Psychology, Risk, and the Decision to Launch the Persian Gulf War

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ABSTRACT
Prospect theory is an influential psychological theory that describes how individuals make decisions involving risk. One of its key findings is that decision-makers are risk averse when in a “domain of gain” (when they have experienced success), and risk acceptant when in a “domain of loss” (when they have experienced setbacks). In this paper, I use prospect theory to examine George H. W. Bush’s political and military choices as they led to American involvement in the 1991 Persian Gulf War. Specifically, I explore whether there is a correlation between Bush’s domain and his willingness to accept risk. Although I find that Bush’s willingness to go to war is consistent with the predictions of prospect theory, the task of establishing Bush’s domain makes it is difficult to exclude competing explanations such as rational-choice theory.

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I. INTRODUCTION

One of the most dramatic foreign policy successes of George H. W. Bush’s administration was the dominant American victory over Iraq in the 1991 Gulf War. The fact that U.S. forces suffered few casualties in their decisive campaign belies the significant risk that the operation entailed. Saddam commanded one of the largest militaries in the world and had a demonstrated willingness to use weapons of mass destruction; though many publicly argued otherwise, swift American victory was not a foregone conclusion. What dynamics underlay Bush’s level of risk acceptance immediately prior to the conflict, and was this risk acceptance justified by the predicted benefits of military intervention?

In this paper, I answer this puzzle by using prospect theory to examine Bush’s decision-making in the Gulf War. After giving a brief historical and theoretical background, I determine whether Bush was in a domain of gain or a domain of loss during the lead up to the war. Then, I test whether Bush’s domain affected his tolerance for risk and compare his decisions with the normative predictions of rational choice theory. I find that although Bush’s willingness to go to war is consistent with the predictions of prospect theory, the difficulty in establishing Bush’s domain makes it hard to exclude competing explanations such as rational-choice theory.

II. HISTORICAL BACKGROUND

Iraq emerged from the Iran-Iraq war in 1988 with the world’s fourth largest military. Motivated by historical territorial claims and disputes over financial issues and oil drilling, Saddam Hussein invaded Kuwait on 2 August 1990. The United States perceived Saddam’s aggression as a threat to American geopolitical and economic interests in Saudi Arabia and in response sent a force to defend the kingdom as part of Operation Desert Shield. Iraq initially pledged to withdraw from Kuwait, but after it reneged on its promise and annexed that territory instead, world leaders began considering military intervention to expel the Iraqi forces. In November 1990, the United Nations issued an ultimatum demanding that Iraq withdraw by January 1991 or face a military response.²

On 16 January 1991, a U.S.-led coalition launched a massive aerial bombing campaign against Iraqi forces, followed a month later by a ground invasion. Within 100 hours, coalition forces had liberated Kuwait and destroyed much of the Iraqi army. Bush declared a cease-fire, halting the coalition advance towards Baghdad and allowing Saddam to remain the ruler of Iraq.¹

III. THEORETICAL BACKGROUND

Prospect theory is a positive theory of choice that describes how actors make decisions under risk. Its foundations lie in the experimental finding that humans deviate from rational-choice prescriptions in predictable ways because of ingrained cognitive biases. Developed in 1979 by Kahneman and Tversky, it provides a model of how human actors assess and compare the values of different decisions, or “prospects.”²

Three findings are particularly important for analyzing decisions in international relations. First, decision-makers evaluate prospects in terms of gains and losses relative to a reference point—often the status quo or a previous or desired position. Second, prospect theory predicts that decision-makers are risk averse when in a domain of gain and risk acceptant in in a domain of loss. Finally, people are particularly averse to losses: the pain of a particular loss is greater than the pleasure of an equivalent gain.³

Prospect theory describes a two-part decision-making process. The first step is framing, where the actor makes a preliminary assessment of the options available to them and establishes the reference frame that they will use to evaluate the options in terms of gains or losses. According to Kahneman and Tversky, framing depends on “the manner in which the choice problem is presented as well as the norms, habits and expectations of the decision-maker.”⁴ According to prospect theory, the framing of a choice can have demonstrable effects on which prospect is chosen—people are much more likely to choose an option when it is framed as a gain instead of a loss. The second step is evaluation, or the selection of the

⁶ ibid.
prospect. Domain, risk tolerance, and other cognitive biases all affect which prospect is ultimately chosen.

IV. **Methodology**

I test whether prospect theory can help explain Bush’s decision to use military force in Kuwait. Although prospect theory has many predicted effects, I focus here on how domain affects risk acceptance. In this analysis, the independent variable is Bush’s domain (gains or losses), and the dependent variable is his propensity for risk. However, both of these variables are difficult to operationalize and measure accurately in the context of international relations.

Like McDermott, I define “domain” as how Bush felt about the environment he faced. To measure this, I rely on indicators such as public opinion polls, media portrayals, domestic policy success, and Bush’s choice of analogies. To ascertain his risk tolerance, I examine the different options that Bush faced and determine their relative riskiness by finding the variance in outcome of each choice.

Showing that domain is correlated to risk tolerance is necessary but not sufficient to determine if prospect theory provides the best explanation for decision-making. It is possible that prospect theory could yield the same preference as rational-choice theory. In this case, rational-choice theory is difficult to fully reject because it is more parsimonious. To demonstrate that prospect theory was operative, it is also necessary to show that decisions deviated from rational expectations. As an important part of the evaluation of prospect theory, we will assess whether Bush’s decisions followed subjectively expected utility considerations.

V. **Evaluation**

A. **Political effects on domain**

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7 ibid.
In the period prior to Desert Storm, George H. W. Bush was operating in a domain of losses. On international, domestic, and personal levels, things were going badly for Bush.

The most important factor in influencing Bush’s domain was the clearly the invasion of Kuwait in August 1990. This jeopardized the U.S. oil supply, threatened strategic allies, and raised the specter of future aggression. When Saddam ordered his tanks to race into Kuwait City, he shocked the Bush administration, which had expected a peaceful resolution to the tensions between Iraq and Kuwait. This action violated a long-standing tenet of U.S. foreign policy, the Carter Doctrine, which asserted that the U.S. would not tolerate interference with its interests in the Persian Gulf. With Kuwait under Iraqi control, Saddam controlled 20 percent of the world’s proven oil reserves and was mere hours away from the crucial Dhahran oil complex in Saudi Arabia. Bush’s advisors were concerned that Saddam would use his vast oil reserves and aggressive military posture to blackmail other Gulf states and manipulate the price of oil.

The invasion also posed threats to U.S. allies. In 1990, Saddam spoke of “raining fire on Israel” and tried to leverage his position in Kuwait to aid his allies in the Palestinian Liberation Organization. His tanks were menacingly situated along the Saudi Arabian border within striking distance of Riyadh. The relationship with the Saudi royal family was central to U.S. strategy in the Gulf; the kingdom was a crucial anti-communist ally in America’s Cold War geopolitical efforts and a pliable economic partner. The Saudi military was outmatched, and the country was vulnerable to attack. Adding to Bush’s geopolitical losses, Iraq went back on its promise to withdraw from Kuwait, going as far as annexing Kuwait as a new province of Iraq. With Iraqi military exercises underway in the Kuwaiti desert, the threat continued to grow even after the invasion. Because of the complications of moving U.S. troops to the Persian Gulf, the threat to Saudi Arabia was still present for weeks after Operation Desert Shield began.

The invasion of Kuwait was the second war of aggression that Saddam had instigated in a short span of years. The threat of Iraqi

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12 Friedman. 1990.
aggression was complicated by Saddam’s development of weapons of mass destruction. With an existing stockpile of chemical and biological weapons, Saddam hoped to augment his arsenal with nuclear capabilities. His aggressive behavior raised the threat that he might use these weapons to coerce (or destroy) other Gulf states.\textsuperscript{14}

One of the predictions of prospect theory is that actors will quickly renormalize their reference point after experiencing gains, but slowly and reluctantly adjust their reference point after sustaining losses (because of loss aversion).\textsuperscript{15} On the international front, Bush had sustained massive losses, but never had time to adjust his reference point to the new status quo. Indeed, personal anecdotes suggest Bush remained visibly and emotionally disturbed by the fate of Kuwait up until the American invasion.\textsuperscript{16} This response to international events points towards a domain of losses.

These losses in the international arena were compounded by frustrations on the domestic front. In late 1990, the U.S. economy entered a recession, and U.S. approval of Bush’s economic policy tumbled to 30%. Consumer confidence fell to a new low. His overall approval ratings, though still hovering near the 50% mark, had endured significant losses.\textsuperscript{17} At the same time, Bush was suffering from a costly battle with Congress. The legislative failure of Bush’s national budget had caused a shutdown of government services, and to resolve this, Bush famously reneged on his “no new taxes” promise, threatening his credibility\textsuperscript{18} and taking public approval of Bush’s fiscal policy down to twenty percent.\textsuperscript{19}

In an interview, Secretary of Defense Dick Cheney speculated that the budgetary battles “cast a pall over the entire administration and raised key questions about its competence.”\textsuperscript{20} Personal issues also affected Bush’s domain. Throughout his presidency, Bush was dogged by media accusations

\textsuperscript{14} Yetiv. 2004.
\textsuperscript{15} McDermott. 1998.
\textsuperscript{17} Woodward. 1991.
\textsuperscript{20} Yetiv. 2004.
that he was a “wimp.” Earlier in his administration, Congressmen accused him of “making Jimmy Carter look like a man of resolve,”\textsuperscript{21} and during his presidential election, conservative commentator George F. Will characterized him as the “lap dog” of his charismatic predecessor, Ronald Reagan.\textsuperscript{22} This unflattering story of Bush’s “wimp factor” was echoed in \textit{Newsweek}, \textit{60 Minutes}, and other media outlets. Bush was understandably frustrated with the persistence of these personal accusations (which directly related to his risk tolerance), and they contributed to his domain of loss.

**B. Framing effects and domain**

Bush’s framing of the Gulf crisis also significantly affected his domain. Bush’s use of analogies to frame his options propelled him deeper into a domain of loss. According to Yuen Foong Khong, historical analogies can guide decision-makers by “defining a new situation in terms of a previous situation” and “giving the policymaker a sense of the political stakes involved.”\textsuperscript{23} These diagnostic functions of analogies were crucial to Bush’s framing of the Gulf crisis. There is much evidence that Bush compared the events in the Gulf with Nazi expansionism after the Munich summit.

The World War II analogy was particularly vivid to Bush, who joined the Navy right out of Andover to serve in the war as a fighter pilot.\textsuperscript{24} Shot down during a combat mission, the war remained salient to him throughout his life. Says Marlin Fitzwater, “the war experience was alive in him and was a major factor in his mind that he talked about a lot. It made things vivid, thus altering how he saw the crisis and his approach.”\textsuperscript{25} Bush’s analogical reasoning was more than instrumental; there are reports of him reading World War II histories aboard Air Force One and commenting to his aides that he would “not let this happen again.”\textsuperscript{26} On the same trip he drew comparisons to the German invasion of Czechoslovakia while on a helicopter ride with Gen. Norman Schwarzkopf.\textsuperscript{27} These anecdotes

\textsuperscript{21} Woodward. 1991.
\textsuperscript{22} Yetiv. 2004.
\textsuperscript{24} Bush. 2006.
\textsuperscript{25} Yetiv. 2004.
\textsuperscript{26} Woodward. 1991.
illustrate Bush’s beliefs shared in private with close aids, not rhetoric employed to rally public support.

Bush’s use of the Munich analogy led him to several comparisons. The most prominent was his equation of Saddam Hussein with Hitler, made numerous times in public speeches. This comparison established—and likely exaggerated—the stakes of the conflict. Saddam was portrayed as an evil aggressor whose insatiable appetite for expansion would undermine regional security. Bush claimed that the Iraqi invasion was, “a throwback to another era, a dark relic from a dark time . . . [that] threatens to turn the dream of a new international order into a grim nightmare of anarchy in which the law of the jungle supplants the law of nations.” This appraisal of the status quo no doubt heightened Bush’s perceptions of loss: he no longer merely faced a regional bully seeking to manipulate OPEC, but a ruthless and aggressive dictator bent on undermining the international system.

A second framing effect, the establishment of a reference point, further pulled Bush further into a domain of loss. With the disintegration of communism in Eastern Europe and Mikhail Gorbachev’s policy of “new thinking” towards the West, it was clear to Bush that the international system was dramatically changing. As a vision for the post-Cold War era, Bush conceptualized a “new world order,” based on great power cooperation, collective security, the rejection of aggressive force, and American hegemony. Bush’s frequent use of this concept makes it possible that he had adjusted to a reference point not based on the status quo ante bellum but instead on an international condition that he aspired to. This shifted reference point would only exaggerate his losses.

Bush did experience some important successes. His overall approval rating showed moderate satisfaction, and the American public was pleased with his handling of foreign policy. He passed landmark legislation such as the Americans with Disabilities Act and the Clean Air Act. However, primary indicators—including international events, economic performance,
and domestic public approval—place Bush in a domain of loss. The way that Bush framed the Gulf crisis, by emphasizing how a Hitler-like dictator had upset a new world order, only intensified his experience of this domain.

C. Risk Tolerance

In late 1990, before the U.N. sent Saddam an ultimatum threatening war, Bush had a number of options for responding to the Iraqi invasion. An October 17, 1990 memo from the Plans and Policy office of the Joint Chiefs of Staff (J-5) identified three distinct strategies for the president: (1) accept the status quo while maintaining a defensive force in the region (2) settle in for long term sanctions or (3) prepare for offensive action. To determine whether Bush’s domain had an effect on his risk acceptance, we must examine the risks and payoffs of each option individually.

The option with the least variance required Bush to accept the invasion as a fait accompli, adjust to the new reality, and leave American forces in Saudi Arabia as a deterrent threat against future Iraqi aggression. This option had no significant payoff to the United States, but would likely have led to increased, yet tolerable oil prices. With Desert Shield in effect, it was unlikely that Saddam would attack his neighbors in the near future, but it was equally unlikely that he would withdraw from Kuwait unilaterally. Since the variance in outcomes is low, this choice represents a low risk, low payoff option.

The second option—the “strangulation option”—was low risk with moderate payoff. This strategy centered on a U.N.-mandated blockade of Iraq, coupled with continued diplomatic pressure and a deterrent military force in the region. The J-5 assessment predicted that the sanctions would take several months to a year to be effective. Military leaders, such as Colin Powell (Chairman of the Joint Chiefs of Staff) and William Crowe (former Chairman) were confident it would work if given enough time. Although Saddam was willing to deprive his people to supply his army, he could not last forever. This option had a high payoff (ejecting Saddam from Kuwait) but is less preferable because of the uncertain timeframe. The possible outcomes are similar to the “do nothing” approach, except that there is a good possibility of achieving success.

Bush’s most aggressive option was offensive action. This had the highest payoffs—it could immediately expel Iraq from Kuwait, destroy

34 Friedman. 1990.
Saddam’s army, and demonstrate American commitment to global leadership—but entailed significant risk. The fact that coalition forces decisively routed Saddam’s army and quickly achieved their goals disguises the fact that this option appeared very risky. According to DIA estimates, Iraq had a 1-million-man army that was the fourth largest in the world. With 5,000 tanks and an Air Force capable of flying 1,000 sorties a day, it also was formidable by regional standards. In the Iran-Iraq war Saddam proved the lethality of his forces (killing 65,000 Iranians in a single battle) and showed his willingness to use weapons of mass destruction against enemy soldiers. Pentagon casualty estimates for a land invasion initially ranged from 20,000 to 30,000 KIA. Lower estimates still foresaw several thousand deaths. The outcomes of this option had the greatest variance, ranging from a short and bloodless triumph to a protracted and costly quagmire.

VI. CORRELATION AND ALTERNATIVE EXPLANATIONS

The historical account of Bush’s decision-making process supports the predictions of prospect theory: Bush was in a domain of loss, and he showed risk acceptance by going to war. But how can we know that the cognitive effects predicted by prospect theory were actually operating in this decision? Could the more parsimonious rational-choice theory arrive at the same conclusion?

By many measures, the sanctions strategy was the most rational choice. It would have likely removed Saddam from Kuwait, while exposing the U.S. to little risk. However, the costs of maintaining a force in the Middle East and the need to absorb increased oil prices were likely great drawbacks in this wartime calculation. The option Bush chose had a high monetary cost and an appreciable possibility of incurring large casualties. However, his choice had a somewhat higher payoff than sanctions, because it provided an opportunity to degrade Saddam’s military capabilities. While it is difficult to ascertain what utility George Bush assigned to human life—

36 Ibid.
38 Woodward. 1991
even the most modest casualty estimates predicted a few thousand deaths—I conclude that the predicted costs of war outweighed its predicted benefits over sanctions. This deviation from rational-choice suggests that the psychological forces described by prospect theory were at work.

This rational-choice comparison is fraught with difficulties. Certain evidence could alter the rational-choice prescription. For instance, if Bush was truly so invested in the Munich analogy that he believed more Iraqi aggression was inevitable, then waiting for sanctions to have their effect (while Iraq was busy developing nuclear weapons), would be a profoundly risky option. Furthermore, administration officials debated the effectiveness of sanctions. Although key advisors like Chairman Powell, Defense Undersecretary Paul Wolfowitz, and Secretary of State James Baker saw the promise in sanctions, there was not complete consensus throughout the administration (Cheney was ambivalent and National Security Advisor Brent Scowcroft rejected sanctions). If Bush believed that sanctions were destined to fail, then it would make war a comparatively more attractive option. While not supported by the body of evidence that I encountered, this type of disconfirming evidence is plausible. By showing that Bush actually behaved rationally, such evidence would undermine a prospect theory explanation.

VII. CONCLUSION

In balance, prospect theory provides a useful explanation for Bush’s risk acceptant decision to launch the Gulf War. After suffering from a series of setbacks including the Iraqi takeover of Kuwait, domestic economic and political problems, and negative media portrayals, Bush was in a domain of loss. His reliance on the Munich analogy and his vision of a new world order only heightened this sense of loss. Prospect theory shows that Bush’s domain would explain his risky choice for war, which seems to contradict the prescriptions of rational-choice. However, comparing the prospect theory explanation to rational-choice proves problematic because of the difficulty in determining an individual’s domain. More thorough historical research is needed to confidently exclude the rational-choice explanation.

41 Ibid.
BIBLIOGRAPHY


