they do not allow for bargaining, cannot account for. This argument provides additional explanation for the lack of a consistent empirical relationship between domestic conditions and the *actual* use of force abroad.

To see this argument (shown graphically in Figure 3), suppose that in Fearon's (1995) bargaining framework, the leader of state A is facing domestic problems and will be reelected only if she is successful in a competence revealing war (as in the BE1 equilibrium of the previous model). Suppose that the leader's payoff from retaining office is $\Omega > 0$. Then, the leader's expected utility from war is $EU_A(\text{war}) = (p)(1 + \Omega) + (1 - p)(0) - c_A = (p - c_A) + p\Omega$. (Now I am assuming that the leader cares not only about retaining office, but also about policy outcomes as well as the cost of war.) Because of the diversionary incentive, the leader's expected utility from war has increased by the payoff for retaining office weighted by the probability that she will be successful. The new bargaining range of agreements that both sides prefer to war is $[(p - c_A) + p\Omega, p + c_B]$. Of course, there is no guarantee that this bargaining range exists. If Ω is big enough that $(p - c_A) + p\Omega > p + c_B$, then no bargaining range exists and war occurs (as there exists no peaceful settlement that both sides prefer to war).

On the other hand, if Ω is small enough that $(p - c_A) + p\Omega \leq p + c_B$, then a bargaining range still exists and war will be avoided. Note, however, that the bargaining range is smaller than without the diversionary incentive, and the bargaining range has "shrunk" in state A 's favor (see Figure 3). The diversionary incentive has increased leader A 's expected utility from war and this provides her with increased bargaining leverage (the peaceful agreement reached will be more in A 's favor with the diversionary incentive than without it). The main point is that a leader with diversionary incentives can be peacefully "appeased" by the other side, when war is costly and bargaining is allowed. The diversionary incentive does not necessarily lead to war.

The bargaining range disappears and war occurs when $(p - c_A) + p\Omega > p + c_B$, or $\Omega > (c_A + c_B)/p$. War occurs when leader A 's payoff from retaining office is sufficiently large relative to other factors, because then her expected utility from war is so high that there exists no agreement that both sides prefer to war. As long as Ω is low enough that $(p - c_A) + p\Omega \leq 1$, then there still exist peaceful agreements that leader A prefers to war; however, there exist no peaceful agreements that *both* sides prefer to war, and hence war occurs. Because of the diversionary incentive, leader A demands more than B is willing to give.

As seen from the condition $\Omega > (c_A + c_B)/p$, how large Ω has to be for war to occur depends on c_A , c_B , and p . The higher c_A is, the higher Ω has to be for war to occur, as war is more costly for leader A . The higher c_B is, the more willing state B is to compromise or appease state A to avoid war, and hence the higher Ω has to be for war to occur. Finally, the lower state A 's probability of prevailing p , the higher Ω has to be for war to occur. All of these results make sense.

Thus, when the diversionary incentive is incorporated into Fearon's (1995) bargaining model of war in a straightforward way, we see that two outcomes can occur. In one of them, the office holding benefit is so high relative to the cost of war and other factors that the bargaining range disappears and war occurs. Hence, when the "black box" of the state is opened up in unitary actor bargaining models of war, the diversionary incentive emerges as a new domestic politics based "rationalist explanation for war" that does not rely on private information about military capabilities or resolve and incentives to misrepresent them, issue indivisibilities, or dynamic commitment problems (Fearon 1995). And this is even when war is costly and bargaining is allowed. The essential insight here is that winning a war can bring domestic political benefits, which, if large enough relative to other factors, cannot be compensated for by the other side and hence the bargaining range disappears.

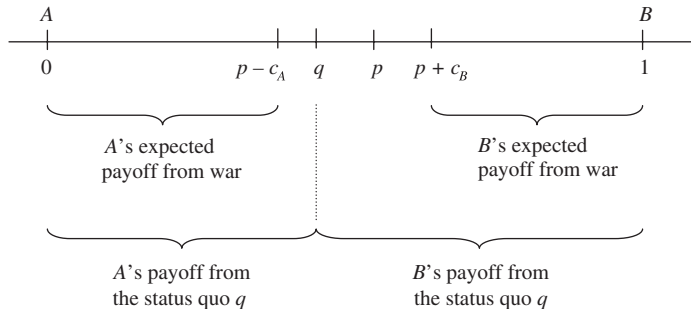


FIG. 4. Both Sides are Satisfied with Status Quo

On the other hand, when the office holding benefit is not too high, then the bargaining range will simply become smaller and a peaceful agreement will still be reached. However, this agreement will probably be more favorable to the state with the diversionary incentive than it would be if the diversionary incentive did not exist—when the diversionary incentive does not lead to war, it provides bargaining leverage.²⁰ In other words, a leader’s domestic weakness may allow her to obtain more at the international level (e.g., Schelling 1960; Putnam 1988), and if reelection seeking democratic leaders have greater diversionary incentives than autocratic leaders, then democratic leaders may be institutionally advantaged in this way.

To get a more nuanced analysis, I use Powell’s (1999:chapter 3) addition of a status quo division of the good into Fearon’s model, which allows a distinction to be made between “satisfied” and “dissatisfied” states. In Powell’s model, there is some status quo division of the good, which in Figure 4 is denoted by q . If (as in Figure 4) q lies within the preferred-to-war bargaining range $[p - c_A, p + c_B]$, then q will not be revised as each side’s expected utility from war is less than its value for the status quo. In this case, Powell calls both sides satisfied (with the status quo), and as neither side can credibly threaten to use force to revise the status quo, it will not be changed.

However, suppose q does not lie in the bargaining range, and suppose in particular that $q < p - c_A$ (see Figure 5). Then, state A ’s expected utility from war is higher than A ’s utility from the status quo, and hence state A can be called dissatisfied (it prefers war to the status quo). Because $q < p - c_A$, it must be the case that $q < p + c_B$, and hence state B is satisfied: its expected utility from war is less than its utility from the status quo. In Powell’s model, the status quo q will be peacefully revised to some point in the preferred-to-war bargaining range $[p - c_A, p + c_B]$; in particular, the satisfied state B agrees to revise the status quo in the dissatisfied state A ’s favor in order to avoid war.²¹

The final possibility is that $q > p + c_B$ (see Figure 6). In this case, state B is dissatisfied because its expected utility from war exceeds its utility from the status quo. State A is satisfied (as $q > p + c_B$ implies $q > p - c_A$), and the status quo will be peace-

²⁰ I say probably, because I do not use an exact bargaining solution to establish a point prediction in the bargaining range where an agreement will be reached with and without the diversionary incentive. I prefer to see what effect the diversionary incentive has on the bargaining *range*. It is conceivable that the same agreement will be reached with and without the diversionary incentive (some point in the $[(p - c_A) + p\Omega, p + c_B]$ interval). However, the bargaining range shrinks in A ’s favor, and if we make the reasonable assumption that some compromise agreement in the bargaining range will be reached (such as the midpoint), then the diversionary incentive definitely increases A ’s bargaining leverage.

²¹ Powell uses the alternating offers bargaining protocol of the Rubinstein (1982) model and predicts that the new agreement reached will be $p - c_A$, the agreement that just leaves the dissatisfied state A indifferent between the new agreement and war. I prefer to avoid point predictions and instead discuss the bargaining *range*.

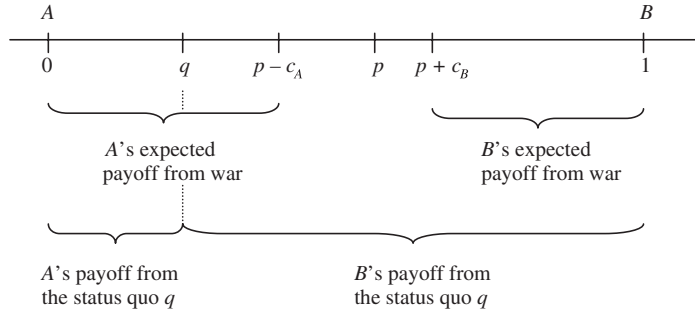


FIG. 5. *A* is Dissatisfied, *B* is Satisfied

fully revised in *B*'s favor to some point in the bargaining range $[p - c_A, p + c_B]$. Therefore, as in Fearon's (1995) model, war never occurs under complete information; either the status quo is not revised at all when both sides are satisfied, or it is peacefully revised in favor of the dissatisfied state. (If the two sides agree on the probability of each side prevailing in war, both sides cannot be simultaneously dissatisfied.)

The diversionary incentive can also be readily incorporated into Powell's bargaining model of war. First, consider the case where in the absence of diversionary incentives, both sides are satisfied with the status quo: q lies in the preferred-to-war bargaining range $[p - c_A, p + c_B]$ (follow along in Figure 4). Now suppose that state *A*'s leader is facing domestic problems and has the diversionary incentive of the BEI equilibrium. If Ω is small enough that $(p - c_A) + p\Omega \leq q$, then the diversionary incentive has no effect; q still lies in the (new) preferred-to-war bargaining range $[(p - c_A) + p\Omega, p + c_B]$, and so even the diversionary leader is satisfied and hence the status quo will not be revised (and war certainly will not occur). Rewriting the condition as $\Omega \leq (q + c_A - p)/p$, we see that this only occurs if the office holding benefit is sufficiently low relative to *A*'s valuation of the status quo and *A*'s cost of war. Also, as *A*'s probability of prevailing p increases, Ω has to be lower for this condition to hold, which makes intuitive sense.

Now suppose Ω is high enough that $(p - c_A) + p\Omega > q$ but still low enough that $(p - c_A) + p\Omega \leq p + c_B$. Now the diversionary incentive makes leader *A* dissatisfied; because of the increase in her expected utility from war, she now prefers war to the status quo. However, Ω is low enough that a preferred-to-war bargaining range $[(p - c_A) + p\Omega, p + c_B]$ still exists, and the status quo will therefore be peacefully revised in *A*'s favor to a point in this range. This is a case where the diversionary incentive allows a state to peacefully revise the status quo in its favor where it would not be able to without the diversionary incentive; the diversionary incentive provides bargaining leverage, and the diversionary leader is peacefully appeased by the satisfied state.

Now suppose Ω is so large that $(p - c_A) + p\Omega > p + c_B$. Now the diversionary incentive is so strong that it causes the bargaining range to completely disappear. State *B* is still satisfied, and would be willing to revise the status quo in *A*'s favor. However, *A*'s expected utility from war is so high that *B* is not willing to revise it as much as *A* demands, and hence war occurs. This is a case where the diversionary incentive, being extremely high, is the cause of war.

Next, consider the case where $q < p - c_A$, so that leader *A* is dissatisfied even in the absence of the diversionary incentive (follow along in Figure 5). Without the diversionary incentive, the status quo would be peacefully revised in *A*'s favor to some point in the preferred-to-war bargaining range $[p - c_A, p + c_B]$. Suppose *A* has a diversionary incentive but Ω is low enough that $(p - c_A) + p\Omega \leq p + c_B$.

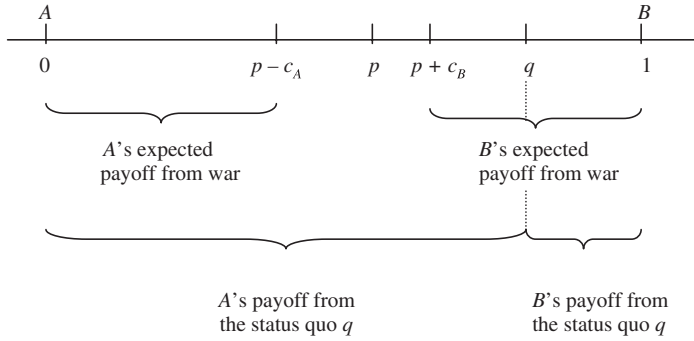


FIG. 6. *A* is Satisfied, *B* is Dissatisfied

The bargaining range has shrunk in *A*'s favor from $[p - c_A, p + c_B]$ to $[(p - c_A) + p\Omega, p + c_B]$. The status quo will be peacefully revised in *A*'s favor to some point in this new bargaining range. The diversionary incentive provides *A* with bargaining leverage but does not lead to war. But if Ω is high enough that $(p - c_A) + p\Omega > p + c_B$, then the diversionary incentive causes the bargaining range to completely disappear and war occurs.

Finally, consider the case where $q > p + c_B$, so that *B* is dissatisfied and *A* is satisfied in the absence of the diversionary incentive (follow along in Figure 6). The status quo will be peacefully revised in *B*'s favor to some point in the bargaining range $[p - c_A, p + c_B]$. Now suppose that *A*'s leader has the diversionary incentive. If Ω is low enough that $(p - c_A) + p\Omega \leq p + c_B$, then *A* is still satisfied and the bargaining range still exists. The bargaining range has shrunk in *A*'s favor from $[p - c_A, p + c_B]$ to $[(p - c_A) + p\Omega, p + c_B]$. The status quo will still be revised in dissatisfied state *B*'s favor (recall that *A* is still satisfied, as $q > (p - c_A) + p\Omega$); however, it will be less favorably revised than it would without the diversionary incentive, and so the diversionary incentive still provides *A* with bargaining leverage.

Now suppose that Ω is large enough that $(p - c_A) + p\Omega > p + c_B$, but small enough that $(p - c_A) + p\Omega \leq q$. Now the bargaining range disappears, and war occurs. However, it is important to note in this case that Ω is small enough that *A* is still satisfied, and prefers the status quo to war (as $q \geq (p - c_A) + p\Omega$). However, state *B* is dissatisfied and demands that the status quo be revised in its favor, and even the minimal revision that *B* demands is worse than war for *A*. In the absence of the diversionary motive, *A* would peacefully revise the status quo in *B*'s favor; with the diversionary incentive, *A* would still be willing to live with the status quo, and even with a small revision in *B*'s favor (from q to $(p - c_A) + p\Omega$), but not with the relatively large revision that *B* demands (from q to $p + c_B$). *B* would be willing to live with a (relatively large) revision, but not with the status quo. It seems that in this case, it would be *B* that launches the war to change the status quo (which is acceptable to *A*), even though it is the diversionary incentive in state *A* that makes a bargain impossible and causes war to be the outcome. Hence, it seems that the "non-diversionary" state can appear to be the aggressor in wars that the diversionary incentive in the other state caused (in the sense that a peaceful agreement would otherwise be reached). And if the diversionary leader wants to avoid appearing as the aggressor, it seems reasonable that she would choose such a target (i.e., one that is dissatisfied with the status quo).

Finally, if Ω is so high that $(p - c_A) + p\Omega > q$, then the diversionary incentive not only causes the bargaining range to disappear, it also causes *A* to become dissatisfied with the status quo, and war occurs. In this case, both sides are dissatisfied with the status quo, and either side might appear as the aggressor and initiate the war. However, it was the diversionary incentive in state *A* that caused a peaceful bargain to be impossible and hence war to occur.

The model's prediction that diversionary *incentives* will only lead to war (rather than a negotiated settlement) when the benefit of holding office is sufficiently large compared with each side's cost of war, the value of the dyadic status quo, and the other side's probability of prevailing in war, helps provide additional explanation for the lack of a consistent empirical relationship between domestic conditions and the *actual* use of force abroad. Future empirical studies of diversionary behavior might attain greater consistency by controlling for these factors.

Finally, note that the results of this model provide a type of formalization of Smith's (1996) influential insight that diversionary conflicts may be empirically rare because leaders of other states may strategically avoid a dispute with a leader with diversionary incentives, while also qualifying it in an important way. In the results presented here, the diversionary incentive either leads to war in a situation where a more preferred (for the non-diversionary leader) peaceful bargain would otherwise be reached, or it leads to a negotiated settlement that is more favorable to the diversionary state than it would be without the diversionary incentive. In either case, the non-diversionary state is worse off getting involved in a dispute with another state when the latter has the diversionary incentive than when it does not, thus providing a type of formalization of Smith's insight.

On the other hand, a *dissatisfied* non-diversionary leader attains a better outcome than the status quo (with which it is dissatisfied) even when it enters a dispute with a diversionary leader. If the latter's diversionary incentive is limited, then the status quo is revised in the non-diversionary state's favor (but not to the extent that it would be if there was no diversionary incentive at all). If the diversionary incentive is large, then the dispute results in war, which is preferred to the status quo by the non-diversionary leader. In either case, the non-diversionary leader benefits over the status quo. This suggests that, although a non-diversionary leader is always better off getting involved in a dispute with another leader when the latter does not have a diversionary incentive than when it does, a *dissatisfied* non-diversionary leader still benefits over the status quo, and hence may get involved in a dispute even with a diversionary leader.

Discussion and Conclusion

This paper began by noting that the empirical evidence in support of diversionary theory is very mixed. While many published articles find evidence for it, many others find evidence against it. In this paper, I presented a series of formal models that help provide some explanation for the lack of a consistent empirical relationship between domestic conditions and the use of force abroad.

I first presented a game theoretic model of diversionary behavior in which, as in Hess and Orphanides (1995) and Smith (1996), the incentive for diversionary behavior does emerge, when the economy (or other domestic conditions) is weak. However, the analysis also points out that the target of a "worthwhile" diversionary policy has to be a sufficiently difficult one, for only success against *such* a target will convince the citizens that their leader is competent despite the weak economy. Obviously, this need to choose a sufficiently difficult target (if the leader is aware of it) may dissuade many would-be diversionary uses of force, especially if the leader decides that there are less risky, perhaps domestic (Miller 1995) means of enhancing her reelection chances. In addition, most countries cannot project military force far beyond their own borders, and some leaders with incentives to use diversionary force may simply not have a sufficiently difficult (competence revealing) neighboring country to target, and hence may not have the *opportunity* for "worthwhile" diversionary uses of force.

The model also predicts that this need to choose a challenging target is especially strong when the leader is perceived to have a lot of control over the economy, for then a weak economy is a very strong signal that the leader is probably

incompetent, and hence the leader has to be successful against an especially challenging target. When the domestic political opposition that would replace the incumbent leader if the latter is not perceived to be very competent, then the need to use a diversionary policy even when domestic conditions are bad is not very strong. And if the leader *does* need to choose a diversionary policy, she can choose a weaker target. Controlling for these factors may bring greater consistency to future empirical studies of diversionary behavior and the “rally round the flag” effect.

The results of the model may also have some bearing on the literature that examines the effect of war outcomes on a leader’s postwar (or postwar onset) tenure in office. Bueno de Mesquita and Siverson (1995) empirically find that victory in war is associated with a longer average postwar tenure in office than defeat in war. The analysis done here, however, predicts that the strength of the opponent is an important intervening variable in this relationship: the electoral benefits of victory against a challenging (competence revealing) foe should be higher than the benefits against a weak opponent. The magnitude and duration of “rally round the flag” effects may also be greater for success against *challenging* targets. Testing these relationships empirically would be worthwhile for future research.

In the second part of the paper, I sought to show how the diversionary theory of war could be insightfully reconciled with the bargaining approach to war. These two approaches start from quite different assumptions: the bargaining approach treats the state as a unitary actor, allows countries to bargain, and assumes that war is inherently costly, whereas the diversionary model of war focuses on the domestic political benefits that war can bring to a domestically troubled leader but underemphasizes the cost of war and does not allow for bargaining. I have shown here how the two perspectives can be fruitfully combined into a single framework.

It turns out that even in Fearon’s (1995) framework where war is costly and bargaining is allowed, the diversionary incentive causes the preferred-to-war range of bargaining agreements to disappear and hence leads to war when the value of holding office is sufficiently large compared with each side’s cost of war, the value of the dyadic status quo, and the probability that the other side will prevail. Thus, the diversionary incentive amounts to a new domestic politics based “rationalist explanation for war” that does not rely on private information about military capabilities or resolve and incentives to misrepresent them, issue indivisibilities, or dynamic commitment problems (Fearon 1995).

On the other hand, the diversionary incentive does not necessarily lead to war. When the value of holding office is sufficiently low compared with these other factors, then a leader with diversionary incentives will be peacefully appeased through a negotiated settlement, and the diversionary incentive provides bargaining leverage. This insight provides additional explanation for the lack of a consistent empirical relationship between domestic conditions and the *actual* use of force abroad, and suggests that empirical studies of diversionary theory may attain greater consistency by controlling for these factors.

The model yields some novel and (initially) unintuitive results, for example, that the “non-diversionary” state can appear to be the aggressor in wars which the diversionary incentive in the other state caused (in the sense that a negotiated settlement would otherwise have been reached). The model predicts that when the diversionary incentive does not lead to war, it provides bargaining leverage. Finally, the model provides a type of formalization of Smith’s (1996) influential insight that diversionary conflicts may be empirically rare because other states strategically avoid becoming involved in disputes with diversionary states, while also qualifying it in an important way.

Some empirical studies of diversionary incentives examine militarized interstate dispute involvement (or initiation) as the dependent variable, whereas others investigate war involvement. However, there is not yet a theory that predicts when diversionary incentives will lead to a limited dispute versus an actual war. The

model analyzed here, by allowing for bargaining and hence negotiated settlements, provides the basis for such a theory, which can help enhance empirical testing of diversionary theory.

Needless to say, much more work remains to be done in this area. For one, these two approaches to the causes of war should be more tightly combined into a single model, rather than the “two-step” method I followed here of beginning with a purely diversionary model and then incorporating its results into a bargaining model. Moreover, much of the recent research on the bargaining approach focuses on bargaining *during* war (Wittman 1979; Wagner 2000; Filson and Werner 2002; Slantchev 2003b; Powell 2004; Smith and Stam 2004). Examining intra-war bargaining when one leader has a diversionary incentive to appear competent for domestic political purposes could be insightful, because the diversionary incentive poses an additional problem for ending the war, in addition to the informational problems that these models have focused on. In particular, Powell (2006) notes that informational accounts often provide a poor explanation for why some wars last so long, and the diversionary incentive could provide part of the explanation, namely that the diversionary incentive might require a leader to end a war on more favorable terms than the balance of power alone (about which there might initially be uncertainty, which is resolved by events on the battlefield) would merit (e.g., Goemans 2000). Much important work remains to be done on uniting these two important approaches to the causes of war, and hopefully the models analyzed here provide a basis and motivation for that effort.

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