

What is the Mechanism Underlying Audience Costs?

Incompetence, Belligerence, and Inconsistency

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Abstract

Audience cost theory posits that concern over the nation's reputation pushes voters to sanction leaders who make empty threats because they tarnish the nation's honor. We question the empirical support for that theory. We show that survey vignettes in the previous experimental literature conflates audience costs generated by inconsistency and belligerence with approval losses arising from the perception that the leader is incompetent. These 'incompetence costs' are due to leaders not achieving audiences' preferred outcomes. Our article contributes to the literature on audience costs by disentangling inconsistency and belligerence costs from incompetence costs, which we find are the larger component of audience costs. We also make a methodological contribution: we show that experimental designs in previous studies cannot test the different mechanisms; that previous estimates of audience costs are biased because treatments affect respondents' beliefs about the likely outcome of policy actions; and we suggest a new experimental framework to estimate audience costs. Our results are consistent with arguments that audiences care more about policy outcomes than about leaders' inconsistency or belligerence during a crisis.

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Introduction

How do leaders engaged in a foreign policy crisis know if their adversaries' threats are to be taken seriously? According to a prominent theory of international relations, threats are more credible when leaders face domestic political audiences that increase leaders' costs of saying one thing and doing another. Audience costs are the 'price' that a leader would pay for backing down after making a public threat to escalate a dispute (Tomz, 2007: 821). These costs are thought to be generated because voters feel that their leader has damaged the nation's honor by backing down (Fearon, 1994; Schultz, 2001; Guisinger & Smith 2002); because voters disapprove of the aggressive nature of the leader's threat (Kertzer & Brutger, 2016); or because failure to follow through on a threat is seen as a lack of competence (Smith, 1998). Leaders in any political system could face audience costs and should therefore think twice before making empty threats (Weeks, 2008; Debs & Goemans, 2010; Dafoe & Weiss, 2016).

Yet audiences do not always punish leaders for inconsistent action. U.S. President Barack Obama expressed concern that Syrian President Bashir al-Assad would employ chemical weapons in his fight against rebels in the nascent civil war in Syria. On August 12, 2012, Obama famously said that chemical weapons represented 'a red line' that would warrant more aggressive military action. However, after the Syrian military's chemical weapons attack on rebel-controlled areas of Damascus in August 2013, the Obama administration backed down from the threat. The President's approval rating remained largely the same, despite the inconsistency of his actions. Why?

We argue that approval losses for the leader depend on evaluations of the leader's competence. We define competence as a leader's ability to achieve the outcome the audience prefers or the outcome the audience expects. In the case of the Syria red line, the majority of the American public preferred staying out of the Syrian civil war. In the shadow of the wars

in Afghanistan and Iraq, Americans would consider any policy that achieved this outcome as competent, even if it meant inconsistency between word and deed.

We contribute to the literature on crisis bargaining and international relations in two ways. First, we show that concern with the reputational costs of backing down or disapproval of the leader's belligerence alone does not explain audience costs. We offer a new mechanism to explain audience costs. Audiences will impose 'incompetence costs' on leaders who they believe achieved a suboptimal outcome in a crisis. The leaders' own actions may lead the audience to form expectations that the crisis should have had a different outcome, which would generate audience costs. Existing experimental studies do not take incompetence costs into account and, instead, mistake them for costs generated by leader inconsistency or belligerence. We use a new experimental design to measure how different treatments can generate different expectations about the likelihood of specific outcomes, thereby affecting incompetence costs. We disaggregate the effects of different mechanisms underlying audience costs and find that perceptions of leader competence are a main driver of audience costs.

Second, we make a methodological contribution by demonstrating that empirical estimates of audience costs in the prior experimental literature are in large part driven by the interaction between experimental treatments and respondents' prior beliefs about the leader's ability to achieve the best outcome. This biases estimates of audience costs as we show later. Using new survey experiments, we suggest a new experimental design that allows us to recover unbiased estimates of approval losses due to reputational costs net of incompetence cost. A new insight from our study is that while individuals react negatively to inconsistent behavior by the leader, this is because of a general aversion to inconsistency and not because they believe that this inconsistency has negative implications for the country's reputation. Overall, our analysis suggests that previous experimental studies have established the existence of audience costs, but they have not proven that the proposed reputation-driven theoretical mechanism generates these costs.

Empirical studies on audience costs

Empirical tests of audience cost theory using observational data have only offered indirect support for the theory (Eyerman & Hart, 1996; Gelpi & Griesdorf, 2001; Prins, 2003). Most studies are hindered by the selection problem that is inherent in the theory's logic (Schultz, 2001; Baum, 2004): the higher the expected audience costs, the less likely it is that rational leaders would make empty threats. Therefore, the threats that are actually observed constitute a biased sample of all possible cases.

Tomz (2007) was the first to overcome this selection problem using an experimental design that established that audience costs do exist. The experiment presents subjects with a vignette that describes a foreign policy crisis and measures approval ratings for the President as a function of his or her handling of the crisis. In the vignette, a country has invaded its neighbor and the United States considers intervening to stop the invasion. Subjects are randomly exposed to one of four different treatment conditions in which the President makes a threat to intervene and then backs down and their approval of the President is measured against a control group that reacts to the President's decision to stay out of the crisis.

In this set-up, audience costs are measured as the difference between approval ratings in the *back down* condition minus approval ratings in the *stay out* condition. The difference is statistically significant and provides evidence of sizable audience costs in the U.S. electorate. Tomz (2007: 821) found that audience costs 'are evident throughout the population, and especially among politically active citizens who have the greatest potential to shape government policy.' The mechanism underlying audience costs in this experiment was thought to be the one posited by Fearon (1994): voters punish leaders who issue empty threats because they believe that backing down from a public threat undermines the country's reputation.

We build on Tomz's (2007) experiments to develop our argument about the centrality of incompetence costs. Subsequent literature has more or less uniformly adopted Tomz's

research design (Trager & Vavreck, 2011; Levendusky & Horowitz, 2012; Levy et al., 2015; Kertzer & Brutger, 2016). We highlight inherent limitations of that design and offer a novel theoretical framework to measure audience costs experimentally. Our results draw on two online survey experiments using American subjects.

New micro-foundations for audience costs

Fearon (1994) used the term audience costs to refer to a leader’s loss of support when a politically influential group disapproves of the leader’s backing down from a public threat. The term ‘audience costs’ (source of leader disapproval) has since been primarily associated with one mechanism: the perception that the leader’s inconsistency—specifically, backing down from a public threat—hurts the country’s reputation and damages the national honor. Recent work has also suggested that leaders who make a threat in a crisis also suffer approval losses due to their ‘belligerence’ (Kertzer & Brutger, 2016). We show that approval losses due to inconsistency and belligerence are not the only—or even the most important—components of audience costs.

We argue instead that audiences care about whether the leader has achieved a desirable and anticipated policy outcome. We define the leader’s ability to achieve an outcome that the voter thinks is the ‘best’ outcome as *competence*. The ‘best’ outcome might be the voter’s desired outcome, or outcomes that voters think are achievable given underlying constraints and the leader’s (and nation’s) preferences. This concept of competence is different from Smith (1998), who argues that leader inconsistency is perceived as incompetence. We agree with Schultz (1999) that it is not immediately obvious why voters would ascribe incompetence to an inconsistent leader (see also Debs & Weiss, 2015). In our setup, audiences judge leaders’ competence by assessing crisis outcomes.

If the leader delivers an outcome that is poor relative to voters’ expectations, this will

generate *incompetence costs*.¹ Thus, incompetence costs are generated because audiences have priors about the likely outcome of international engagement. These priors are shaped by information about the crisis that is known to the audience and assessment of the leader's competence involves an assessment of whether the leader has achieved the goals that he ought to be able to achieve (Chaudoin, 2014). Voters' preferred outcomes are also likely to be shaped by their social identities and interests. For example, voters who suffer from the consequences of an economic crisis might punish leaders who spend time and resources to pursue foreign policy objectives rather than address the causes of the economic crisis (Williams, Brulé & Koch, 2010; Kertzer, 2013). Other research has shown that audiences punish leaders whose security policy results in casualties (Marinov, Nomikos & Robbins, 2015).

Specifically, incompetence costs can arise under two scenarios. First, audiences will form a negative opinion of a leader's competence if the leader stays out or backs down from a crisis where an intervention is likely to be successful (Debs & Weiss, 2015). For example, publics in the major NATO powers would have disapproved if their leaders had backed down from the terms presented to Serbian President Slobodan Milosevic at Rambouillet in February 1999—an aerial bombing campaign had brought about the end of a conflict in the Balkans in the recent past. Instead, once Milosevic refused to sign the Rambouillet agreement and withdraw Serbian troops from Kosovo, NATO began an air campaign against Serbia. As expected, the intervention succeeded and led Milosevic to comply with NATO terms by June 1999.

Second, a leader will suffer incompetence costs if she engages in a crisis that fails to produce a good outcome. Following through with a threat by intervening and failing to achieve a positive outcome will be perceived as incompetence. In this way, incompetence is

¹A leader can have separate policy preferences from the nation, but this is not relevant to the audience cost literature, which focuses exclusively on the public's preferences and perceptions.

different from inconsistency. Following through on a threat and failing to achieve a positive outcome will generate incompetence costs even if the leader is consistent. For example, Indian Prime Minister Jawaharlal Nehru followed through on a threat to escalate a border dispute with China in the Sino-Indian War of 1962. Yet, after China emerged victorious, the Nehru government faced substantial domestic criticism because of the outcome of the war (Lebow, 1981; Snyder & Borghard, 2011). We find further evidence of this dynamic in Experiment 1 below. Voters impose incompetence costs on leaders who stay out only if they believe an engagement will succeed. Yet, voters always impose incompetence costs on leaders who engage and fail. This insight is missing in the analysis of belligerence costs by Kertzer & Brutger (2016), whose experimental setup generates incompetence costs by design and conflates them with belligerence costs. In our analysis, if the leader achieves the expected outcome, she will receive voter approval despite being belligerent.

Because the micro-foundations of audience cost theory were incorrectly specified, previous experimental approaches have not identified the true mechanism. Previous experiments overestimate the absolute magnitude of approval losses due to inconsistency and belligerence because their estimates include incompetence costs. This confounding erroneously attributes more weight to the inconsistency mechanism. Through a similar omission in the experimental design, previous studies have overestimated the relative magnitude of belligerence costs relative to inconsistency and incompetence costs.

Hypothesis 1 *Empirical results on audience costs include incompetence costs.*

[Figure 1 about here]

Figure 1 graphically demonstrates this critique. In the first barplot, we show audience costs composed of inconsistency and belligerence costs of equal magnitude, as is conventional in previous studies. In the second barplot, we display the magnitude of each component of audience costs when incorporating incompetence costs. The graph is simply for illustrative

purposes, but as we show formally below, much of the approval losses that previous studies have attributed to inconsistency and belligerence costs actually arise from incompetence costs. We also show that inconsistency costs are larger than belligerence costs.

Incorporating incompetence costs

The omission of incompetence costs from previous studies creates a methodological and theoretical problem. When we explicitly model incompetence costs, we find that previous experiments generated biased estimates of approval losses due to inconsistency and belligerence. When incompetence costs are not modeled, estimates of audience costs will include approval losses due to incompetence, which will be mistakenly attributed to other mechanisms.

In Figure 2, we present a game tree depicting a foreign policy crisis between the United States and a foreign power in which audience costs are generated. The foreign power has invaded a third state. The United States moves first by either threatening to intervene unless the foreign state stops the invasion or staying out of the crisis. The foreign state then either concedes or not and the U.S. decides whether to back down from its threat or engage. Audience costs are explicitly modeled as a function of approval costs associated with each outcome. In all three outcomes, the U.S. fails to prevent the invasion and this generates costs captured by parameter c .

[Figure 2 about here]

The game tree includes three different leader behaviors: (1) the leader stays out entirely; (2) the leader makes a threat and then backs down; (3) the leader engages to stop the adversary's invasion (but fails to do so). By design, the outcome of the crisis is held constant in all three conditions and the invasion succeeds, as in Kertzer & Brutger (2016).² The parameter v denotes the baseline approval rating of the leader in the crisis (constant across

²In Appendix ??, we discuss a model where nature decides whether an engagement succeeds or not.

the three conditions). We denote reputational costs from backing down with the parameter a and the approval costs of threat aggression with f_1 and of military aggression with f_2 .³

Approval losses due to failing to achieve the outcome the audience expects the leader to achieve are denoted by c . The magnitude of incompetence costs is determined by the proportion of voters who believe that alternative policies might succeed in preventing or reversing the invasion, denoted by q_1 when the leader stays out of the crisis and q_2 when the leader backs out of the crisis. Thus, in the stay out condition the leader receives a payoff of $v - q_1c$. The intuition is that the leader does not simply receive the baseline approval, v , as implicitly assumed in the existing audience cost literature, but also suffers approval costs depending on how many voters believe that she could have achieved a better policy outcome by *not* staying out. Similarly, in the back down condition, the leader receives a payoff of $v - f_1 - a - q_2c$. In this case, the leader suffers approval costs not only from inconsistency (a) and belligerence (f_1), but also from incompetence costs (q_2c). The payoffs are as follows:

v = approval rating when invading country takes over neighbor

a = reputational cost from backing down

f_1 = approval cost of aggression

f_2 = approval cost of military aggression

q_1 = proportion of voters who believe engagement would succeed (no threat)

q_2 = proportion of voters who believe engagement would succeed (threat)

c = approval cost of failing to stop adversary

³Theoretically, these are distinct parameters that take different values. However, following Kertzer & Brutger, we assume in the discussion that $f_1 = f_2$. Future empirical work should consider disaggregating these approval costs.

Sources of bias in audience cost estimates

The standard audience costs experiment omits too much information about the crisis. This lack of specificity may induce some respondents to expect a successful intervention whereas others will expect a failure and these expectations could differ across treatment conditions. Although random assignment to treatments should evenly distribute respondents with different characteristics and beliefs to the different treatments, we argue that *their expectations of the outcome of the intervention are partially shaped by the treatments themselves*. This is something that we test for explicitly using a new experimental design (see Experiment 1 below). Beliefs about the potential success of an alternative policy are likely to generate incompetence costs in different proportions in the different experimental conditions.

[Table I about here]

The first row of Table I presents the terms representing audience costs due to the crisis.⁴ The first column contains the term estimating audience costs without incompetence costs and the second column contains the term estimating audience costs with incompetence costs, both calculated by subtracting the payoffs achieved when staying out from the payoffs when backing down. Formally, the two terms are equivalent when one of two conditions is met: (1) there are no approval costs from not undertaking an alternative policy ($c = 0$); (2) an equal proportion of the audience believes that an alternative policy (i.e. military intervention) would succeed when the leader makes a threat compared to when she does not make a threat ($q_1 = q_2$).

We argue that existing audience cost experiments fulfill neither of these two conditions. First, as we explained above, audiences will have priors about the available policy options for a U.S. leader dealing with an emerging international crisis. Audiences that believe a military intervention is a preferable outcome to staying out entirely will impose incompetence costs

⁴For all mathematical derivations, see Appendix.

(i.e. $c > 0$). Second, we posit that backing down and staying out of a crisis generates different expectations about likely outcomes of an intervention ($q_1 \neq q_2$). In particular, we argue that a greater proportion of respondents will believe that military intervention would have succeeded when the leader makes a threat and then backs down relative to the stay out condition. While both actions—staying out and backing down—generate expectations about outcomes of a confrontation, staying out of a crisis makes individuals more likely to believe that the invading country is stronger. As a result, a smaller proportion of voters will believe that military intervention will succeed in the stay out condition ($q_1 < q_2$).

Hypothesis 2 *In conventional audience cost experiments, a greater proportion of voters believe that an alternative policy will succeed in the back down condition compared to the stay out condition ($q_1 < q_2$).*

The implication of the second argument is that existing experimental designs will generate estimates of approval losses due to reputational costs that are biased upward (i.e. true audience costs, defined here as approval losses due to inconsistency and belligerence, are lower than estimated). When a greater proportion of voters believes that engagement will succeed in the back down condition compared to the stay out condition ($q_1 < q_2$), audience cost estimates will be greater than previously found. Only when an equal proportion of voters in both conditions believe that an alternative engagement will succeed will estimates of audience costs be unbiased ($q_1 = q_2$).

Because we cannot observe both $v - f_1 - a - q_2c$ (audience approval of the leader from backing down) as well as $v - q_1c$ (audience approval of the leader from staying out), we use experiments to randomly assign respondents to vignettes designed to recover unbiased estimates of approval ratings in the back down and stay out conditions. The vignette treatments (call this $Z = (\text{Stay Out}, \text{Back Down})$) do not have a direct effect on the estimand but rather manipulate beliefs about the President which, in turn, have effects on her approval rating (call this Y). Specifically, the beliefs manipulated are a , the reputational cost from

backing down, and f_1 , the approval cost from making the threat. There are other factors that affect Y , including incompetence costs (c). These are assumed not to affect Y through Z . Thus any inferences about the effect of a or f_1 on Y will be unbiased (Figure 3a).

[Figure 3 about here]

Estimates of the effect of Z on Y are biased, however, if Z also affects other beliefs thus confounding inferences about audience costs and, more precisely, inferences about approval costs from making empty (a) and aggressive (f_1) threats. We argue that assignment to Z affects the probability that an individual voter will believe a military engagement would succeed (call this q since it is related to the quantities q_1 and q_2). Note that we are *not* arguing that Z affects the approval cost of not achieving preferred policy outcome relative to priors (c) but rather that it affects q and, by extension, qc . Thus, we expect the following:

$$E[qc|Z = \text{Stay Out}] < E[qc|Z = \text{Back Down}] \quad (1)$$

$$E[q_1c] < E[q_2c] \quad (2)$$

As a result, we would expect a causal back door path in which treatment can affect outcomes by affecting beliefs as well (see dashed arrow from Z to qc in Figure 3b) (Dafoe, Zhang & Caughey, 2017). Consequently, conventional audience cost experiments will produce biased estimates of audience costs that overestimate the magnitude of approval losses from making a threat and backing down (i.e. audience costs).

Hypothesis 3 *In conventional audience cost experiments, a greater proportion of voters believe that an alternative policy will succeed in the back down condition compared to the stay out condition ($q_1 < q_2$) and, as a result, estimates of audience costs will be biased upward.*

Audience cost components

Thus far we have argued that the relative weight of inconsistency and belligerence as components of audience costs will vary with the extent to which incompetence costs are generated by the interaction of the respondents' priors and the treatment condition. We now discuss an additional implication of our theoretical framework: that belligerence costs are smaller relative to inconsistency costs than previous experiments have found.

Belligerence costs

Belligerence costs are the costs leaders incur because of threatening to use or actually using force (Kertzer & Brutger, 2016). They are calculated by holding constant inconsistency costs and subtracting payoffs in the stay out condition from payoffs when the leader engages the foreign power. We keep constant the outcome of the crisis in order to measure the relative weight of belligerence costs in overall audience costs: the invading state seizes 20% of its neighbor's territory. However, presenting this outcome in the 'engage' condition implies that the U.S. intervention fails to achieve its goal of pushing the invading country out, since that is also the outcome of the crisis in the stay out condition. In line with our previous argument, respondents are likely to expect a successful outcome when the US President decides to engage the enemy. This policy failure will therefore generate incompetence costs.

To explore the implications of this argument, we model a successful outcome with payoff v and model the payoff of an engagement that fails to stop the invasion with $v - c$. As the second row of Table I shows, Kertzer & Brutger argue that belligerence costs equal $-f_2$. When we incorporate incompetence costs, the belligerence cost calculation equals $-f_2 + c(q_1 - 1)$. Formally, the two terms are the same under two conditions. First, when there are no incompetence costs ($c = 0$). Second, belligerence costs are correctly estimated when the proportion of voters who believe that a military engagement will succeed if no threat is made (q_1) equals 1. As we show in our survey experiments below, neither condition

is likely to hold. Therefore, it is likely that conventional measures overestimate the size of belligerence costs. These estimates wrongly attribute the size of approval losses to disapproval of belligerence. In actuality, these estimates incorporate both approval losses due to belligerence *and* incompetence.

Hypothesis 4 *Conventional calculations overestimate the magnitude of belligerence costs.*

Inconsistency costs

Inconsistency costs are calculated by holding belligerence constant and subtracting payoffs when backing down from payoffs when engaging. Kertzer & Brutger find that inconsistency costs are $-a$. Our model of inconsistency costs differs in two ways. First, we incorporate incompetence costs. Second, we differentiate between approval costs when making a threat (f_1) and approval costs when authorizing a military intervention (f_2).

If we assume that $f_1 = f_2$, as Kertzer & Brutger do, we have the following term for inconsistency costs $-a + c(1 - q_2)$. Formally, this term equals the estimate by Kertzer & Brutger ($-a$) when there are no incompetence costs $c = 0$; or (as in the case of belligerence costs), when the proportion of voters who believe that a military engagement will succeed if a threat is made (q_2) equals 1 ($q_2 = 1$). As we discuss in greater detail below, neither of these conditions is likely to hold. As a result, existing estimates of inconsistency costs incorporate incompetence costs. In reality, inconsistency costs will be larger than these calculations suggest.

Hypothesis 5 *Conventional calculations underestimate the magnitude of inconsistency costs.*

As a caveat, we note that inconsistency costs will be generated due to (a) a generalized aversion to inconsistent behavior regardless of content; and (b) the perception that inconsistent behavior has negative consequences on the country's reputation. We do not distinguish between these two components in our analysis.

Results

To test our hypotheses, we fielded two experiments using Amazon Mechanical Turk. Berinsky, Huber & Lenz (2012) show that these samples are typically more nationally representative than in-person ‘convenience samples.’ The demographic construction of our samples confirm this (see Appendix ??).

The experiments are constructed from the framework of Tomz’s study, replicated by other audience cost scholars. In Tomz’s original experiment, respondents are asked if they (dis)approve of the U.S. President’s handling of a foreign policy crisis. We keep the vignette about the foreign policy crisis the same and then ask American respondents whether they approve of the leaders’ handling of the crisis in precisely the same way that Tomz did so our results are directly comparable.⁵ We describe each modification to the basic structure below.⁶

Taken together, the experiments cast doubt upon existing evidence in favor of audience cost theory and offer a methodological corrective for deriving unbiased estimates of audience costs. In Experiment 1, we show that incompetence costs are a previously unaccounted for component of audience costs (Hypothesis 1). We also demonstrate that treatment vignettes affect beliefs about the potential success of a military intervention (Hypothesis 2), which will shape incompetence costs and thus bias any experimental results using this framework (Hypothesis 3). Additionally, results from Experiment 1 also suggest that past studies overestimate belligerence costs (Hypothesis 4) and underestimate inconsistency costs (Hypothesis 5). In Experiment 2, we offer a design-based solution to these empirical issues. In order to eliminate information effects generated by the treatments, we explicitly tell respondents about the likelihood that an engagement will succeed. We find that conventional estimates of

⁵Following the audience cost literature, the expected audience for a leader is the voting public at large. An extension of our study could include members of important institutions such as the U.S. Congress as audiences.

⁶For greater methodological detail see Appendix ??.

audience costs are significantly lower when respondents believe that a military intervention is likely to fail, suggesting the absence of incompetence costs in that scenario. We probe further the key mechanism of audience cost theory—the argument that concern over the national honor is what generates audience costs—in a third experiment relegated to Appendix ???. In Experiment 3, we embed a placebo test in a survey that keeps all aspects of Tomz’s experimental design the same while manipulating the identity of the leader. The results of that experiment suggest that the size of inconsistency costs depends, at least in part, on a generalized inconsistency aversion that is unrelated to the purported mechanism (concern over the national honor).

Experiment 1: Re-evaluating estimates of audience costs

We have argued that existing studies of audience costs overestimate the approval losses due to inconsistency and belligerence. To test this claim, we fielded an online survey experiment in the fall of 2016 with 1,764 American respondents. In this experiment, we randomly assigned respondents to one of four treatment conditions, which vary according to the actions of the U.S. President and the outcome of those actions. We add two vignettes to the typical audience cost experiment. Respondents can be assigned to the ‘Stay out’ or ‘Back down’ treatment conditions as before, but now they can also be assigned to two additional treatments: ‘Failed engagement’ and ‘Successful engagement.’

Those assigned to the ‘Failed engagement’ treatment are told that the President intervened militarily, but failed to stop the invasion. Those assigned to the ‘Successful engagement’ treatment are told that the President intervened militarily and succeeded in stopping the invasion. Payoffs for these two treatments differ since audiences will not impose incompetence costs if the leader succeeds ($v - f_2$), but will do so if the leader fails ($v - f_2 - c$). Subtracting these payoffs gives an estimate of competence costs ($-c$).

[Table II about here]

Biased estimates of audience costs

Earlier we argued that the experimental treatments will influence the audience’s expectations about the likely outcome of a U.S. intervention. In that event, if the realized crisis outcome differs from the audience’s expectations, this will generate incompetence costs for the leader. To the extent that these costs differ by treatment condition, they introduce bias in estimates of ‘traditional audience costs (i.e. the measure of the effects of the leader’s inconsistency that is at the core of the theory).

To demonstrate this, we consider the effect of the experimental treatments (stay out and back down conditions) on beliefs about the likely outcome of intervention. For audience costs estimates to be unbiased, we showed formally that two conditions must hold. First, there should be no incompetence costs as we define them (formally, $c = 0$). Second, the vignette treatments must have equal (or no) effect on beliefs about the success of military intervention ($q_1 = q_2$).

[Table III about here]

The results from Experiment 1 demonstrate that neither of these conditions holds. First, as we had posited in Hypothesis 1, incompetence costs do exist. We know from the set up to the experiment that we can calculate approval losses from failing to stop the adversary’s invasion ($-c$) by subtracting the proportion of voters who approve of a leader that engages an invader and succeeds from the proportion of voters who approve of a leader that engages and fails. This calculation makes intuitive sense: the only thing changing between these treatments is the outcome; belligerence (leader engages in both) and inconsistency (leader follows through on their threat) remain constant. As we discussed above, any approval losses due to unfavorable outcomes are, by definition, incompetence costs. Doing this calculation

using the approval proportions in Table III yields approval losses due to incompetence costs of -0.28 (95 % confidence interval: -0.21, -0.34).

Second, the two treatment vignettes (backing down and staying out) do affect prior beliefs differently. In particular, in line with Hypothesis 2, we find that a greater proportion of respondents believed that a military intervention would have succeeded when they are told that the leader made a threat but then backed down compared to when they are told the leader stayed out of the crisis entirely (formally, $q_1 < q_2$). In order to estimate these values, we asked respondents in the back down and stay out condition after they saw the outcome of the crisis whether they believed that a military engagement, rather than staying out, would have been likely to succeed. We also presented the same question, but before revealing how the leader handled the crisis, to any respondents assigned to the Engage and Succeed or Engage and Fail vignettes, in order to assess prior beliefs.

We find that 0.617 of respondents in the back down condition (q_2) and 0.544 of respondents in the stay out condition (q_1) believe that a military engagement is likely to succeed, a difference of 0.073 ($p = 0.027$). We also find that 0.495 of respondents asked pre-treatment believed that military engagement would succeed. Thus, both the back down ($p < 0.000$) and stay out ($p = 0.099$) treatments increase the proportion of respondents who believe that military engagement would succeed, but the effect is stronger for the back down condition. As we discussed, the results suggest that changing beliefs about the strength of the invading state account for this difference: on a scale from 0 to 4, where 0 was ‘very weak’ and 4 ‘very strong,’ respondents in the stay out condition rated the invading state 0.12 points higher than the respondents in the back down condition ($p = 0.022$).

Why would subjects in the back down condition be more likely to expect intervention success than in the stay out condition? We believe that this reflects American voters’ faith in the competence of the government and military. Thus, if the President decides to stay out of a conflict, this would make voters think that intervention would have negative consequences,

either because it would fail or because the issues were not salient for U.S. interests. By contrast, the mere fact that the President initially decides to commit American forces to intervention (regardless of the decision to back down later) suggests that the President must have expected the intervention to succeed.

Since a greater proportion of respondents believes that military engagement would have succeeded in the back down condition than in the stay out condition ($q_2 > q_1$), then that means that respondents will assess greater incompetence costs in the back down condition than in the stay out condition ($q_2c > q_1c$). Since incompetence costs are nonzero $c \neq 0$, we can conclude, as we had posited in Hypothesis 3, that conventional estimates of audience costs are biased upward. That is, approval losses due to inconsistency and belligerence found by subtracting approval proportions in the back down condition from the stay out condition, by not taking incompetence costs into account, are lower than existing studies have found.

Calculating components of audience costs

Next, we turn to our hypotheses about the different components of audience costs. We use respondents' approval of the President in our new experimental design to estimate belligerence costs, inconsistency costs, and incompetence costs.

We begin by estimating audience costs the conventional way (without incompetence costs; see column 1 of Table I for the precise formulas). Audience costs are estimated by subtracting the proportion that approved of staying out (0.60) from the proportion that approved of backing down (0.23), yielding -0.37 . Belligerence costs are calculated by subtracting the proportion who approved of staying out (0.60) from the proportion who approved of engaging and failing (0.42), yielding -0.18 . Finally, inconsistency costs are calculated by subtracting the proportion who approved of engaging and failing (0.42) from the proportion who approve of backing down (0.23), yielding -0.19 .

However, our formal analysis revealed that one of the following three conditions must be

true for these calculations to be correct. First, there must be no approval losses from failing to stop the adversary ($c = 0$). In actuality, as we showed above, there are serious approval losses from failing to stop the adversary ($c = 0.28$). Second, in order for conventional calculations of belligerence costs to be accurate, all voters must believe that a military engagement will succeed if no threat is made ($q_1 = 1$). However, we find that $q_1 = 0.544$. Third, in order for conventional calculations of inconsistency costs to be correct, all voters must believe that a military engagement will succeed if a threat is made ($q_2 = 1$). We find that $q_2 = 0.617$. Thus, none of these three conditions hold.

What are the implications for estimates of belligerence and inconsistency costs? First, as Hypothesis 4 predicted, conventional calculations of belligerence costs overestimate approval losses from belligerence. Conventional calculations estimate belligerence costs by comparing approval losses from engage and fail with those from staying out. The leader is being consistent in both treatment conditions but belligerent only when engaging (and failing). Thus, the leader's belligerent behavior should explain any difference between approval losses in the two treatment conditions. However, this calculation will only produce correct estimations when all respondents in the stay out condition believe that an intervention would have succeeded (q_1). In this case, the leader is assessed the same level of approval losses from incompetence costs in both conditions. However, in reality, not all respondents will believe that an engagement would have succeeded. We find that $q_1 = 0.544$. This means that respondents assign fewer incompetence costs to a leader who stays out than a leader who engages and fails. As a result, conventional calculations of belligerence costs include some of this difference in incompetence costs ($c - q_1c$) as well as a difference in belligerence. Thus, when we account for incompetence costs, we find that belligerence costs ($-f_2$) drop from -0.18 to -0.05 .

Second, as Hypothesis 5 predicted, conventional calculations of inconsistency costs underestimate the loss in approval from inconsistent behavior. Conventional calculations estimate

inconsistency costs by comparing approval costs from engagement with those from backing down. The leader is being belligerent in both treatment conditions but inconsistent only when backing down. Thus, the leader’s inconsistent behavior should explain any difference between approval losses in the two treatment conditions. However, this calculation will only produce accurate estimations when all respondents in the back down condition believe that an intervention would have succeeded (q_2). In this case, the leader is assessed the same incompetence costs in both conditions. However, in reality, not all respondents will believe that an engagement would have succeeded. We find that $q_2 = 0.617$. This means that respondents assess fewer incompetence costs to a leader who backs down than a leader who engages and fails. Conventional calculations of inconsistency costs fail to account for the fact that though leaders who back down will likely have lower approvals than leaders who engage and fail because of their inconsistent behavior, they will have higher approvals than leaders who engage because of lower incompetence costs. Thus, when we account for incompetence costs, we find that inconsistency costs ($-a$) increase from -0.19 to -0.31 .

However, we caution that this experiment—as any experiment using the standard framework—picks up a general aversion to inconsistency and not necessarily a negative reaction to how the leader’s actions affect that country’s reputation. Therefore, we hesitate to draw any further conclusions about the magnitude of inconsistency costs relative to other costs.

Experiment 2: Priming beliefs as a design-based corrective

We have argued that the back down and stay out treatments affect audiences’ prior beliefs and expectations about the likely outcome of a U.S. intervention, which in turn will bias estimates of audience costs as these beliefs will result in assigning incompetence costs to a leader who stays out of an intervention that respondents believe should have been successful or a leader who follows through and engages the enemy but fails to succeed. This problem arises because conventional audience cost experiments do not provide any information about

the potential outcome of the crisis and respondents are likely to have prior beliefs about the success of any military intervention.

[Table IV about here]

As a methodological solution to this problem, we conducted another survey experiment in the spring of 2017 with 905 American respondents recruited with Amazon Mechanical Turk in which we provided respondents with information about the likelihood of success of the intervention (either low likelihood of stopping the invasion with many casualties or high likelihood of stopping the invasion with few or no casualties) in addition to the standard randomized stay-out or back-down treatments.⁷ In order to eliminate informational bias in the treatments, an issue in conventional audience cost experiments, the information came from a concrete source (“President’s military advisors in the Pentagon”) and varied along two clear dimensions: the advisors believed that the intervention would either successfully stop the invasion with few casualties or fail to stop the invasion with many casualties.⁸ To ensure that the beliefs of the respondents whose answers we analyze shifted, we limit our focus to those individuals for whom the information prime worked.

First, the effect of incompetence costs should be primarily observed among respondents who are told that the president stayed out of a conflict entirely. As mentioned above, audiences will impose incompetence costs, lowering approval ratings, if they believe that the president missed an opportunity to achieve a policy goal by staying out of a conflict. By contrast, respondents who are told that the president backed down in the crisis might punish a president for his or her inconsistency and belligerence, as well as lack of competence. Though there will be an additional proportion of respondents likely to punish the president solely for competence, there will also be those who punish leaders for their inconsistency or

⁷See Appendix ??.

⁸Beliefs will likely be shaped by elites as a crisis progresses (Guisinger & Anderson, 2014; Guisinger & Saunders, 2017).

belligerence. For these reasons, we should expect to see a larger drop in approval ratings when respondents are told that engagement is likely to succeed in the stay out condition than in the back down condition.

Second, as a result of the disproportionate drop in approval in the stay out condition compared to the back down condition when respondents are told that the engagement will succeed, we should observe audience costs of two different sizes. First, the difference in approval between the stay out and back down condition when the intervention is unlikely to succeed will be larger because more people will approve of staying out. Incompetence costs will be small in this case since audiences will perceive of the decision to stay out as the correct one. However, audiences will disapprove of the leader's belligerence in making the threat and inconsistency in backing down from the threat. Combined, the inconsistency and belligerence costs will produce large audience costs. Second, audience costs will be smaller when the intervention is likely to succeed. In this case, as before, some proportion of the audience will disapprove of the leader who backed down because of their inconsistency and belligerence. However, an additional proportion of respondents will disapprove of the leader because they believe military intervention would have succeeded. Because this proportion of individuals will be greater when the leader stays out compared to when the leader backs down, audience costs will decrease in magnitude. Either of these estimates will be unbiased. When respondents have no information about the outcome of the intervention, audience costs will fall somewhere between the two unbiased estimates.

[Figure 4 about here]

As shown in Figure 4, we find evidence consistent with these implications of our argument. For individuals assigned to either the stay out or back down treatment, approval ratings are higher when they are also told the intervention is unlikely to stop the invasion. As predicted, Presidential approval drops massively in the stay out condition—from 5.27 to 3.18 on a 0-6

scale (a 39.6% decrease)—when respondents believe that an intervention is likely to succeed as compared to when they think it is unlikely to be successful because incompetence costs are incurred in greater proportion in the stay out condition when success is likely.

The audience perceives staying out as a more competent decision when the intervention is not likely to succeed. There is a smaller drop in approval in the back down condition (0.62 points or a 24.4% decline) when the audience is told that the intervention would likely succeed.⁹ We report these results in Figure 4a. This confirms our earlier claims regarding the differential effect of incompetence costs on the stay out condition versus the back down condition.

Finally, when we provide respondents no information about the potential outcome of the military engagement, replicating the traditional audience cost set-up, we find a drop in approval ratings—audience costs—of 1.83. As we argued earlier, this is a biased estimate of true audience costs, which are likely to be lower or higher depending on what audiences think is the likely effect of an intervention. In a real-world setting, the context of each case will shape expectations of the outcome of intervention in a way that might generate incompetence costs. When we told respondents that a potential engagement would succeed, we found smaller audience costs, corresponding to a 1.26 drop in approval. However, when we told respondents that a potential engagement would fail, we found larger audience costs, corresponding to a 2.73 drop in approval. The difference between the two sets of unbiased audience costs is statistically significant at the 95% level (see Figure 4b).

Conclusion

Our experiments yield four main findings. First, audiences are more concerned with conflict outcomes than leader behavior as reflected in the large size of incompetence costs relative

⁹We see this result as consistent with Levendusky & Horowitz (2012).

to inconsistency and belligerence costs. This is new, since incompetence costs are not estimated in previous experimental studies. Second, incompetence costs are conflated with inconsistency and belligerence costs in previous studies. We show this by modifying the standard experimental set-up, which allows us to measure the costs of leaders' perceived incompetence. Third, respondents' beliefs about the likelihood of success are shaped by the experimental treatment conditions. When respondents are told that the leader decided to stay out of the crisis, respondents are less likely to expect a positive outcome to a potential intervention than when they are told that the leader decided to intervene and later backed down. This can generate bias in estimates of audience costs. Fourth, we correct these problems with a new experimental design and find that audience costs exist, but they are smaller than previously thought when the public believes that an engagement is likely to succeed. Conversely, audience costs are higher than previously thought when the public believes an engagement is likely to fail.

Taken together, these results make us skeptical about the micro-foundations of audience cost theory inasmuch as there is less empirical support for the purported theoretical mechanisms than previously thought. We identify a third mechanism underlying audience cost theory—concern with leader competence—that is not reducible to reputational concerns. Competence in our study is defined as the leader's ability to achieve outcomes that the audience expects or finds desirable given national interests and parameters of the conflict. In realistic settings, voters' ideological position, their material interests and social identities are likely to generate differences in audience costs depending on how these interact with characteristics of the conflict; and assessments of leaders' competence might also change. This implies that it becomes harder than previously thought for third parties to assess *a priori* the inconsistency or belligerence costs that a leader is likely to face in a crisis; or to anticipate the overall size of audience costs in the event of a policy failure. It follows that the signal sent from staying out or backing down in a crisis is not as informative as audience

cost theory suggests.

Our conclusions echo earlier critics of audience cost theory who have argued that audiences care more about policy outcomes than about the potential reputational effects of backing down (Snyder & Borghard, 2010). Moreover, our findings support research in American politics that finds that the perceived competence of the American president shapes the President's ability to pass domestic, foreign, and defense policy (Marshall & Prins, 2011; Gelpi & Grieco, 2015). Although the impact of these decisions is filtered by institutions—Congress could prevent the President from taking action, as discussed by Howell & Pevehouse (2005, 2011) and Kriner (2010)—these institutions also reflect domestic public opinion on foreign policy (Marshall & Prins 2011). Therefore, to fully assess the impact of the President's decision to back down from a crisis, one would have to collect data about the nature of social preferences and how these are aggregated up through political institutions as well as about the President's own ability to shape those preferences in the first place.

While we do not doubt that audience costs exist, we find that previous empirical estimates are misleading as they attribute those costs to the wrong mechanisms. Moreover, audience costs are unlikely to be estimable devoid of an empirical context that includes the audiences' prior beliefs about the likely outcome of the leader's actions. As a result, backing down from a threat is unlikely to be as informative an action as proponents of audience cost theory believe. Rather, how backing down is perceived both at home and abroad is likely to be a function of the real and anticipated consequences of the leader's actions. Moreover, the finding that the vignette and treatments in the experiment interact with respondents' prior beliefs and could bias estimates of audience costs has far-reaching implications for the use of survey experiments in international relations and comparative politics and should lead to a reconsideration of the experimental designs used to test audience cost theory.

The implications for the literature on crisis bargaining are threefold. First, our findings cast doubt on the ability of democratic leaders to consistently signal the credibility of their

threats (Potter & Baum, 2013) contrary to theories that democracies' success in war is due to their ability to more credibly signal their intentions (Reiter & Stam, 2002; Schultz, 1999; Schultz, 2001; Lipson, 2003; Potter & Baum 2010). Second, we show that making threats in a democracy will not always be electorally costly for a leader (cf. Schultz, 2012). This suggests that democratic leaders might make more threats than proponents of audience cost theory have previously thought (cf. Trachtenberg, 2010; Snyder & Borghard, 2011). Finally, given that leaders face smaller audience costs from backing down, they are less likely to be locked into intractable bargaining positions that spill over into war. This lends further credibility to the position that crises escalate to war due to other mechanisms, including accidents (Powell, 1990), informational asymmetries (Fearon, 1995), commitment problems (Fearon, 1995; Powell, 2006), or impatience (Leventoglu & Tarar, 2010).

Replication Data: The dataset and .R files needed to replicate the empirical analysis in this article can be found at <http://www.prio.org/jpr/datasets>. The replication materials and Online Appendix is also available at <http://www.williamgnomikos.com/research>.

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Tables

Table I. Calculating audience costs with and without incompetence costs.

	No incompetence costs	Incompetence costs
Audience costs (Back down-Stay out)	$-f_1 - a$	$-f_1 - a - q_2c + q_1c$
Belligerence costs (Engage-Stay out)	$-f_2$	$-f_2 + c(q_1 - 1)$
Inconsistency costs (Back down-Engage)	$-a$	$-a + c(1 - q_2)$

Table II. Number of respondents by treatment groups (Experiment 1)

Treatment	Respondents	Assessment of beliefs
Stay out	443	Post-treatment
Back down	447	Post-treatment
Engage and fail	428	Pre-treatment
Engage and succeed	446	Pre-treatment

Table III. Leader approval, by treatment vignette (Experiment 1).

	Proportion approved	95% lower	95% upper
Stay out	0.60	0.56	0.65
Back down	0.23	0.19	0.27
Engage and succeed	0.69	0.65	0.74
Engage and fail	0.42	0.37	0.47

Table IV. Number of respondents by treatment groups (Experiment 2)

President action	Success likelihood prime	Respondents
Stay out	No prime	157
Back down	No prime	143
Stay out	Low likelihood of success	157
Back down	Low likelihood of success	148
Stay out	High likelihood of success	149
Back down	High likelihood of success	151

Figures

Figure 1. Estimating audience costs with and without incompetence costs

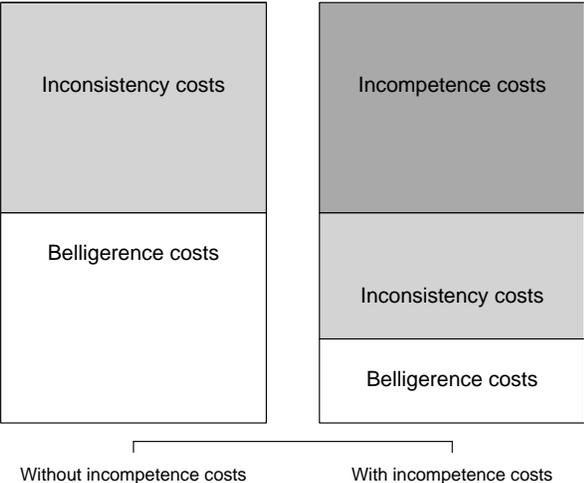


Figure 2. Game tree showing the logic of our argument.

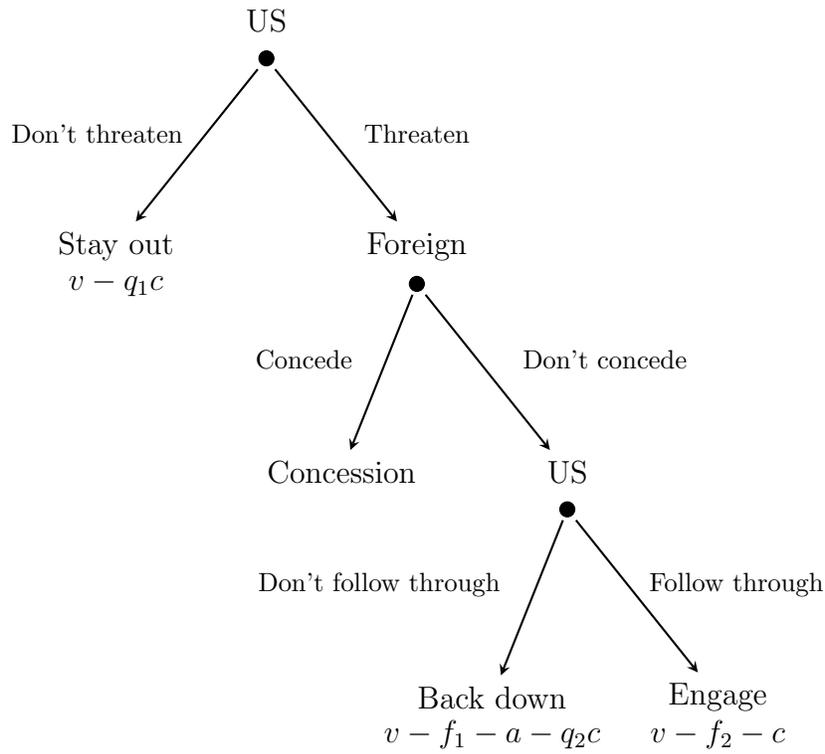


Figure 3. Causal diagrams of the effect of treatment (Z) on approval ratings (Y).

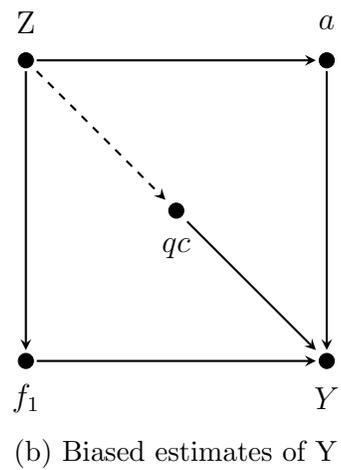
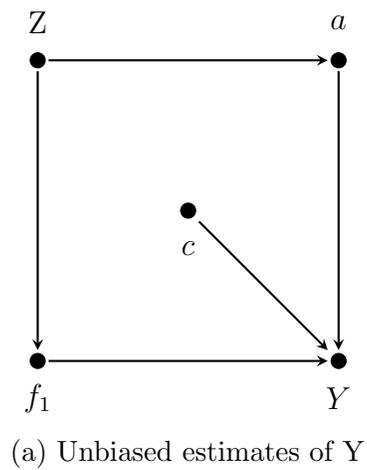
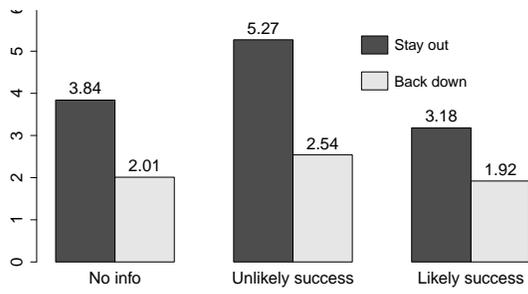
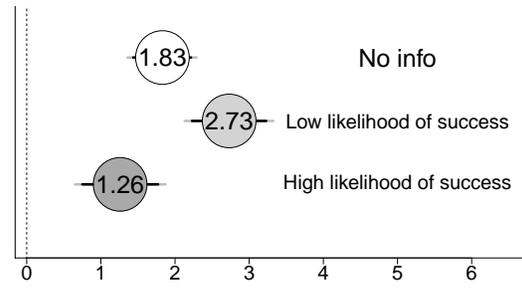


Figure 4. Results from Experiment 2.



(a) Approval ratings



(b) Audience costs