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High Risk Does Not Always Equal High Reward: An Application of Prospect Theory to the Vietnam War

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High Risk Does Not Always Equal High Reward

An Application of Prospect Theory to the Vietnam War

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*"I am not going to lose Vietnam.
I am not going to be the president who saw Southeast Asia
go the way China went."*

Lyndon B. Johnson

Abstract

By applying Prospect Theory to the escalation of the Vietnam War, I provide a different understanding of why the Johnson administration issued Operation Rolling Thunder. The domestic and international uncertainty of 1963 and 1964 shifted the United States to the domain of loss compared to the reference point, namely the status quo. In line with Prospect Theory, this resulted in a riskier strategy than necessary. Furthermore, South Vietnam's symbolic status as a front line against communism, in line with the containment politics of the Cold War, provides a complementary explanation for the risky strategy of escalating the war. The irrationality of focusing on a bombing campaign while neglecting the Vietnamese people is explained by the immense risk the United States thought it had to take to save South Vietnam.

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1. Introduction

The quote by Lyndon B. Johnson on the cover page of this thesis strikes at the heart of the problem of United States' decision making in Vietnam. The country on the eastern margin of the Indochinese peninsula gained a special status in the Cold War. It was to be fought for at all cost. As Kennedy stated, the United States must "bear any burden" to uphold freedom in the third world, especially on the rims of the battlefield. The communist aggressors were to be fought off so every country could enjoy prosperity and liberty. Vietnam, West-Berlin and Korea were the front line in the ideological as well as physical battle of the Cold War.

Lyndon B. Johnson escalated the Vietnam War by issuing Operation Rolling Thunder on March 2, 1965. Devastation reigned supreme. American military firepower was far more advanced than that of its adversary's. Nonetheless, the Vietnamese guerilla fighters were fearless, showing no mercy and upholding their promise to fight for an independent Vietnam. Despite its superiority, the United States failed to stabilize South Vietnam. The result was a long and brutal conflict. In hindsight, the escalation of the Vietnam War is seen as irrational. However, is it possible that the domestic and international context might have influenced the decision making of Johnson? In this thesis, I will apply Prospect Theory to understand the escalation of this unstinting conflict. The research question is formulated as follows:

"Why did the United States, specifically the administration of Lyndon B. Johnson, further escalate the Vietnam War in 1965?"

The application of Prospect Theory allows for a combination of studying both the individual decision-making process as well as the context in which this decision making takes place. In this light, Prospect Theory allows for a new understanding of decision making in political science and international relations. By applying it to the Vietnam War, I hope to enrich the literature surrounding Prospect Theory in political science.

In order to dissect the question raised above, I first dive into the research motivation and research background. After the background is explained, I turn to the methodology of this paper. An analytical framework is sketched building on the works of Kahneman and Tversky (1979; 1984). This framework is applied to the war in order to create our variables and reference point, based on the work of McDermott (1998; 2004). The reference point of this study is the status quo of 1963. From here on, both the international and domestic context are investigated to see whether it is arguable that a shift of the United States took place compared to the reference point.

Based on the framing effects and investigation of both contexts, I argue that the United States was pushed into a situation where risks were perceived to be less severe. The risk taken by Operation Rolling Thunder was seen as necessary. Combined with the strong political advantage of Johnson after winning the election and the Tonkin Resolution, riskier strategies had to be taken in order to create a sense of "winning the war". As the literature suggests, riskier strategies are a result of being situated in the domain of loss. Additionally, the special status of South Vietnam as the front line against communism added additional pressure on Johnson to keep South Vietnam at all cost. This resulted in a distortion of reality where risky strategies were seen as vital. Consequently, the United States opted for the riskier strategy of a massive bombing campaign of Southeast Asia, risking further war with other communist states, instead of focusing on counter insurgency and state building in South Vietnam.

2. Research Motivation and Background

First of all, I want to set out two main reasons for this research. On the one hand, this research has the purpose to add to the literature revolving the applicability of Prospect Theory in wartime and escalation. Relatedly, the research tries to provide another insight in the ongoing clash between Rational Choice Theory and Prospect Theory regarding human agency and decision making. The applicability of Prospect Theory as an explanatory theory would be greatly enhanced if applied to a variety of cases, such as the Vietnam War. In this light, Prospect Theory highlights the flaws of Rational Choice Theory. It builds upon the understanding of it. The application of such a theory aims to further understand human decision making, a fruitful, yet complex topic.

On another note, the research tries to shed light on decision making in times of war in general. It investigates the relationship between actors and their social and political context in order to understand why particular decisions were taken. If such a relationship exists, it is valuable to draw conclusions from it in order to better understand what drives escalations in times of war. The obvious and straightforward motivation for this research is to understand war, and possibly, prevent it and loss of life. By studying the escalation, we are able to highlight why certain actors opt for a more aggressive stance or riskier strategies in wartime, consequently escalating the war or conflict. Although it is rather farfetched to argue that one paper could solve or understand the escalation of war, it can spark further debate and enrich the literature that aims to understand decision making in warfare. Thus, the research aims to disentangle the complexity surrounding human (rational) decision making in war and simultaneously testing the “newly” devised Prospect Theory in political science. In order to observe decision making in war I chose the case study of the Vietnam War. However, before dissecting the case study and how Prospect Theory can be used, I will first point to a short history of Vietnam, the war itself and how the American involvement started. Later on, I will dissect the Vietnam War in greater detail.

Of all the proxy wars fought during the period of the Cold War, the Vietnam War stands out. The length of the conflict stretched over two decades, amounting to massive casualties on both sides. Although the deaths on the American side were comparable to other wars, such as Korea or the Second World War, the amputations and crippling wounds were 300% higher than in World War II (National Archives 2008). The amount of bombs dropped by the United States air force dwarfed the number of bombs dropped in the entire Second World War. The use of napalm and chemical weapons, such as Agent Orange, were issued, resulting in a devastation of life and biodiversity. All in all, Vietnam war is remembered as a bloody, dragged out conflict that haunts the United States to this day (Anderson 2002).

The conflict in Vietnam started not with the United States, but rather the former colonizers of Indochina, France. After the decolonizing and nationalist forces of the Viet Minh, led by Ho Chi Minh, defeated the French at Dien Bien Phu, the international community called for democratic elections in Vietnam at the Geneva Convention, consequently dividing up the country in two. Although the North of Vietnam adopted communism, the entire country, both North and South Vietnam, remained heavily influenced by a mixture of older Buddhist traditions and an energized nationalistic tendency. This nationalism was a remnant from the decolonization and was found in both Ho Chi Minh's as well as the new leader of South Vietnam, namely Ngo Dinh Diem's, philosophy. Afterwards, the United States president, Eisenhower, started nation building in the South, supporting the authoritarian Diem government by sending military advisors and economic aid. It was shortly after the support that

the authoritarian government of Diem clashed with the National Liberation Front (NLF), commonly known as the Viet Cong (Anderson 2002).

As the newly elected president of the US, Kennedy wanted to take a tough stance against communism. John F. Kennedy opted for more military advisors for the poorly managed and corrupt government of Diem who continued to struggle for stability in the South. Ultimately this instability resulted in a military coup, killing Diem and his brother, while other generals seized power. Eleven days later, Kennedy was assassinated and Lyndon B. Johnson, the Vice-President, entered office. Lyndon B. Johnson was further drawn in the conflict due to the Tonkin incident. After miscommunication and information asymmetry between the Navy and the White House, the president ordered a resolution to be drawn up. The Tonkin Resolution allowed Johnson to operate in every way he saw fit without needing the approval of congress. After his victory in the 1964 election, Johnson escalated the war by ordering operation rolling thunder. This order by Johnson was the first major escalation in the Vietnam War and later resulted in American forces fighting the Viet Cong (Anderson 2002).

From the start of the conflict, the American general Westmoreland was confident he would be able to win the war with relative ease as the US forces were militarily vastly superior. Compared to the Viet Cong, the American forces were better equipped, better trained and better fed. However, the Americans lacked motivation, struggled with the terrain and failed to understand Vietnamese history and culture. For the Vietnamese, surrender was not an option. The Americans were unable to win decisively in South Vietnam, surmounting a great amount of critique on the war from within the army as well as the country itself (Anderson 2002; Chapman 2016). In hindsight, the American involvement in Vietnam is often referred to as “a tragic decision based on good faith, fateful misunderstanding and American overconfidence” (Burns and Novick 2017). These series of actions and decisions are, according to Rational Choice Theory, of irrational nature.

The Rational Choice Theory is one of the building blocks in the literature of economics and has established itself as a dominant theory in political science and the study of war (Greenstein 1967; Jervis 1976). According to Rational Choice Theory, the actor making choices is a fully rational utility maximizing creature, informed of all choices. Moreover, these preferences on which the choices are built do not change over time. If applied to the case of Vietnam, Johnson his decision to escalate the war by issuing American ground troops seems to be irrational. The President lacked information regarding the Tonkin incident (Anderson 2002), contrasting with the Rational Choice Theory. Johnson his actions seem to be at an impasse with Rational Choice Theory.

On another note, the rather young strand of thought of behavioral economics has shown promise as an alternative for explanations in political science. With the concepts such as loss aversion or framing effects, behavioral economics has shown that irrationality of human actors can be explained due to our changing preferences over time and how experiences can change the perception of certain outcomes. In this light, losses are perceived much heavier than wins. These losses stand in close relation to the social context of the actor. In this light, reference points influence framing effects that subsequently influence the associated decision making of an actor. This new alternative sparks the question whether it is possible that preferences can change and whether this could provide us with a different explanation when it comes to the escalation of the upper brass of the United States in the Vietnam War? In order to ask such a question, I first turn to the methodology, comprised of the Analytical Framework and Literature Review.

3. Methodology

3.1 Analytical Framework and Literature Review

The analytical framework serves as a starting point for the research regarding the Vietnam War. It provides us with a short general overview of Rational Choice Theory as well as Prospect Theory. Afterwards, I aim to explain Prospect Theory in relation to war and identify testable observable implications.

The Rational Choice Theory builds on a variety of assumptions and predictions. In order to predict the choices individuals make, the Rational Choice theorist makes use of three interrelating concepts, namely preferences, beliefs and constraints. The concept of preferences relates to how individuals rank alternatives of choices. Beliefs influence the preferences a person makes and constraints limit the amount or set of alternatives available. The Rational Choice theorist argues after specifying preferences, beliefs and constraints, the individual chooses a feasible option best satisfying his or her preferences.

The main presupposed idea is that individuals are, therefore, rational agents. In order to achieve this theoretically, it needs three subsequent assumptions. Firstly, preferences are thought of as complete, meaning an individual can compare and evaluate all relevant alternatives while also being able to rank them. Secondly, preferences are transitive, meaning if an individual prefers X over Y, and Y over Z, then they would also prefer X over Z. Lastly, preferences are independent of irrelevant alternatives. The result of these presuppositions is the idea of the rational individual. Another assumption underlying the Rational Choice Theory is that individuals will always opt for the utility maximizing choice. The result of these two presuppositions combined is the widely held assumption in economics, and political science, that actors are utility maximizing creature by rationally assessing all choices (Reiss 2013; Anderton 2019; Gächter 2013).

Now that the foundation a model of decision making of Rational Choice Theory is discussed, our inquiry takes us to its adversary, namely Prospect Theory. This particular branch of behavioural economics was first introduced by the economists Kahneman and Tversky (1979; 1984). The theory was able to highlight the drawbacks of Rational Choice Theory by using a variety of experiments, showing the paradoxical nature of human beings. According to Kahneman and Tversky, ordinary decision makers are not fully rational, nor can they properly assess all information in a given situation.

One of the most important concepts Prospect Theory has produced is called loss aversion. This concept is based on empirical evidence showing that people perceive losses more heavily than wins. The experiments done by Kahneman and Tversky (1979) showed that if people are to choose between retaining the status quo or taking a risk, which might lead to negative results, people often, irrationally, choose to be risk-averse instead of being indifferent to the choices given. Furthermore, experiments have shown how people have an emotional bias for objects they own or situations they control. This is called the endowment effect and entails that actors often irrationally give more weight to it (Kahneman and Tversky 1979; 1984).

Moreover, if people can choose between retaining the status quo, which is less risky, or by taking a riskier choice, yet it is framed in a positive way, they opt for the risky strategy. This relates to what the authors call the framing effect. If the question is framed in a negative way,

people change their behaviour to be less risk averse, or vice versa. The stability of the status quo here serves as a reference point, a concept we will turn to later.

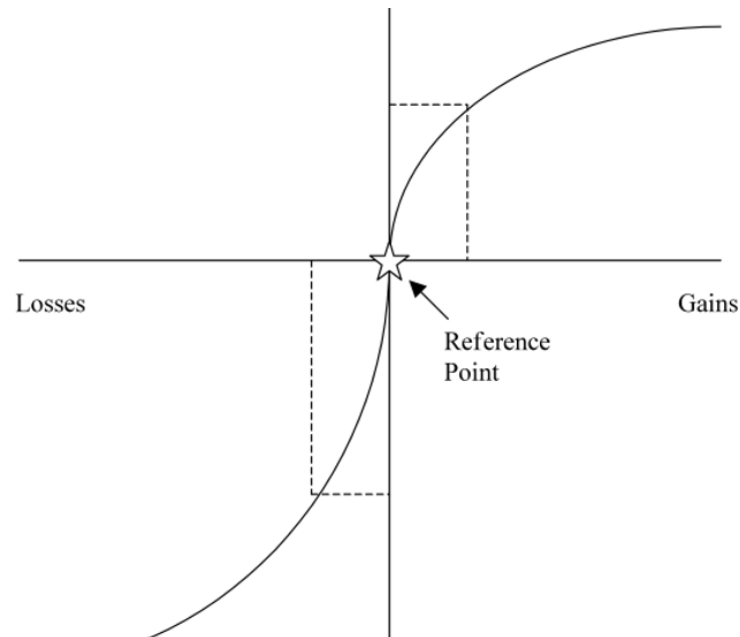


Figure 1: Reference Point in Prospect Theory

All in all, these observations of Kahneman and Tversky lead to two so-called domains. On the one hand, if individuals are faced with a risky choice leading to gains, they become risk averse as they find themselves in the domain of gains. People are afraid of losing their gains. This is seen by the right rectangle in Figure 1. Loss aversion fits within this narrative. On the other hand, if individuals are faced with a risky choice leading to losses, they prefer a risk-seeking option. This domain of loss can be observed as the left rectangle in Figure 1. Therefore, to understand or predict individual behaviour, we must construct their reference point and observe whether actors find themselves in the domain of loss or gains.

McDermott (1998; 2004) builds upon the theory of Kahneman and Tversky and sets out to discuss the gains and potential drawbacks of the theory when used in political science. The gains of applying Prospect Theory to decision making in political science are numerous. The most significant advantage of using this theory is the fact it allows for a change in preferences. In Rational Choice Theory, preferences are assumed to be constant and given. These preferences are then assumed to be the building blocks for an individual's decision making.

In contrast, Prospect Theory stresses the importance of a reference point from which individuals assess risk and their options. This reference point is susceptible to change due to a change in the political or social context which can alter the reference point or create a framing effects, which consequently also changes the decision making. In this light, the situational factors of a period of time can heavily alter risk assessments and the perception of loss. According to Kahneman and Tversky (1979; 1984), people can adapt their preferences relatively easily, creating a new reference point for themselves. Afterwards, the actors favour stability again. In other words, the instability of preferences, consequently, leads to a preference of the status quo. The reference point is therefore the starting point of every actor's decision,

while allowing for dynamic change over time. Combined with the rejection of symmetric information of actors, as Rational Choice Theory does, it offers a profound insight in political decision making.

Another gain of Prospect Theory is its supplementary nature. Prospect Theory is able to combine a variety of notions in political science and psychology due to its contextual nature. For instance, the notion of accountability by Tettlock and Boettger (1994) argues how democratic leaders are usually being held more accountable for their actions than their authoritarian counterparts, influencing the context of the actor and possibly influence their decision making. Additionally, Prospect Theory entails a model focusing on the influence of the environment on the individual's decision making. This stands opposed to the usual focus on balance of power between states or domestic factors. Prospect Theory goes beyond the structural elements, yet is also not limited to a personality theory. Thus, Prospect Theory combines the supplementary element of itself while allowing for changing political context and preferences.

However, how does Prospect Theory fit in the literature around war and, if so, what are the observable implications? The most important aspect if it comes to Prospect Theory is the previously mentioned reference point for actors. The reference point for certain actors in war, often Presidents or authoritarian leaders, are influenced by numerous factors. Two are worth mentioning right here.

Firstly, the reference point of an actor taking decisions in war is significantly influenced by the international political and social context (McDermott 1998; 2004). McDermott (2004) calls this the situational factors that alter the domain of action. This context can range from the type of political apparatus to the grand scale political and historical context. The aforementioned example of accountability by Tettlock and Boettger (1994) can be used here as well as the political system influences the reference point of leaders of either democratic or authoritarian regimes.

A more specific example might clarify the situation. Franklin D. Roosevelt was appointed the highest office in the United States in the election of 1932 and served as President for a record four terms. The United States was in the midst of its worst economic crisis. The Democratic President ran for office on a domestic policy strategy with a focus on achieving employment, economic growth and developing social safety programs. However, the President was faced with another crisis after the Japanese bombardment of Pearl Harbour in 1941. From here onwards, the President almost solely focused on foreign policy, discarding his domestic policies. The gist of the story above is how the situation creates a realm that is considered more important at a given time, thus shifting the reference point. These realms can change due to changing international context. The Presidents interests and values of a given time, thus, specified his action and domain of action (Badger 2008; McDermott 2004).

This shift of domain of action due to international pressures becomes increasingly insightful when it is combined with the idea of risk propensity of leaders. According to this idea, leaders in a good situation or a domain of gains which often is assumed to continue, peacetime for instance, are more inclined to be cautious and thus risk averse. On the other hand, if a situation is already dire, leaders are less likely to take the losses as heavy as they find themselves in the previously mentioned domain of losses, and therefore are more inclined to take less cautious decisions. This is in line with previous findings of Kahneman and Tversky. The aforementioned endowment effect plays a significant role in trying to sustain the status quo as people are less

inclined to give up their (personal) gains (McDermott 1998; 2004). In this light, the international social or political environment shifts the domain of action of what actors value and how they perceive gains and losses.

Secondly, the idea of self-context or self-identity plays a role in the actors' decision making as well. According to Anderton (2019), actors care about how they are perceived by the environment to the question if they are perceived as "moral" or "good beings". This is especially true for leaders of countries and weighs even more heavily for democratically elected Presidents or Prime-Ministers. These type of leaders are under constant scrutiny and have to be aware of how they are perceived by the masses as their job, literally, depends on it. In this sense, the self-identity of a President is connected to the idea of public approval in a democracy. If democratically elected leaders are seen as immoral actors, it reduces the chances of getting re-elected. This translates to the importance of the second observable implication, namely the domestic context of President. It is vital to understand the domestic context, as it might influence his perception in the eyes of the public, subsequently influencing his decision making in general.

The action of a President or leader is influenced by the amount of public approval. If public approval is high, it urges the actor to move quickly (Burstein 2003; Edwards & Wood 1999). This trend is often observed shortly after the election. Public approval is high right after the election, such was the case with Obama or, more recently, with Joe Biden, allowing the Presidents to quickly sign numerous executive orders. Biden's stunning number of over 50 executive orders in the first months of his presidency is a sign of a reduction in loss aversion (Hickey et al 2021). In this light, the public approval of a President influences the speed of decision making. These two types of context described above influence its position to the reference point of the actor, often the leader or group in charge, such as a military junta of a country, in the assessment of risk and the consequent action taken. In order to study war from a Prospect Theory perspective, one must thus look at the political and social context of the country in question as well as the self-identity of the top brass to locate their reference point from which they assess the situation and observe whether they find themselves in the domain of loss or gains.

According to Sylvan (2000), McDermott's (1998) use of Prospect Theory has great potential to be valuable, yet it runs into a key problem. This problem relates to the operationalization of the research. For McDermott's case studies and literature, there lacked a specific choice or event to be examined. This is the result from the stringent context of foreign policy where often events are a buildup of moments, making it tougher to pick one out as key moment. Although warfare falls within this category as well, key events in war often relate to the escalation, such as the invasion of Poland in the Second World War or the assassination of Franz Ferdinand in the Great War. Naturally, these wars are still the result of years of buildup of different contextual factors, yet it is easier to determine the key moment. If Prospect Theory is thus correctly applied to war, one must look to a key moment and establish the reference point at that particular instance, taking into account the contextual factors that make up for it.

Drawing from Prospect Theory with the domain of war, for this research, my hypothesis is that the United States escalated their involvement in the Vietnam War due to a shift to the domain of loss, relating to their leaders' social biases, specifically relating to the analysis of risk by prospect theory. If this proposition holds, we will see three things, namely the influence of the international context as well as the influence of domestic uncertainty regarding President Johnson on the reference point of Johnson's administration, that shape the US leaders' actions

to become risk-seeking. Moreover, the previously mentioned endowment effect provides a supplementary explanation of why riskier decisions were taken. South Vietnam became a symbol for freedom against the perceived tyranny of communism. It was not to be lost.

3.2. Data sources and empirical strategy

In order to investigate whether the observable implications and the related hypothesis above hold, I draw on a variety of sources. It is important to realize that with these sources in mind, I will have to establish two things. On the one hand, the sources must show how the international politics created a form of endowment effect for the United States regarding South-Vietnam. It should sufficiently establish the link of how the increased weight of “losing Vietnam” in the Cold War came about. Moreover, it should sufficiently show how it changed the position of the United States compared to the reference point, therefore, urging them to escalate the war further. This can thus be seen as a form of endowment effect where there is an extra emphasis on “keeping” a territory. Losing South-Vietnam was perceived to be disastrous. On the other hand, the sources must establish how Lyndon B. Johnson was influenced by public approval and the domestic context before the election and how it shaped his decision making regarding the Tonkin incident and the upcoming election. The self-identity of the President facilitated his quick decision making after the incident, consequently escalating the war. As public approval was high after winning the election, Johnson was able to opt for a “riskier” option while still finding himself in the domain of losses.

In order to establish this link, I will look at two types of sources. Firstly, literature regarding the international context must be investigated. Van der Mark (1991) and other authors describing the Vietnam war and its buildup, such as Divine (1988), Gawthorpe (2018) and Hess (1994), place the Vietnam war in the larger international political context, allowing us to dissect the political and social context of the South Vietnam. It emphasizes the never-ending debate between historians in explaining the reasons for war, specifically a hotly debated one found in the 60s and 70s in Southeast Asia. Furthermore, the Handbooks by Olson (1993) and Anderson (2002) both have sections situating this proxy war in the Cold War context, while sketching the broader context of South Vietnam, the Republic of Vietnam in general and the Diem Regime in specific. To complement this data set, this thesis draws on the highly acclaimed documentary “The Vietnam War” by Burns and Novick (2017).

Secondly, previously mentioned authors, such as Gawthorpe (2018) and Van der Mark (1991), as well as Atwood Lawrence (2008) provide the overview of the domestic context. Moreover, the link between public approval and decision making has to be established. For this reason, the research draws on the Presidential approval ratings based on the numbers by the Gallup Organization, compiled by David Coleman (2014). To supplement this data, there is a wide range of digital audio recordings and transcripts of John F. Kennedy and Lyndon B. Johnson available through the University of Virginia in cooperation with the Miller Center. These recordings and transcripts range from domestic politics to the Vietnam War. These primary sources allow for a rich set of data concerning the decision-making process of both processes and how both Presidents viewed the war. This complementary data adds to the further understanding of the domestic context. The aforementioned handbooks of Olson (1993) and Anderson (2002) provide a solid overview of contain presidential addresses as well as statistics. These handbooks offer a comprehensive chronological overview of the escalation as well as a comprehensive resource guide, ranging from literature regarding particular incidents such as the Tonkin incident to periods under a specific President. Lastly, these sources are

complemented by sources establishing the link between decision making and public approval, such as Burstein (2003) and Edwards & Wood (1999).

In this way, I try to shed light on the Vietnam war while trying to paint an objective picture on a subject that was kept in the dark for so long. I will now turn to the question why the United States of America escalated such a bloody and resource intense conflict.

4. Empirical Analysis.

In the empirical analysis I aim to discuss three sections to support the aforementioned hypothesis. The first section describes the shift from status quo to the domain of loss regarding the international context, which is made up of several elements, such as the previously mentioned endowment effect. The second section describes the shift of the United States to the domain of loss due to domestic uncertainty. Lastly, section 4.3 bundles the sections together describing the rationality, or irrationality, of the Johnson administration's decision to escalate the war.

4.1 Shifting to the Domain of Loss due to International Uncertainty

The status quo regarding the international context finds itself in the early phase of détente. It followed a heated period in the cold war, namely the Cuban Missile Crisis. After US U-2 spy plane flights discovered MRBM, Medium-Range Ballistic Missiles, field launch sites on Cuba, the Kennedy administration felt the need to act. After the failed Bay of Pigs invasion, the US set up a naval blockade meant to stop any sea traffic between the USSR and their ally south of Florida. Kennedy requested the immediate removal of all nuclear launch sites in Cuba. If the USSR declined, Kennedy threatened to invade and bomb Cuba, consequently risking a nuclear war. Luckily, in two weeks' time, the two superpowers of the world came to a peaceful solution. Both powers agreed to remove nuclear launch sites in Cuba and Turkey respectively. Moreover, they agreed to install a Washington – Moscow hotline, a direct telephone line to prevent a nuclear catastrophe. Nonetheless, the arms race would continue until détente reached its full potential, namely the two Strategic Arms Limitation Talks (SALT) of the 70s (Mikoyan 2012).

For this reason, we find ourselves in the beginning of the period of détente. Both the US and USSR are still wary of each other's power, continuing the arms race, yet on better terms than before. The US and USSR respected each other's territory, which is in line with the idea of containment politics, which was so prevalent in the Cold war (Boyer 1999). In this light, South Vietnam was not merely a territory that was capitalist, rather it had a symbolic value due to the strategies of the Soviet Union and China by backing North Vietnam. At the same time, the United States was seen as "vulnerable" as it encountered difficulties to stop the spread of communism in Southeast Asia. This resulted in an increased significance on maintaining South Vietnam (Hess 1994). This symbolic value points to the endowment effect, the tendency of people to put extra emphasis on items/objects they already own. The pressure on maintaining South Vietnam increased significantly. Because of this significance, the United States focused on strong state building in South Vietnam and found itself backing Ngo Dinh Diem (Gawthorpe 2018). The Diem Regime and the fostering of stability in the region became the status quo for the United States. The United States had to bring stability to South Vietnam in order to prevent the spread of communism. However, Diem was unable to bring stability in the long run, resulting in a continuation of issues for the United States.

The Diem Regime was often perceived as authoritarian and brutal, bordering on inhumane. The prime minister, Diem, became Prime Minister of South Vietnam in 1954. Educated in France, he developed a strong nationalistic philosophy. He based his newfound nationalism, also called "the third force" on two pillars, namely Catholicism and Confucianism. This blend later resulted in a deep disagreement with the Buddhist traditions prevalent in rural Vietnam. By adopting an anti-colonial and anti-communist perspective, Diem emphasized the necessity of

nationalism as a path into modernity. Ngo Dinh Diem's brother, Ngo Dinh Nhu, held significant influence and power in the government and both were seen as elitist leaders failing to deliver their message to the rural population. The result was a top-down apparatus driven on regressive and coercive policies, failing to understand and involve rural society. The brothers oppressed anyone who was perceived as an opponent. It resulted in a lack of clear and structural long-term view and an emphasis on short term, erratic, authoritarian and intolerant policies (Gawthorpe 2018).

As previously stated, the United States had to find a way to build a strong state if they wanted to keep South Vietnam from turning to communism. However, the authoritarian policies of Diem resulted in backlash of the international community. For this reason, Kennedy sent Albert Fraleigh and numerous other advisors to help Diem. They arrived in 1962 in Vietnam, a moment when attacks on South Vietnamese army troops by the Viet Cong were high, to create the framework for wartime state building. Their emphasis was on creating links between the rural population, a potential breeding ground for Viet Cong fighters, and the Diem Regime (Burns and Novick 2017). They argued for the need of a military presence of the US to facilitate this link. This top-down approach lacked specifics and, more importantly, lacked a clear understanding of Eastern state building. The framework based itself on knowledge specifically to Western state building by CIA operatives and Michigan State University Advisors. As the United States continued to support Diem, the nationalist government was met with resistance. Diem was perceived to an American puppet. Consequently, Diem wanted to reduce American dependence, resisting a deep collaboration and centralization of plans with the Americans (Gawthorpe 2018; Anderson 2002).

After several years of repressive politics and corruption, the critique on Diem and his brother grew wider among the Vietnamese population (Anderson 2002). As a result of the repressive policies, the Buddhist communities was filled with distrust. The break from Buddhist traditions to a focus on nationalism, Catholicism and Confucianism became too much for the monks and the rural population. The protests continued, yet were met with brutal force of the government. This resulted in front page news of a Buddhist monk who set himself on fire in the streets of Saigon as a sign of protest. Buddhism was prevalent in the rural areas of South Vietnam, clashing with the catholic influences in upper society of Saigon, and thus resulted in an increased distance between Saigon and the rural population. Back in the United States, there was a growing disagreement about Diem. Whispers about a CIA backed coup started to get louder. These whispers turned into rumors and shortly they reached the ears of Kennedy. JFK was not sure whether a US backed coup in South Vietnam would lead to the necessary and desired result of the containment of communism. Edward Lansdale, a CIA operative at the time, viewed Diem as a necessary evil in controlling the turmoil of South Vietnam (Burns and Novick 2017). However, despite protests and uncertainty of the President, the Diem regime was overthrown by General Minh and General Khanh, backed by certain officials in Washington (Van der Mark 1991)

Both Diem and his brother were brutally murdered in the streets of Saigon on November 2nd 1963. General Minh and Khanh and other army officials took power, replacing much of the established officials in the Diem regime by people loyal to the Generals. It resulted in a competitive and cutthroat environment where numerous actors strove for power and influence. The Republic of Vietnam, or RVN, it was shortly discovered, was carefully strung together by Diem. Without him, it fell apart like a house of cards. The iron grip of the authoritarian Diem regime was intolerant and oppressive, yet it was able to bring stability and some form of order. Without these shackles, chaos reigned (Gawthorpe 2018). Specifically, it led to a chaos

on two levels in South Vietnam. First, it set in motion a series of regimes changes that further reduced the power, influence and legitimacy of the RVN. Secondly, and possibly more importantly, the government was unable to create the necessary link between Saigon and the rural environment. The link necessary, according to the US advisors to Diem, to stop the growing rise of the Vietcong and insurgency. Both of these elements furthered the instability in the region.

After the assassination of Diem, the twelve Generals continued infighting. While General Minh was in power after the coup, General Khanh started plotting to overthrow him. Once General Khanh was in power, he tried to control the Junta as well as bring stability to rural areas. Khanh attempted to consolidate power in the government through the so-called Vungtau Charter. This new constitution would give the Khanh presidential powers and oust his rival, General Minh (Gawthorpe 2018). This type of power reminded the population of South Vietnam of Diem. They quickly took to the streets. Protests surged and students, political opponents and Buddhist monks continued to urge for fair elections and a reduction in corruption. The pressure on Khanh continued, forcing him to resign his post. However, the power plays and Junta infighting persisted, leading to the body of the High National Council, or HNC. This National Council was, however, barely recognized by the rural population and rather served as a smokescreen (Van der Mark 1991; Burns and Novick 2017). Thus, the power plays in the government of South Vietnam strengthened the instability of South Vietnam.

At the same time, rural resettlement and land development programs of Diem had sown mistrust among the rural South Vietnamese people. As part of his aim to modernize South Vietnam, Diem installed a variety of rural programs to industrialize the countryside. In the late 50's, Diem installed a new kind of *Land Development* program, relocating poor Vietnamese or ethnic minorities from middle Vietnam to the Mekong Delta and Central Highlands of South Vietnam. The resettlement tried to transform South Vietnam in an industrialized and technologically advanced nation. Moreover, as a result of an improvement of people's lives, the rural population would not be tempted to support the Viet Cong. Complementary, the *Agroville* program was issued to ensure the distribution of modern technologies. By moving certain families who lived in barren places closer to the city, it would create a form of spillover effect. However, the relocation of families, the harsh treatment and corruption in the resettlements and the infiltration of the Viet Cong led to an increase in distrust of Saigon and Diem (Burns and Novick 2017). After the Buddhist crisis of 1963 the chaos continued, this distrust morphed into a chasm between Saigon and the countryside. This breeding ground of insurgency was taken advantage of by the Viet Cong. North Vietnam was able to send an incredible amount of weapons, food and other material to supply their Southern brothers in arms through the Ho Chi Minh Trail (Burns and Novick 2017; Atwood Lawrence 2008). The *Land Development* program pushed the people into the arms of the Viet Cong who promised them a better life. In this way, the gap between Saigon and the South Vietnamese also strengthened the uncertainty in South Vietnam.

Chaos reigned in Saigon while the divide between government and people, between elite and poor widened and deepened. These two elements in South Vietnam shifted the position of the United States compared to status quo, discussed above. Due to the instability in Saigon, resulting in a coup, and the increase in insurgency, South Vietnam became unstable. The coup and assassination of Diem led to the instability of the government. At the same time, the rural development programs by Diem created an ever-widening chasm between Saigon and the rural areas. The displacement of people and corruption present pushed the South Vietnamese people in the hands of the National Liberation Front. Without a stable government and calm populous,

the United States feared the increased influence of communism. If this situation would continue, the United States would not only lose Vietnam to communism, but risk all of Southeast Asia. This uncertainty was highlighted and strengthened by the already present endowment effect. As stated, South Vietnam gained a symbolic value and framed as the front line against communism. Due to the instability of the government and the rising insurgency as the result of rural upheaval, the United States shifted to the domain of loss. In line with the literature above, a shift to the domain of loss, compared to the reference point, leads to the perception of having to be risk-seeking in order to achieve the same result. Due to the instability in the region, the United States had to take significant risks in order to keep communism at bay and bringing security to the people of Vietnam, or so they thought. Additionally, not just the international context had an influence on shift of the United States. The domestic context of the President can influence the United States' position as well. Now I will turn to Johnson his decision making before and after the 1964 election to investigate how the domestic uncertainty relates to the escalation of the war.

4.2 Shifting to the Domain of Loss due to Domestic Uncertainty

At the same time as the rise of instability in South Vietnam, the domestic situation of the United States was not without any upheavals. The current president, John F. Kennedy, was fiercely criticized for his foreign policy. After the failed invasion of the bay of pigs and “losing” Laos to the communists, Kennedy was seen as immature and inefficient. For this reason, he pivoted his foreign policy strategy to “save” Vietnam, leading to the previously mentioned immense pressure to consolidate state building in South Vietnam. The President stressed the importance of preserving liberty. Freedom was threatened by the communist expansion in Southeast Asia. The United States had to “bear any burden” to uphold this value in the region (Anderson 2002; Atwood Lawrence 2008). Additional to the already mentioned status quo of the international context, the domestic context's status quo is to keep on consolidating state building in South Vietnam as well as having a stable Presidency for Kennedy. However, this stability did not last long.

The assassination of John Fitzgerald Kennedy came as a shock to the world. For Lyndon B. Johnson, Kennedy's Vice-President, it resulted in a spotlight on him as the new President. As 36th President of the United States, Johnson was saddled with a momentous task. On the one hand, the civil rights movement initiated large-scale social change, urging the President to focus on domestic issues such as the racial injustice and poverty. On the other hand, the assassination of Diem and the rising critique on Kennedy's administration of the handling of Vietnam lingered. Johnson walked a tight rope in the years to come, facing critique from both the growing anti-war and social movements as well as a political opposition calling for a tougher approach in the ideological battle against communism (Gawthorpe 2018; Burns and Novick 2017).

When Lyndon B. Johnson became President he focused, as many democrats do, on the domestic context. He pushed his idea of a “Great Society”. Basing himself on the New Deal of Franklin D. Roosevelt, the Great Society focused on tackling the issues of poverty, inclusive economic development and racial justice. In this way, Johnson was able to please the agenda of the civil rights movement in the United States. However, Johnson was less confident and steadfast regarding his foreign policy. When the insurgency in South Vietnam continued due to the previously mentioned Ho Chi Minh Trail, Johnson was faced with a tough decision. He decided to bomb parts of Laos, where the trail resided, and received fierce backlash from both

camps, both pro- and anti-war. Meanwhile in South Vietnam, the insurgency intensified (Anderson 2002; Burns and Novick 2017). Johnson upped the support for Republic of Vietnam as well as increased the importance of the residing Green Berets to combat the Viet Cong in secret. At the same time, Johnson openly criticized and rejected the need for American combat troops on the ground in Vietnam. This move of Johnson ushered in the start of a two-faced President. The private conversations with advisors and staff such as Robert McNamara and secret decisions of Johnson clashed with his public speeches when it came to the Vietnam War (Van der Mark 1991; Selverstone 2014). The year of 1964 was crucial for Johnson. The election in November put additional pressure on Johnson, while the insurgency in and the instability of South Vietnam ramped up. Although the anti-war movement was only in its genesis, it sparked the debate and uncertainty in the public sphere on how to handle the war. The Republicans stressed the importance of taking a tough stance on North Vietnam, while certain Democrats, such as the World War II veteran McGovern denounced the involvement of the United States in Vietnam all together (Burns and Novick 2017). Johnson was caught in a crossfire when in August 1964 the Tonkin Gulf Incident poured oil on a raging bonfire.

On the 2nd of August, the USS Maddox was approached and attacked by the North Vietnamese Navy. The USS Maddox returned fire, damaging three North Vietnamese boats. Two days later, there was, supposedly, another attack on a US aircraft carrier. Later, Robert McNamara, Johnson's Secretary of Defense, stated that there was no attack that happened on the 4th of August in 1964. Commonly these two events are called the Tonkin Incident. It allowed the President to draft up a resolution to take all necessary measures to prevent further aggression of the communists in Southeast Asia, without being fully aware of what happened. Privately Johnson said: "For all I know, our Navy was shooting at whales out there." (Glass 2016). Again, the private / public persona distinction of Johnson rhetoric comes to the forefront and showcases the uncertainty of his foreign policy. Before the US Senator Wayne Morris tried to clarify and shed light on the situation, the resolution was accepted by Congress. Consequently, it allowed Johnson to take all measures he thought were necessary when it came to the Vietnam War (Goulden 1969).

Moreover, the decisions taken reflect a form of short-term expedience rather than long-term calculation. Focusing on the upcoming election, Johnson walked a tightrope. By ordering limited airstrikes as well as securing that the resolution was passed through congress, he was able to silence both camps that have been hounding and criticizing him. However, it paved the way for further escalation in the future. At the same time, Rusk and McNamara, Johnson's advisors, argued how the insurgency was the result of Hanoi instead of the Viet Cong. It shifted the focus from the fight against insurgencies to the perceived threat of North Vietnam (Hess 1994). By doing so, the focus was on containing the threat of communism, placing extra significance on containment of communism instead of battling counter insurgency in South Vietnam. The bombing of North Vietnamese ships and parts of the neighboring states was in line with Rusk and McNamara's view, yet it shows a particular riskiness. Although Johnson stated that the United States still "seeks no wider war" on the 4th of August, it continued carpet bomb South East Asia, risking further war or escalation. I will come back to this riskiness, as it has not reached its full potential yet. The Tonkin Resolution proved to be a golden opportunity for Johnson as it allowed him to silence his critics. This was important as three months later the election of 1964 would take place.

During the months running up to the election, Johnson's balancing act continued. In his electoral fight against Republican candidate Goldwater, Johnson sustained his support for the nationalist South Vietnamese on a moderate level. A firm but limited commitment to South

Vietnam, he called it. “South Vietnam has the basic responsibility to defend and protect their own freedom, yet the United States will take every step necessary to help others repel aggression”, so Johnson argued. By avoiding both weak and radical answers in the beginning stages, he kept his great balancing act alive. Even while American servicemen were killed, Johnson refused to give clear answers on what would be considered “a win” in South Vietnam. Again, his rhetoric and public/private persona is an example of his uncertain stance towards Vietnam. When Johnson was more certain of a strong political advantage, his rhetoric became less ambiguous (Coleman 2014). Instead of taking all steps necessary to repel aggression, Johnson argued for an outright rejection of American military involvement (Van der Mark 1991). Furthermore, the President’s approval ratings corroborate his strong political advantage. However, even though his rhetoric grew less ambiguous, Johnson discussed with his advisors what to do about the “problematic situation in Vietnam”. His unsure stance shifted him to the domain of loss further and further. Johnson won the election in November 1964 with relative ease. However, his promises regarding a firm but moderate stance and his rejection of American combat involvement in South Vietnam were to be discovered in vain.

Soon after Johnson was sworn in as President in January, he used the Tonkin Resolution with full effect, issuing operation Rolling Thunder after American Servicemen were, once again, killed. Operation Rolling Thunder continued and intensified the bombing of both North and South Vietnam. In March 1965, Johnson finally accepted General Westmoreland’s request of American troops (Anderson 2002). American sons and daughters were to be sent to Vietnam. This behavior is in line with the previously mentioned political advantage after winning an election. As Burstein (2003) and Edwards & Wood (1999) noted, the public approval of a president speeds up the process of his decision making. Naturally, after winning the election Johnson felt confident as public approval was high. As the President had shifted to the domain of loss due to his unsure stance regarding Vietnam and the continuous criticism of it, it urged the Johnson to take much higher risks, than necessary, in a short period of time.

Not only did these higher risks lead to the escalation of the Vietnam War, they also risked further war in South East Asia. According to Berman (1982), Johnson escalated the war due to fear of losing the ability to create his “Great Society”. The President went to war without national commitment, publicly embraced a strategy he privately questioned as is shown by the recordings later published (Selverstone 2014). As previously stated, McNamara and Rusk emphasized the role of North Vietnam, consequently moving the focus away from fighting insurgency to a risky bombing campaign. According to Berman (1982), this resulted in a focus on the idea of “progress” against North Vietnam. It led to an unawareness and disillusionment that resulted in the Tet Offensive. Lastly, Johnson’s own experience before the Second World War influenced his perception in his decision-making. In the 30s the West had failed to halt the fascist aggression. Johnson wanted to prevent a, in his mind, similar communist aggression. However, unlike the fascist belligerence in the 30s, the focus of Johnson was misplaced, failing to see the necessity of creating a link between rural Vietnam and Saigon, primarily focusing on North Vietnam and communism (Van der Mark 1991).

All in all, Johnson’s uncertain stance regarding South Vietnam resulted in a two-faced strategy, endorsing a strategy publicly that he questioned privately. The previously mentioned symbolic value of South Vietnam was emphasized by Kennedy, yet increased due to his assassination and the uncertain stance of Johnson, asking for a clear foreign policy by his critics. Moreover, the previously mentioned endowment effect was highlighted due to increased pressure on Washington by both the start of the anti-war movement, the Civil Rights movement as well as the Republican party. The Tonkin incident proved to be a delicate, yet fruitful situation. By

adopting the Tonkin resolution, Johnson was able to silence critics of all camps. It solidified his position in the race for President and after winning the election he moved made quick use of it. Johnson's, as well as his advisors, view of the war in South Vietnam was skewed, focusing primarily on "winning" against North Vietnam. Consequently, the war in South Vietnam was fought with, and in, North Vietnam.

Thus, the domestic uncertainty, resulting from the assassination of Kennedy and the upcoming election, combined with Johnson's own personal biases and stance towards the issue of Vietnam moved the United States further in the domain of loss. Complemented by the already discussed international uncertainty, the United States found itself further in the domain of loss compared to the reference point of upholding the status quo. The changes in 1963 and 1964 pushed the United States to adopt a view where high risks were seen as necessary. The placement of the United States compared to the status quo is illustrated by Figure 2.

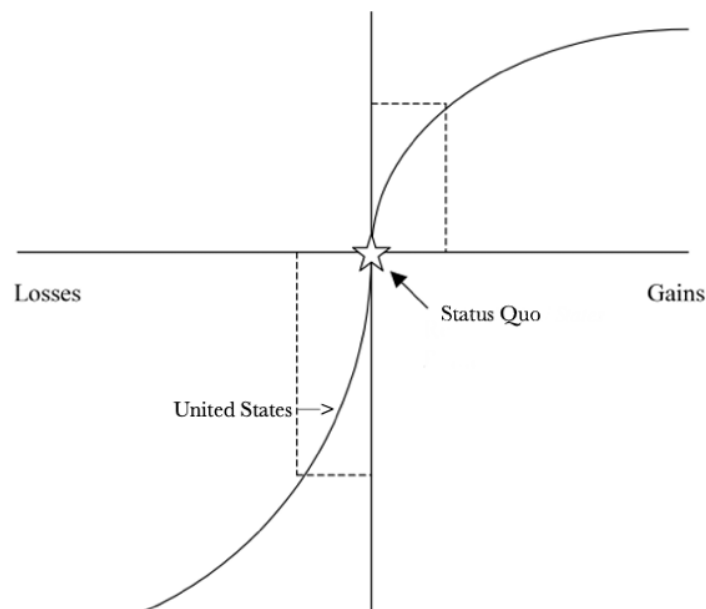


Figure 2: The United States moves to the Domain of Loss.

4.3 The Irrationality of the US to escalate the Vietnam War

In the section above, I showed the shift of the United States to the domain of loss. In theory, the domain of loss increases the likelihood of irrational decision making. Individuals in the domain of loss are risk-seeking. The risk taken is much higher than when individuals are situated in the domain of gains (McDermott 1998; 2004). Following this logic, the decision making of the United States is considered to be irrational. However, in order to correctly investigate irrationality, we must look at a "more rational" option Johnson could have taken in light of the events described above.

Considering the goal of the United States namely, to prevent the spread of communism and thus keep South Vietnam from becoming a communist state, the most rational course of action

was to create the necessary link between Saigon and the rural areas of South Vietnam. The early advisors sent to advise Diem correctly estimated that such a link was vital, yet failed to see how to properly create one. Instead of relating to the South Vietnamese people, the “third force” political apparatus of Diem, comprised of his harsh treatment, corruption and resettlement policies, pushed the South Vietnamese away (Van der Mark 1991; Gawthorpe 2018). If families would not have been relocated and corruption in the RVN would have been tackled, the link between Saigon and rural Vietnam would have reduced the influence of the Viet Cong. Furthermore, it would have showcased the brutal treatment of the Viet Cong to people who disagreed with them. In this sense, the civilian population of the South Vietnamese could have been a potential ally in the counter insurgency effort.

However, the counter insurgency of the United States failed due to a negligence of Vietnamese culture and history (Kahin 1986). The United States focused and relied on their immense firepower, which gained momentum with Operation Rolling Thunder, yet was already showcased by the bombing of Southeast Asia before the Tonkin Incident. They continued to bomb Cambodia, Laos, North and South Vietnam. Its indiscriminatory nature resulted in massive civilian casualties (Burns and Novick 2017). In this way, the United States and the RVN never “won” the civilian population, pushing them to join or be in favour of the National Liberation Front. In combination with the previously mentioned rural displacement and harsh treatment, the United States and its allies were seen as foreign invaders, resembling French colonialism instead of the saviours they thought they were (Van der Mark 1991). After years of brutal fighting, unnecessary civilian and military casualties and thousands of acres lost, certain American military men spoke against the use of firepower. Colonel David Hackworth’s (1971) interview is a well-known example. Even while still serving, this highly decorated Captain explained in an interview that:

“The war could have never been won in terms of the employment of firepower. The solution to winning the war was to cause reform in the government, to win the hearts and minds of the people, to make the cause justifiable so that the people of the country were willing to give up their lives. This was not done. You could have used all of the firepower in the world, all the technical ability that the U.S. had to fight the enemy, and you'd have, maybe, won a temporary tactical respite. But we'd have never won the war strategically unless we had the people join our side.”

This brutal message shows the heart of the problem of the American escalation of the war. Instead of focusing on winning the civilian population, it decided to bomb Southeast Asia into submission. This strategy was intensified when Johnson issued operation Rolling Thunder using the Tonkin Resolution. By using their immense firepower, the United States risked further war with North Vietnam, China and potentially the USSR, a less rational course of action than the one explained above (Van der Mark 1991; Anderson 2002). The risks taken by Johnson and the United States can be explained two elements of Prospect Theory that I have shown in this paper. Firstly, the endowment effect plays a role. The symbolic status of South Vietnam emphasized the incredible importance of containing communism. This element of containment politics, combined with the Domino Theory, enhanced the endowment effect. South Vietnam was not to be lost. Although it added pressure on the United States, it did not shift the United States compared to the reference point.

The second element is by using a reference point to showcase how the United States shifted to the domain of loss due to international as well as domestic uncertainty. The coup and assassination of Diem resulted in political backstabbing and a lack of a stable government.

Moreover, the government failed to create the previously mentioned link with the rural areas, resulting in a breeding ground for the Viet Cong. On another note, the domestic uncertainty was increased due to the assassination of Kennedy and Johnson's stance regarding the issue of South Vietnam. With an election coming up, Johnson was unsure how to handle Vietnam, rather focusing on his "Great Society". The continued and fierce critique on Johnson made him move quickly after winning the election, using the Tonkin Resolution. It resulted in an unprecedented bombing campaign. The endowment effect and the shift to the domain of loss are vital to understand the larger risks Johnson took, as well as its irrationality, while escalating the Vietnam War.

5. Conclusion

Using Prospect Theory, I provide an alternative explanation of why the United States, specifically the administration of Johnson, escalated the Vietnam war. The use of framing effects, such as the endowment effect, showed the symbolic value of South Vietnam as the front line against a communist attack. The observation of a reference point, and subsequent shift of the United States into the domain of loss due to international and domestic uncertainty, in this paper provide a complementary explanation. The instability following the collapse of the Diem Regime in South Vietnam and resulted aftermath, the unclear stance and biases of Johnson towards the arising problems and the missing link between Saigon and the population of South Vietnam shifted the United States to the domain of loss. In line with the literature, the United States took significant risks due to the shift in the domain of loss, escalating the Vietnam War. The Tonkin Incident, Resolution and the election speeded up the process of escalation. The United States took significant risks by escalating the war and their effort. Operation Rolling Thunder focused on a massive carpet-bombing campaign, using chemicals such as Agent Orange, to show military prowess, yet risking further war. Instead of forging the link between Saigon and rural South Vietnam, the United States and its allies in the Republic of Vietnam widened the rift. In this light, the United States escalated the war irrationally, choosing a riskier strategy than it had to. However, by investigating the framing effects and the shift to the domain of loss for Johnson's administration, Prospect Theory helps to shed light on such irrationality, showing the biases that influence decision making of war-time Presidents. In the end, the Vietnam War shows that taking high risks does not always equal high rewards.

This research follows the logic of McDermott's (1998) application of Prospect Theory to International Relations and foreign policy. Donald A. Sylvan (2002) correctly adds to this debate by stating the importance of complementary research in political science, especially surrounding the topic of decision making in political science. The application of Prospect Theory to this field does not necessarily result in a clear-cut answer. Rather, it complicates the matter further due to the muddiness of decision making in politics. For this reason, research has to be done in order to further operationalize the application of Prospect Theory and broaden the use of Prospect Theory in scholarly work to further our understanding of decision making in political science and wartime.

With this in mind, I already note a limitation of my own research. The application of Prospect Theory to the Vietnam War was muddy. The variables chosen, the domestic and international context, as well as the reference point are contestable and choosing different variables or a different reference point might have led to a different conclusion. This is, rather, the result of the inductive nature of this research. On a more fundamental level, one can question to what extent a decision is to be seen as "rational". Prospect Theory and Rational Choice Theory are not necessarily polar opposites. Prospect Theory builds upon Rational Choice Theory and tries to show the flaws of it. For instance, Prospect Theory states how individuals are mostly rational, yet are influenced by framing effects and other biases. This research therefore focuses on a broad depiction of what can be considered rational. It adds to the understanding of Prospect Theory and individual decision making, yet fails to fully sharpen the distinction between Rational Choice Theory and Prospect Theory.

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Date: 03/06/2021