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Defining the Undefinable:

In Search for a Definition of Terrorism

Jaella Brockmann

Over the years, scholars, journalists, and policy makers have struggled to establish a comprehensive definition of the various forms terrorism found in the modern world. While definitions are often contested by many, the case for a definition of terrorism poses particular problems due to its need for an all-encompassing applicability to real-world cases. Jack Gibbs's use of the term "atheoretical criterion" poses various problems that will be further delineated herein¹. For the purpose of this essay, the criterion for a definition of terrorism that will be examined is: "the use of seemingly random violence by a sub-state actor against non-combatants for political ends"². After an examination of these exceptions, which will be clarified in the following, I will argue that a universal definition of terrorism is impossible to establish. I believe that such an impossibility is inherent when defining terrorism as the context of each case of terrorism is far too unique to allow for a general universal meaning.

CHARACTERISTICS OF AN ESTABLISHED DEFINITION

In the following section, I will briefly examine the validity of each criterion with respect to real-world applicability as well as its functionality as a general criterion.

"Seemingly random violence"

This aspect of a possible definition might, due to its relativity, be the easiest to apply to any case of terrorism as it is broad enough to apply to all agents and agendas. Still, it is questionable in how far "seemingly" random violence can be identified. Thus, while the inclusion of the possibility of subjective assessments regarding one's own judgement is crucial, it also poses various difficulties.

First, the criterion poses a question of agency. Must violence seem random for this criterion to apply? It can here be assumed that agents of the state would be responsible for this matter, deciding whether or not to react with counterterrorism-measures—such measures could potentially lead to questioning of the state agents' intentions. Additionally, this leads to an important question: what exactly is seemingly random violence? Does this also apply to cases in which an inexperienced observer might condemn a form of violence as random while others with more insight might recognize an underlying pattern of violence?

Consider the case of the Popular Front for the Liberation of Palestine (PFLP), which performed various airplane hijackings in the 1960s and 1970s. While the specific machines might have been randomly chosen, they also served to fulfill a certain purpose - the attraction of international recognition. Can acts performed in order to "produce the largest number of casualties possible"³ still be considered random, or rather intentional actions executed to achieve a specific outcome?

The inquiry becomes even more complex if we consider previous attacks by Muslim citizens on the Al-Aqsa Mosque in Israel. It is important to note that this mosque is considered "Islam's third

¹ Gibbs, J. P. (1989). Conceptualization of Terrorism. *American Sociological Review*, p. 330

² Gottlieb, S. (2017). Midterm. NYU Seminar Terrorism & Counterterrorism.

³ Post, J. (2010). *Terrorism and Political Violence*. Routledge.

holiest shrine”⁴. Is an attack not considered a terrorist act if it is directed at a certain target or place? Many would argue that attacks directed at a specific place should be considered acts of terrorism. However, the fact that attacks on targeted places are usually not revealed to the affected individuals beforehand, would still qualify them as random with respect to the attacked.

This argument for targets specified by the acting agent also being random violence also leads to the justification of seemingly random acts of violence as a criterion. Even though this criterion doesn’t account for variations, it certainly accounts for one crucial characteristic of terrorism: instilling fear. According to Keeley, the main psychological aim of terrorists is to instill fear amongst a broad audience; “thus the most effective means are indiscriminate attacks against civilians, which can break down confidence in the state’s ability to provide security”⁵. The randomness of an attack is directly related to the level of insecurity caused within the attacked society. The positive relationship between randomness and insecurity validates the criterion of seemingly random violence regardless of different criticisms.

“Sub-state actors”

This particular component of our working definition of terrorism implies the exclusion of state terrorism, which will be explored in greater detail below. However, the inclusion of sub-state actors in our definition also limits the definition of terrorism to a territorially defined group that acts to achieve goals related to the region it acts within. Such a limitation implies the exclusion of non-state actors as terrorists. These non-state actors are often concentrated in a specific region but do not recognize the accepted structure of nation-states and therefore seek goals independent of nation-state structures - the establishment of an Islamic caliphate serves as an ideal example. Though Al-Qaeda is commonly considered a non-state actor - it is defined as a terrorist group. However, a definition based on one of the criterion of the definition qualifies the group as a terrorist organization. Therefore, this criterion lacks valuable legitimacy for a general definition of terrorism.

Targets as “non-combatants”

While the targeting of “non-combatants” is generally qualified as a necessary condition for a terrorist act (as the targeting of “non-combatants” refers to the necessary distinction of terrorist acts from other violent acts), there are two difficulties inherent to it: the general definition of non-combatants and the agenda of the agents defining it. Firstly, we must deal with issues of clarity and terms of inclusion relating to “non-combatants.” In other words, who falls into the category of a “non-combatant?” Is a combatant necessarily physically involved in any kind of combat or does mere political involvement suffice? Civilians are excluded from the status of “combatant” due to their general acceptance of the rules, norms, and both foreign and national policies of their country of residence. Further complexities arise when political decision-makers are considered. What are we to make of political decision-makers that are responsible for ordering—but not directly executing—various killings through foreign interventions or wars? If such political decision-makers are considered “non-combatants,” then Saddam Hussein would be considered a “non-combatant”; Hussein himself did not directly engage in terrorist activities during his reign, though he did support them. In the opposite scenario, if such political decision-makers *are* considered “combatants,” then further issues arise. For example, the assassinations of President McKinley and President Kennedy, respectively, would qualify as acts of terrorism— simple acts of violence—within a political struggle as both presidents’ political positions and actions would qualify them as combatants.

⁴ Hoffman, B. (2015). A First Draft of the History of America’s Ongoing War on Terrorism. *Studies in Conflict & Terrorism*.

⁵ Keeley, R. V. Trying to define terrorism. *Middle East Policy*.

Second, we must consider the relationship between “non-combatants” and their targets. As Keeley points out, “the victims of terrorism may be perceived as innocent by themselves and their compatriots, but quite otherwise by the terrorists attacking them”⁶. As the Islamic State (IS) magazine, *Dabiq*, explains, most radical Islamists see no distinction between western politicians and western civilians as both are allegedly fighting an ideological war against Muslims by propagating and imposing a Western, anti-Muslim mindset on the rest of the world⁷.

These varying definitional issues show that the targeting of “non-combatants” requires further specification for the recognition of the varying notions that different societal groups connect with.

“Achieving political ends”

Assuming that most terrorists employ the same calculation that violence brings them closer to a certain goal⁸, any narrow definition of this goal tends to dismiss groups that would otherwise be considered terrorists. In her work, “Why America? The Globalization of Civil War,” Crenshaw states that all terrorists believe violence is the best means to achieve their desired goals. While IS serves as an ideal example of a terrorist organization seeking to advance political ends and - attempting to establish an independent political and cultural entity - other terrorist organizations do not fit the equation so well.

A less ideal example can be found in the case of Timothy McVeigh. McVeigh was commonly referred to as a terrorist with the sole intention of destruction⁹. Considering the respective criterion of advancing political ends, “destruction” does not immediately qualify. While it could be argued that McVeigh’s affiliation with ‘white supremacy movements’ clearly implies the liberation of white people from any kind of government as McVeigh’s political end, he never made a public statement admitting so. Still, the commonly perceived lack of purpose didn’t absolve society from labeling McVeigh a terrorist.

Another important question is whether a terrorist group ceases to be terrorist after achieving its political ends. Al-Qaeda, for example, still persisted after its first goal was accomplished — the retreat of U.S. troops from Afghanistan. Following this accomplishment, Al-Qaeda is believed to have adopted the destruction of the West in its entirety as its end goal; it is important to note that this is not necessarily a political end, but rather an ideological end.

Additionally, how would the motivation of achieving political ends affect the categorization of someone like Stephen Paddock? Paddock was responsible for the greatest mass shooting in United States History, leaving over 65 dead during a concert in Las Vegas, Nevada in October 2017. This leads to the question: can a civilian perform acts of terror without officially being a terrorist? Still, even very different organizations such as the Earth Liberation Front, Russian Anarchists, the Palestinian Liberation Organization (PLO), or IS fall under this criterion of politically motivated terrorist organizations; this supports the criterion’s general applicability to any case and leads to the conclusion that the criterion of political ends shouldn’t be considered an ultimate necessity, but does indeed serve as an orientation. Having analyzed the applicability of the criteria examined herein, we must now consider some common controversies and perceptions related to the search for a definition of terrorism.

⁶ Keeley, R. V. Trying to define terrorism. *Middle East Policy*.

⁷ Wood, G. (2015). What ISIS really wants. *The Atlantic*.

⁸ Crenshaw, M. (2001). Why America? The globalization of civil war. *Current history*.

⁹ Dyer, J. (1997). *Harvest of rage: Why Oklahoma City is only the beginning*. Boulder, CO: Westview Press.

COMMON CONTROVERSIES

The definition of terrorism, as explained herein, poses several difficulties—this is also represented by the widespread referral to this lack of a coherent definition of terrorism by various scholars in recent decades.

One common debate is over the inclusion of nation-states into a definition. As Keeley points out, “terrorism is also used in nation-state wars”¹⁰. Keeley suggests that terrorism is illegal because it jeopardizes state control and thereby clearly differentiates violence performed by states from acts of terrorism. If we include Keeley’s notion, the issue of a common definition of terrorism becomes less severe as the new definition would at least solve the question of agency.

However, wouldn’t this notion legitimize any kind of violence performed by states? If we exclude states from the definition, we also need to establish a supranational legal entity that is authorized and entrusted by many developed states to condemn state behavior. This would prevent cases like that of the United States’ indifference towards the 1986 decision of the International Court of Justice in which the court ruled that the U.S. had performed illegal economic warfare¹¹.

Another controversy regards the process by which terrorists are labeled. The “terrorist of yesterday is the hero today,” Ahmad states, while referring to¹² examples such as Yasir Arafat and his evolution from the “chief of terrorism”¹³ to a legitimate government entity. This again refers to the subjective process of labeling terrorists - this process varies according to the specific interests of the country developing the label. While the Jewish underground in Palestine was widely perceived as a terrorist organization by a majority of the international community until the 1930s, they were referred to as freedom fighters by 1944¹⁴.

Additionally, the motivation of terrorists and the subsequent implications for possible legitimacy are part of the controversy. If we consider a terrorist act a reaction to former terrorist attacks defined as such by the terrorists themselves, who then is an actual terrorist? Martha Crenshaw significantly contributes to this controversy by adapting a clear Western bias and stating that “terrorism should be seen as a strategic reaction to American power in the context of a globalized civil war” (Crenshaw, 2001). Again, this leads to the questionable legitimacy and meaning of the definition of terrorism, however there are little alternative options. Provided the analytical and accumulative theoretical approach to the issue herein, the next section is based on a brief overview of my personal insights and judgements on the matter.

PERSONAL INSIGHTS

I consider the problem of agency in any sort of terrorism definition to be the most significant. Who is to determine what can be considered terrorism in opposition to a legitimate resistance? Nelson Mandela was sentenced to life imprisonment for terrorism due to the corresponding subjective definition of the Apartheid Regime. Many consider Western approaches to moral judgements to be true. Therefore, actions performed by Western actors (that would be otherwise be considered terrorist acts if performed in the post-colonial world) are legitimized. A common argument concerns the moral or humanitarian justification of these instances without recognizing the ‘Western Bias’ inherent to these accounts of morality or humanitarianism. Also, it should not be forgotten that Western countries

¹⁰ Keeley, R.V. (2002). Trying to define terrorism. Middle East Policy.

¹¹ Chomsky, N. (1991). Western State Terrorism. Polity Press.

¹² Ahmad, E. (2001). Terrorism: Theirs & Ours. Open Media Pamphlet.

¹³ Ibid., p. 11

¹⁴ Chomsky, N. (1991). Western State Terrorism. Polity Press.

frequently exercise power over non-combatants to serve their own interests, may it be realist power or neorealist self-preservation.

This doesn't delegitimize the validity of a definition of terrorism, but should be considered within the public notion of terrorism in general. While terrorist attacks should be clearly judged, terrorists should be considered as such only with respect to their operations and not their moral validity. Thus, while I support the notion that moral relativism should not be considered to such a degree that it prevents any kind of judgement, I do indeed strongly advocate for a stronger consideration of the subjectivity of any definition as crucial to shape public perception in a corresponding way. This point leads me to the last and final section that conclusively examines the general possibility of an all-encompassing definition of terrorism.

POSSIBILITY OF A UNIVERSALLY-ACCEPTED DEFINITION

Regarding the provided evidence and arguments, I would strongly argue against the possibility of a universal definition of terrorism due to the necessary relation of a definition to the country defining it, as "one man's terrorist is another man's freedom fighter"¹⁵. However, if there is a possibility to create a definition that incorporates biography, goals, methods and context - as suggested by Ash in his work "State Terrorism"¹⁶ - a more universal approach could be maintained. This might require the collaborative work on a definition of terrorism agreed upon by all states, or at least states that are directly affected by any given terrorist issue. Otherwise, such a definition simply provides another opportunity for hegemonic states to legitimize their own aggressive foreign policy measures under the guise of 'counter-terrorism'.

As discussed throughout this essay, a particular emphasis on the issue of agency seems crucial to avoid such an abuse of the definition. Legal measures that allow the international community to not only condemn non-state terrorism but also condemn 'terrorist acts' performed by states should be available. Until then, I do believe that a universal definition of terrorism is possible to establish, while a definition of terrorism as a type of organization will only be possible as long as it is not simply defined by states or societies with corresponding values and interests, but also via opening the discussion to the entire international community.

¹⁵ Keeley, R. V. (2002). Trying to define terrorism. Middle East Polity.

¹⁶ Ash, T. G. (1991). State Terrorism. Cambridge University Press.

Bosnia's Ottoman Legacy

Can it Accommodate Lasting Peace?

Leonardo Dinic

INTRODUCTION

In eastern Bosnia and Herzegovina, located within the autonomous entity of Republika Srpska, is the medieval town of Višegrad. Sitting where the Drina and Rzav rivers meet, Višegrad is the home of the Ottoman-built Mehmed Paša Sokolović Bridge, both a UNESCO World Heritage Site and the centerpiece of Ivo Andrić's Nobel Prize-winning novel, *The Bridge on the Drina*.¹ Built in the 16th century, the bridge is recognized for its historical significance as a link between competing empires. Throughout their history, Višegrad and Bosnia have embodied a setting of conflict between Christianity and Islam still relevant in divided post-Dayton Bosnia and Herzegovina.

PURPOSE AND KEY JUDGMENTS

The purpose of this paper is to analyze the relationship between Bosnia's Ottoman legacy and its potential for lasting peace. Specifically, this analysis will address Bosnia's transition from Ottoman control to Serbian administration as a frontier, and ultimately to its annexation by the Austro-Hungarian Empire on October 8, 1908. The Ottoman injection of religion, customs, language, institutions, and administrative policies altered and enhanced cultural narratives within pre-existing proto-nationalist identities. As an imperial crossroads between Europe and Asia, Bosnia experienced conversions and migrations, which formed ethnically-driven cultural narratives still prevalent today. Instead of relying on arguments that link Bosnia's turbulent past to 18th-century European nationalism, this paper suggests that Bosnia's positioning as a frontier region cultivated a diverse demographic composition and ethnically-driven proto-nationalist identities. These identities, related to perceptions of medieval narratives and religion, evolved into contemporary nationalism by the beginning of the 20th century.

BOSNIA AS A BUFFER

Ottoman-era Višegrad served as a significant path for the flow of commerce, communication, crowds of soldiers, and common folk, and its importance as a 'bridge' city was equally applicable to Bosnia as a whole. As an imperial cushion, its history is one of precariousness, transition, and violence but also diversity and cultural innovation; a product of the intermingling of different ethnic groups and a diverse set of religious, linguistic, and cultural peculiarities and identities. As Višegrad and Bosnia became overwhelmed with increasing strategic, political, commercial, and religious importance, Višegrad experienced regime change and fluctuations in dominance across its communities. It encountered action and reaction, religious competition, and persecution in contested areas of Eurasia.

The gradual conversion of Slavs to Islam beginning in the 1400s fostered feelings of religious betrayal among Christian communities toward the converts. Four hundred years of occupation further nurtured a perception of Christian embarrassment and submission, which exploded into ethnic nationalism. When removed from their neighboring demographic concentrations, Croats and Serbs developed their own perceptions of the Ottoman legacy, eventually clinging to irredentist claims.

¹ "Mehmed Paša Sokolović Bridge in Višegrad," UNESCO World Heritage Centre, accessed April 11, 2018, <http://whc.unesco.org/en/list/1260>.

Historian Mark Mazower refers to the Balkans as what was “always a border zone of Europe.”² The Ottoman conquest following the Byzantine Empire’s downfall occurred under conditions of imperial battle and the political conciliation, subjugation, and annexation of feudal noble lands.³ The Balkans became a significant population and economic center in the Ottoman Empire beginning in the 15th century.⁴ Following the capture of Constantinople, the Ottomans implemented a mixture of administrative policies, derived from Turkic, Mongol, and Byzantine traditions, including delegation of power to local Balkan elites in exchange for complete loyalty to the central government of the Ottoman Empire, the Sublime Porte.⁵ Bosnia came to represent a compromise between the uniformity of Europe and the exoticism of the East, a combination of cultures situated between two opposing imperial forces. Historically, the Ottomans postured Bosnia as a defensive frontier, absorbing turbulence from Serbia, raids from Dalmatia and Slavonia, and threats from Western Europe.⁶ As indicated by imperial registers, Uğur Altuğ notes that the Empire further bolstered its defenses by establishing fortresses throughout the region.⁷ For the Ottoman Empire, the frontier provinces posed a ‘Western Question:’ specifically, how to continuously combat strategic threats emanating from European states on its borders.⁸

From the perspective of faith, Turkish occupation further complicated the religious composition of the region. Due to its proximity to the Middle East, the Balkans had experienced slight exposure to Islam dating back to the 10th century.⁹ Still, Orthodox and Catholic traditions dominated Bosnian society prior to the Ottoman conquest. The state was officially Catholic during the medieval period, while the Christian Bogomil sect enjoyed popularity among some nobility and peasants.¹⁰ While denominations remained divided, tensions between Christians and Muslims increased after the Ottoman conquest.

For most of its Ottoman history, Bosnia experienced significant geopolitical pressure from Europe. From 1527 to 1609, the long frontier in Hungary and Croatia dividing the Ottoman Empire from the Habsburg Monarchy experienced constant war.¹¹ In 1699, the Treaty of Karlowitz declared Bosnia a frontier province.¹² In addition to threats from the West, Russia established significant influence in the Balkans as the protector of Christians, and in 1774, destroyed the Turkish navy and gained rights to intervene in Ottoman domestic affairs.¹³ Also, Bosnia’s system of local governance and frontier positioning brought a diverse set of travelers through Višegrad from the 16th century up

² Mark Mazower, *The Balkans: A Short History* (New York: Random House, Inc., 2000), 9.

³ Uğur Altuğ, "The Evolution of Fifteenth Century Ottoman Fortresses in the Balkans," *Bulgarian Historical Review* 42, no. 3/4 (September 2014): 30, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁴ Uğur Altuğ, "The Evolution of Fifteenth Century Ottoman Fortresses in the Balkans," *Bulgarian Historical Review* 42, no. 3/4 (September 2014): 30, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁵ A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politicka Misao* 53, no. 4 (March 1, 2017): 160, Scopus®, EBSCOhost (accessed November 20, 2017).

⁶ Frederick F. Anscombe, "The Balkan Revolutionary Age," *Journal of Modern History* 84, no. 3 (September 2012): 594, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁷ Uğur Altuğ, "The Evolution of Fifteenth Century Ottoman Fortresses in the Balkans," *Bulgarian Historical Review* 42, no. 3/4 (September 2014): 30, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁸ Frederick F. Anscombe, "The Balkan Revolutionary Age," *Journal of Modern History* 84, no. 3 (September 2012): 603, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁹ Florian Bieber, "Muslim Identity in the Balkans before the Establishment of Nation States," *Nationalities Papers* 28, no. 1 (March 2000): 14, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

¹⁰ Alexander Lopasic, "Islamization of the Balkans with Special Reference to Bosnia," *Journal of Islamic Studies*, Volume 5 (1994): 164–186, <https://doi.org/10.1093/jis/5.2.163>.

¹¹ James D. Tracy, "The Habsburg Monarchy in Conflict with the Ottoman Empire, 1527–1593: A Clash of Civilizations," *Austrian History Yearbook* 46 (April 2015): 1–26, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

¹² Florian Bieber, "Muslim Identity in the Balkans before the Establishment of Nation States," *Nationalities Papers* 28, no. 1 (March 2000): 19, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

¹³ Mark Mazower, *The Balkans: A Short History* (New York: Random House, Inc., 2000), 79.

to World War I. As a result of its diverse demographics and Christian heritage, European powers frequently sought to control Bosnia.

DIVERSE DEMOGRAPHICS

As ethnic identity became dependent on language and religion, pan-Serb and Croat narratives became increasingly anti-Ottoman. Christians began to view Ottomans and Bosniaks —the ethnic term used to describe Bosnian Muslims— as foreign occupiers of Christian lands. Bosnia’s imperial borders and diverse population, combined with proto-nationalist identities further inspired by Western European nationalism, contributed to periods of conflict and disunity.¹⁴ Despite this, Bosnia’s Ottoman experience was not directly an impediment to peace, but the cultural narratives derived from the conquest continue to heighten tension between ethnic groups. Competing narratives are rooted in religiously determined understandings of the Ottoman experience. Also, the social hierarchies implemented by the Ottomans which dictated the allocation of land and power created an unequal society in which Bosniak Muslims ruled over Christians and Jews.¹⁵ After the Empire’s decay, Serbs and Croats would assert dominance by questioning the prevailing agrarian and state systems, further increasing bitterness.

In the introduction to *The Bridge on the Drina*, distinguished historian William H. McNeill suggests that only “brutal interference” could bring significant cultural change in Bosnia similar to the implantation of the Ottoman identity in the 15th century.¹⁶ The Ottoman legacy in Bosnia contributed most to demographic change and composition, driven by a gradual conversion to Islam by a significant portion of the population. Historian and Professor L. Carl Brown emphasizes that another major consequence of Ottoman rule “was the abolition of state and feudal frontiers, which enhanced population movements and the interpretation of different population groups.”¹⁷ The focus of controlling strategic towns and transportation routes shifted populations, particularly Serbs during the 16th century to the Croatian military frontier in the Habsburg Monarchy.¹⁸ The Ottomans also accepted numbers of Sephardic Jews fleeing persecution in Habsburg Spain, further diversifying towns like Višegrad.¹⁹

The Ottomans justified rule in the Balkans through the concept of *jihad* driven by *ghazi* leaders, or fighters of the faith, who comprised the aristocracy in Bosnia after the occupation.²⁰ The primary goal of the state was to extend the territory of Islam and the Ottoman sphere of influence, and some nobles quickly converted to preserve social status.²¹ The conversion of Slavs to Islam altered the religious alignment of Bosnia and stratified the socioeconomic arrangement of its society, creating class conflict entrenched in faith. Further, Christians perceived the Islamization of Bosnia as an act of religious betrayal, motivated by economic incentives. The conversion of Bosnian Slavs situated

¹⁴ L. Carl Brown, *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East* (New York: Columbia University Press, 1997), 79-95.

¹⁵ Bebler, A. "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans." *Politička Misao* 53, no. 4 (March 1, 2017): 159-173. Scopus®, EBSCOhost (accessed November 20, 2017).

¹⁶ William H. McNeill, Introduction to *The Bridge on the Drina*, by Ivo Andrić (Chicago: University of Chicago Press, 1977), 5.

¹⁷ L. Carl Brown, *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East* (New York: Columbia University Press, 1997), 62.

¹⁸ A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politička Misao* 53, no. 4 (March 1, 2017): 163, Scopus®, EBSCOhost (accessed November 20, 2017).

¹⁹ A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politička Misao* 53, no. 4 (March 1, 2017): 163, Scopus®, EBSCOhost (accessed November 20, 2017).

²⁰ Alexander Lopasic, Islamization of the Balkans with Special Reference to Bosnia, *Journal of Islamic Studies*, Volume 5 (1994): 163, <https://doi.org/10.1093/jis/5.2.163>.

²¹ Alexander Lopasic, Islamization of the Balkans with Special Reference to Bosnia, *Journal of Islamic Studies*, Volume 5 (1994): 163, <https://doi.org/10.1093/jis/5.2.163>.

Muslims as elites in urban centers, while most Christians remained peasants in the countryside.²² The general Christian reaction to Ottoman conquest and dominance sparked the formation of cultural narratives that are inherently hostile to the Ottoman legacy. Mass conversion pushed Serbs and Croats to self-identify by religion and distance themselves from the ‘Turk’ designation, a derogatory term still used by nationalists that does not distinguish between Bosniaks and Ottomans. Conversion in the Ottoman Empire predominantly occurred in contact regions vulnerable to attacks from Christian Europe, specifically Bosnia and Albania.²³ In Bosnia, aside from forced victims of the *devşirme* child levy, conversions were voluntary. The *jizya*, or poll tax imposed on non-Muslims, incentivized the Ottoman administration to refrain from forced conversions. The tax became critical to driving revenues to maintain imperial operations.²⁴

Historian Peter Sugar emphasizes that many scholars argue that economic benefits and improved social mobility motivated Slavs to convert to Islam.²⁵ However, he suggests that similarities among Christian and Islamic folk religions facilitated interaction, compromise, and the eventual creation of a mixed religion with elements of both traditions that led to conversions.²⁶ While Sugar seeks to dismiss the economic argument, it is evident that landowning elites converted to Islam, retaining their assets in exchange for loyalty to the Sultan. Perhaps economic benefits did not serve as an incentive to switch religions, but efforts to preserve status influenced the nobility. As Mazower writes, “For centuries, conversion and acculturation opened up elite careers to men of different backgrounds” before the Ottomans.²⁷ If conversion provided economic and class benefits before the Ottoman arrival, why wouldn’t nobles act similarly under the Ottomans? Ultimately, scholarship agrees that conversion and its legacy gave birth to Southeastern Europe’s greatest spark for conflict: “large areas inhabited by ethnically mixed populations.”²⁸

FROM UNEASE TO UPRISING IN THE WESTERN BALKANS

During the 19th and 20th centuries, the Ottoman Empire experienced increased unrest and uprising in its Balkan territories, specifically Bosnia, which lasted until its annexation by the Austro-Hungarian Empire in 1908. The Austrian influence further diversified the ethnic composition of towns like Višegrad: “At the same time officials began to arrive, civil servants with their families and, after them, artisans and craftsmen for all those trades which up till then had not existed in the town. Among them were Czechs, Poles, Croats, Hungarians, and Austrians.”²⁹ Mazower argues that the flow of Europeans into Eastern Bosnia brought ideas emanating from the French Revolution. These new Western concepts, like romantic nationalism, cultivated new ethno-religious state-building efforts in the Western Balkans that contributed to additional unrest. Mazower references centuries of relative ethnic peace in the Ottoman Balkans before the introduction of contemporary nationalism, arguing

²² Peter F. Sugar, *Southeastern Europe under Ottoman Rule, 1354-1804*, vol. 5 of *A History of East Central Europe* (Seattle: University of Washington Press, 1977), 50-59.

²³ L. Carl Brown, *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East* (New York: Columbia University Press, 1997), 63.

²⁴ Florian Bieber, "Muslim Identity in the Balkans before the Establishment of Nation States," *Nationalities Papers* 28, no. 1 (March 2000): 22, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

²⁵ Peter F. Sugar, *Southeastern Europe under Ottoman Rule, 1354-1804*, vol. 5 of *A History of East Central Europe* (Seattle: University of Washington Press, 1977), 50-59.

²⁶ Florian Bieber, "Muslim Identity in the Balkans before the Establishment of Nation States," *Nationalities Papers* 28, no. 1 (March 2000): 22, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

²⁷ Mark Mazower, *The Balkans: A Short History* (New York: Random House, Inc., 2000), 40.

²⁸ Peter F. Sugar, *Southeastern Europe under Ottoman Rule, 1354-1804*, vol. 5 of *A History of East Central Europe* (Seattle: University of Washington Press, 1977), 284.

²⁹ Ivo Andrić, *The Bridge on the Drina* (Chicago: University of Chicago Press, 1977), 135.

that the concept of national identity determined by religion or language motivated Christians to rebel against the Sublime Porte and form ethnically homogenous nation-states.³⁰

However, this argument omits several characteristics of the rebellions that contributed to South Slav national revivals. Firstly, militarized frontier life combined with tax burdens, incited discontent in both Christian and Muslim communities to spark revolt. Both Serbian uprisings and the Bosnian Muslim revolutions occurred in militarized areas near the imperial frontier.³¹ Secondly, many rebel leaders and participants previously served in the military during Ottoman and European battles.³² Thirdly, the uprisings within the Ottoman Empire that occurred between 1790 and 1830 attracted both Christians and Muslims and were not, at first, secessionist.³³ Lastly, rebellion happened as a response to increased tax burdens and conscription demands on local populations, as well as the empire's failure to maintain fundamental law and order.³⁴ Historians tend to approach revolutionary activity within the Ottoman Empire as a Christian phenomenon, overlooking 19th-century Muslim uprisings against the Ottomans in Bosnia.³⁵ McNeill notes, "First the Muslims revolted against Constantinople in a vain effort to defend their customs and privileges...[the] Christian peasants of Bosnia, objecting to intensified tax burden brought on by a modernized administration took up the standard of revolt [in 1862 and 1875-78]."³⁶

Historian Dennison Rusinow describes the existence of proto-nationalist communities before the Ottoman conquest as more important than the arrival of 18th-century nationalism in forming contemporary national identities.³⁷ Like ideology, a proto-nationalist society's collective memory filters out negative aspects, and in this case, glorifies past successes of territorial expansion and linguistic unity. For example, Slovenian political scientist and diplomat Anton Bebler argues that many Christian Balkan societies purged positive elements of the Ottoman legacy to instead emphasize the negative features.³⁸ However, after the Ottoman conquest, societies also glorified the triumphs of medieval Serbia, Croatia, or Bosnia, ignoring past feudal instability. The combination of cultural memory with perpetual war with European states, militarized Muslim elites and Christian frontiersmen, and tax and conscription burdens encouraged the economically and socially oppressed segments of society to dissent.

Once the Ottoman Empire began to decay during the 19th century, Christians in Bosnia and Serbia opposed the regime and established medieval-inspired identities, which were further enhanced by contemporary nationalism. For example, during the First Serbian Uprising of 1804, Serb veterans, originally loyal to Istanbul, took up arms to protect themselves from renegade janissaries who started a coup and began looting, confiscating property, and murdering local Christians.³⁹ The Ottoman

³⁰ Mark Mazower, Introduction to *The Balkans: A Short History* (New York: Random House, Inc., 2000), xl111.

³¹ Uğur Altuğ, "The Evolution of Fifteenth Century Ottoman Fortresses in the Balkans," *Bulgarian Historical Review* 42, no. 3/4 (September 2014): 34, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

³² Uğur Altuğ, "The Evolution of Fifteenth Century Ottoman Fortresses in the Balkans," *Bulgarian Historical Review* 42, no. 3/4 (September 2014): 37, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

³³ Frederick F. Anscombe, "The Balkan Revolutionary Age," *Journal of Modern History* 84, no. 3 (September 2012): 572, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

³⁴ *Ibid.*, 573.

³⁵ *Ibid.*, 579.

³⁶ William H. McNeill, introduction to *The Bridge on the Drina*, by Ivo Andrić (Chicago: University of Chicago Press, 1977), 3.

³⁷ L. Carl Brown, *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East*, (New York: Columbia University Press, 1997), 89.

³⁸ A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politicka Misao* 53, no. 4 (March 1, 2017): 166, Scopus®, EBSCOhost (accessed November 20, 2017).

³⁹ Frederick F. Anscombe, "The Balkan Revolutionary Age," *Journal of Modern History* 84, no. 3 (September 2012): 574, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

commander of Belgrade ordered Christians to defend themselves against the defiant janissaries.⁴⁰ After the unrest, reprisals against Christians sparked the Second Serbian Uprising of 1815, which resulted in greater Serbian autonomy.⁴¹ The rebellion occurred within the border zone between the Habsburg and Ottoman empires. Many of its leaders and participants had gained military experience and training in previous battles between the Ottoman Empire and European powers. Discontent primarily derived from a breakdown of basic law, order, and societal predictability. When combined with Russia's 1806 plea to join in a war against the Ottomans as well as earlier conceptions of Serbian identity, the reactionary loyalist rebellion evolved into a struggle for independence.⁴²

While contemporary nationalism contributed to the revolt as it developed and garnered support from external forces, most Serbian intellectuals of the time lived, studied, and wrote within the Habsburg Empire. Additionally, records indicate that only 0.5% of Christians in Belgrade on the eve of Serbia's autonomy could read, suggesting that consumption of nationalist literature did not contribute to the reinforcement of nationality.⁴³ An identity developed over centuries and rooted in Christianity, the Serbian language and territorial expansion distinguished Serbs from their Ottoman administrators. As Rusinow suggests, contemporary conceptions of the nation-state modernized proto-nationalist Balkan societies into their current form.

In *The Bridge on the Drina*, Andrić illustrates proto-national identities through scenes of epic poetry referencing the Serbian Empire in the presence of the peasant classes. In one passage, a traveling Montenegrin plays his gusle (a bowed lyre) and sings to the Christian bridge laborers about the Serbian Tsar Stefan two hundred years before the arrival of contemporary nationalism.⁴⁴ Later in the novel, Višegrad's Christian peasants alter earlier poems and songs to glorify the 19th-century Serbian uprisings. The interpretations of external political events further divided the town's citizens. In observing the Serbian revolts, "Serbs prayed to God that these saving flames ... should spread to these mountains, while the Turks prayed to Allah to hold their progress and extinguish them, to frustrate the seditious designs of the infidel and restore the old order and the peace of the true faith."⁴⁵

DRIVERS OF CONTEMPORARY CHRISTIAN NATIONALISM AND THE MUSLIM 'DELAY' IN BOSNIA

As the proto-nationalist societies of Bosnia evolved their ideology to resemble Western European nationalism, several consequences of Ottoman rule drove the process. Revolutionaries founded their stances on attitudes toward the Ottoman and Austro-Hungarian legacies, the results of Ottoman agrarian control and land distribution, and the ideological consequences of external geopolitical influences, primarily emanating from Western Europe and Russia.

Regarding land distribution, in 1895 Turks owned 50% of arable land in Rumelia, the area of southeastern Europe administered by the Ottomans.⁴⁶ At the end of Ottoman rule in Bosnia, forty of the largest landowners were Muslim. Conscious of the divergence, in 1856 the Sublime Porte issued a reform edict to abolish religious inequality, which the Ottomans subsequently retracted due to Muslim

⁴⁰ Ibid., 578.

⁴¹ Frederick F. Anscombe, "The Balkan Revolutionary Age," *Journal of Modern History* 84, no. 3 (September 2012): 574-578, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁴² Ibid., 587-588.

⁴³ Ibid., 600.

⁴⁴ Ivo Andrić, *The Bridge on the Drina* (Chicago: University of Chicago Press, 1977), 34.

⁴⁵ Ivo Andrić, *The Bridge on the Drina* (Chicago: University of Chicago Press, 1977), 83.

⁴⁶ A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politička Misao* 53, no. 4 (March 1, 2017): 162, Scopus®, EBSCOhost (accessed November 20, 2017).

protest and anger.⁴⁷ For 150 years, the Ottoman administration primarily concentrated Muslims in urban areas where many served in positions of power, while Christians typically lived as peasants in the countryside.⁴⁸ This dynamic fostered general economic and land inequality that heightened social tensions and animosity, especially because Christians could classify the Ottoman regime as an alien occupying force.

Distinct ethnicization began in Bosnia in the 1860s, particularly for Serbs, Croats, and Bosniaks, while distinctions between Christians and Muslims generally developed earlier.⁴⁹ Political thought in Bosnia during the early 20th century focused on issues important to each respective ethnic group as Bosnia transitioned from Ottoman rule to Austro-Hungarian occupation. Serbs in Bosnia viewed the regime as oppressive, demanded radical agrarian change, and aligned with neighboring Serbia, thus welcoming expansion into remaining South Slavic lands.⁵⁰ The Serbian national identity found momentum in reacting to centuries under the "Turkish Yoke."⁵¹ Croat intellectuals, both conservative and clericalist, typically accepted Austro-Hungarian rule. Both political wings argued for the Croatian annexation of Bosnia.⁵² Bosnia represented the fault line between Catholic and Orthodox Eurasia, while Serb and Croat nationalists denied the Bosniak identity, proclaiming they were converted Serbs or Croats and not an independent people.

A professor of Southeast European Studies at the University of Graz, Florian Bieber, identifies the Muslim 'delay' in formulating a national identity.⁵³ During the Ottoman era, Bosniaks embodied the governing elite and enjoyed societal privileges due to their conversion to the common faith. Reflecting the Islamic influence, Bosniaks prioritized religion over ethnicity and language, naturally inhibiting the formation of a concrete national identity. While Bosniak political thinkers under Austro-Hungarian rule represented a wide variety of stances, the majority advocated for conformity and passivity. Sakib Korkut, a scholar of Islamic law and founder of the Yugoslav Muslim Organization, suggests that if Muslims hoped to keep their intactness, "all they could do is be passive in this matter."⁵⁴ In general, Bosniak thinkers under the Austrians supported the prevailing agrarian system which benefited the interests of the landowning Muslim elite, and did not advocate for revolutionary change, which further disgruntled Serbs and Croats and contributed to territorial irredentism.⁵⁵

IRREDENTISM AND THE 'GREATER STATE'

Experts of Yugoslavia Maria Todorova and Rusinow both suggest that Ottoman demographic shifts constructed the ethnic composition of the former Western Balkans.⁵⁶ Before the conflicts in the 1990s, 26% of Serbs resided outside of Serbia, 20% of Croats lived outside of Croatia, and 19% of Bosniaks resided outside of Bosnia.⁵⁷ The scattered allocation of groups, combined with cultural

⁴⁷ Ibid.

⁴⁸ A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politicka Misao* 162, no. 4 (March 1, 2017): 162, Scopus®, EBSCOhost (accessed November 20, 2017).

⁴⁹ Elvis Fejzić, "Political Thought in Bosnia and Herzegovina during Austro-Hungarian Rule, 1878-1918," *East Central Europe* 39, no. 2/3 (July 2012): 205, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁵⁰ Ibid., 211-213.

⁵¹ Florian Bieber, "Muslim Identity in the Balkans before the Establishment of Nation States," *Nationalities Papers* 28, no. 1 (March 2000): 13, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁵² Elvis Fejzić, "Political Thought in Bosnia and Herzegovina during Austro-Hungarian Rule, 1878-1918," *East Central Europe* 39, no. 2/3 (July 2012): 220, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁵³ Florian Bieber, "Muslim Identity in the Balkans before the Establishment of Nation States," *Nationalities Papers* 28, no. 1 (March 2000): 13, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁵⁴ Elvis Fejzić, "Political Thought in Bosnia and Herzegovina during Austro-Hungarian Rule, 1878-1918," *East Central Europe* 39, no. 2/3 (July 2012): 211, Historical Abstracts with Full Text, EBSCOhost (accessed November 20, 2017).

⁵⁵ Ibid., 207-210.

⁵⁶ L. Carl Brown, *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East* (New York: Columbia University Press, 1997), 40-41.

⁵⁷ Ibid.

narratives and claims, incited distrust between ethnic factions.⁵⁸ The political map before the Ottoman arrival divided the Balkans in favor of the South Slavs which suggests to Serb and Croat nationalists that great kingdoms existed before the Ottoman occupation. While Venice governed most of Morea, the Byzantine Empire ruled from Constantinople to the northeast of Thessaloniki, Bulgaria controlled north of the Byzantine Empire up to the Danube, and the Kingdom of Serbia reigned over the rest of the Balkans up to the Kingdom of Hungary.⁵⁹ In 1355, the Serbian Kingdom experienced increased internal conflict, and in 1389, the Balkan princes allied to confront the Ottoman threat at the Battle of Kosovo. The battle's legacy would become a central aspect of the Serbian identity. In the 1990s, Slobodan Milošević referenced it and Tsar Lazar's 14th-century sacrifice to defend Christianity and Europe from the invading Ottomans.⁶⁰ Similarly, the first President of the Republic of Croatia, Franjo Tuđman, emphasized the Croat national identity and articulated its centuries-old dream of independence from foreign rule, referencing the Kingdom of Croatia that existed from the 10th to 12th century.⁶¹ Both leaders romanticized history to make irredentist claims and minimize the Bosniak identity for their respective interests. They increasingly reinterpreted historical facts rooted in medieval history to stir up nationalist fervor and reassert their own people as the dominant ethnic group of Bosnia. The breakdown of the Ottoman Empire allowed for the re-emergence of long-held territorial claims throughout the former Yugoslavia, and in Bosnia, specifically. During the Yugoslav wars, most ethnic cleansing and mass atrocities occurred in previously imperial contact zones inherited from the Ottoman Empire, with most violence taking place within Bosnia's western and northern borders, the Habsburg military frontier in Croatia, and Kosovo.⁶²

CONCLUSION

In assessing the Ottoman legacy in Bosnia, it is essential to consider historical facts along with their interpreted meanings to understand the changing nature of cultural narratives. After the collapse of the Ottoman Empire, the ethnic groups of the Balkans became increasingly irredentist and dismissive of opposing historical accounts, which frequently resulted in aspirations for a greater Serbia or Croatia. Ironically, present-day Bosniak Muslims continue to share a state with Croats and Serbs, a polity in which many Serbs align with Serbia and a majority of Croats look to Croatia instead of viewing the Bosnian nation-state as their own.

The perceived cultural narratives that propel conflict are traceable to Bosnia's geographic positioning as a frontier state and its diverse demographic configuration. The Ottoman demographic influence charged proto-nationalist identities as conversions and migrations shifted between the cities and the countryside, and European ideas penetrated the minds of revolutionaries hoping to build homogenous nation-states. The scattered distributions of ethnic groups also prompted leaders to make irredentist claims, dismissing opposing narratives. Overwhelmed by the Ottoman legacy, the citizens of Višegrad experienced imperial pressures which stoked ethnic animosity for centuries, but learned to live side by side nonetheless, up until the disintegration of Yugoslavia in the 1990s.

⁵⁸ Ibid.

⁵⁹ Peter F. Sugar, *Southeastern Europe under Ottoman Rule, 1354-1804*, vol. 5 of *A History of East Central Europe* (Seattle: University of Washington Press, 1977), 13-17.

⁶⁰ Kerstin Carlson, "Model(ing) Law: The ICTY, the International Criminal Justice Template, and Reconciliation in the Former Yugoslavia," *UC Berkeley: Jurisprudence & Social Policy* (2013): 60, eScholarship (accessed November 26, 2017).

⁶¹ Tamara Banjevlav, "Conflicting Memories, Competing Narratives and Contested Histories in Croatia's Post-war Commemorative Practices," *Politička Misao: Croatian Political Science Review* 49, no. 5 (November 2012): 10, Academic Search Complete, EBSCOhost (accessed November 26, 2017).

⁶² A. Bebler, "Turkey's Imperial Legacy and the Potential for Conflict in the Balkans," *Politička Misao* 53, no. 4 (March 1, 2017), 166, Scopus®, EBSCOhost (accessed November 20, 2017).

Poland and the United States:

Populism's New Targets

Catherine Spangenberg

A major issue within elections is populism and its misdirection of voters through the use of “social topic voting,”¹ leading to the trivialization of current political issues. While this common strategy is utilized by many, different populist ideologies must be distinguished from one another in order to better understand their respective impacts. There are two broad populist ideologies examined herein: soft populism and hard populism. Soft-populists market their ideas to a wide audience by targeting the average voter, therefore relying on application of Median-Voter Theorem.² Since most voters feel relatively centrist in their political beliefs, soft-populists can theoretically appeal to the vast majority of voters and win elections. Hard populists, on the other hand, also apply Median-Voter Theorem to their advantage. They differ, however, by relying on social topic voting and by taking hardline stances against deviations from their ideal norm. In other words, hard populists embody the voice of radical extremes, whether this is in support of the far-left, or more commonly, the far-right.

There are four branches, or strategies, of applied populism in elections: empty populism and anti-elitist populism (utilized mainly by soft-populists) and exclusionary populism and complete populism (utilized mainly by ‘hard populists’). The combinations of these ideological branches are what motivate voters to participate in populist party rallies and to spread the populist agenda. Empty populism references “the people” in a grandiose, unifying way. Exclusionary populism references “the in-group”—meaning citizens who pertain to a certain race or belief system—and focuses on excluding “out-groups” of individuals who do not reflect the ideals of the exclusionary populist’s vision. Out-groups most often reference religious minorities, ethnicities and races but economic and social status³ are also segregatory devices used by exclusionary populists. Populists who blame outside sources for social and economic strife can be defined as anti-elite populists. Lastly, complete populism is a combination of empty populism, exclusionary populism, and anti-elitist populism. Complete populism rarely occurs except in extreme cases of authoritarian rule or dictatorship.

Voters need to be aware when either a politician or party (or both) become populist because, according to social topic voting³, information can easily be misconstrued or represented in a biased fashion⁴. This is a primary reason why populism in Europe is so dangerous. Because of multiparty governments, coalitions are often relied on to create representation for small populist groups. Additionally, coalition governments tend to be more conservative because of greater transaction costs brought about by efforts to unify the coalition. Counterproductively, however, this leads to decreased efficiency.

Studies such as “How Populist are the People?” (Akkerman, 2013) have engaged the issue of populism by investigating its classification on an individual level⁵ which demonstrates how populism

¹ Albertazzi, Daniele., and McDonnell, Duncan. *Twenty-First Century Populism: the Spectre of Western European Democracy*, Basingstoke, England; New York, Palgrave Macmillan, 2008. Print. Chapter 1.

² Brams, Steven J. *Rational Politics: Decisions, Games, and Strategy*. Washington, D.C: CQ Press, 1985. Print. Ch. 4.

³ Albertazzi, Daniele., and McDonnell, Duncan. *Twenty-First Century Populism: the Spectre of Western European Democracy*, Basingstoke, England; New York, Palgrave Macmillan, 2008. Print. Chapter 1.

⁴ Mudde, Cas (2007). *Populist Radical Right Parties in Europe*. Cambridge: Cambridge University Press.10.1017/CBO9780511492037

⁵ Akkerman et. al., “How Populist Are the People? Measuring Populist Attitudes in Voters.” *Comparative Political Studies*, vol. 47, no. 9, 2013, pp. 1324–1353.

is stemming from within society. Studying populism at the individual level rather than the aggregate level more clearly illustrates its origin point. While it seems like Akkerman could fall victim to sample bias, individual studies pinpoint the emotional connection to elections as well as the visceral, rather than rational, motivations for apparent economic voting. This has led to a more nuanced way in examining populism rather than simply categorizing and labeling the different types for the sake of observation alone. Akkerman accomplished this individual-level study by analyzing by surveying 600 Dutch citizens in 2013. The study showed that populism is associated with a dynamic shift away from the status quo and that attention-grabbing, paradigm-shifting campaigns are motivating to modern populist supporters who find this anti-politic way of campaigning to be worth their time. This method is very successful in today's media, which focuses on shorter soundbites and headline stories rather than elaborated content.

With coalition building, populist parties that are unable to remain relevant on their own not only have more representation, but they also have more motivation to influence fellow coalition members to switch into their populist party. With this, populists who lead their parties or coalitions can expand their scope of party influence on a greater number of voters.

It is clear that populism can successfully unify voters, encourage participation, and effectively bring about centrist policies that satisfy a large majority of voters' needs. However, fringe groups and the extremes of the left-right political spectrum can also become successful as new major parties via coalition formation. For instance, the Law and Justice Party in Poland ("PiS"), a previously far-right minority party, has succeeded in becoming the ruling party in their respective countries while being definitively exclusionary populist. Similarly to how the United States' Republican Party, which had become polarized, less powerful, and felt antagonized during President Obama's time in office, has gilded support across the socio-economic plain by disguising their upper-class focused economic policies as universal.

Despite these countries' obvious economic, social, and ethnic differences, their exclusionary leaders campaigned on similar platforms. This paper seeks to identify the methodology behind populist party success and explore the voting behavior of their supporters by examining how economic incentives, income, and education levels determine whether support for exclusionary populism is predictable. Process-oriented approaches to democracy differ from constitutional, substantive, and procedural accounts, instead identifying minimum qualifications for democracy⁶. According to Robert Dahl, the following are all requirements for substantive democracy: effective participation, voting equality, enlightened understanding, control of the agenda, and inclusion of adults.⁷ Tilly exemplifies the simplicity of Dahl's criteria, which are also often the same standards that populists hold themselves to in order to appeal to the masses while maintaining exclusivity. However, since voters want substantive democracy (i.e. change and influence), populists, especially soft-populists, often fall short due to vagueness of policies. Platforms that are strong enough for voters to pursue have to be specific and tailored. Therefore, if an empty or anti-elitist populist wins an election, they often sacrifice some of their original promises to their voters and consequently lose support. However, when exclusionary or complete populists succeed, they are able to fulfill their campaign promises and then, because their constituents are satisfied, they feel free to execute their own radical agenda.

⁶ Tilly, Charles., *Democracy*, Cambridge University Press (2007), Ch. 1.

⁷ Tilly, pg. 9; Dahl, Robert A. *Polarchy: Participation and Opposition*. New Haven: Yale University Press, 1971. Print., pp. 37-38.

Dahl also noted that in a polyarchy,⁸ six institutions exist to maintain the state: elected officials, free and fair local elections, free expression, alternative sources of information (free press), associative autonomy, and inclusive citizenship. According to Dahl's logic, if an elected leader does not maintain these institutions then the state is no longer democratic. Thus, if populists reduce the freedom of citizens in any of these ways, as we have seen in the case of Poland and the United States—they are no longer democratic and will develop an authoritarian regime.

Exclusionary and complete populism strictly focus on excluding people from the mainstream political discussion and will result in tyrannical behavior. Exclusionary populism violates Tilly's rules for constitutional and process-oriented governments because the transformation of policies often occurs rapidly and involves a heavy interpretation of constitutional rights. This could be described as a social revolution. Rapid, basic transformations of society⁹ are arguably effective. However, many hard populists, in their search to disrupt the status quo by enforcing strict regimes, are interpreting constitutional rights from a hardline conservative perspective. Since they already have control over their government, they can manipulate society to accept this new norm and choose the level of influence they desire from partners and other legislators. This is evident in the case of Jaroslaw Kaczynski, the founder and informal leader of the PiS¹⁰ who controls the *Sejm*, the Polish lower house of Parliament; as well as Trump and his cabinet, Congress, and remaining ties to business'. Unless there are strong checks and balances in place, the populist leader will be empowered.

Similarly to how President Trump and the Republican party gained support in the United States 2016 presidential election, the PiS made promises for alterations in the economy that could result in tax breaks and cash rebates for low-income families. PiS and Kaczynski gained power and influence by providing child subsidies and increased retirement benefits. This indirect purchasing of votes incentivized the median voter to follow the U.S. Republican party as well as the PiS, who shrouded their intention of reducing rights to free speech, gaining control of the courts, and siding with far-right lobbyists by merging their conservatism and nationalism with populist economics.

Populists who embody the spirit of the ruling class can easily manipulate the lower classes because of the consolidation of power by bourgeoisie members since the force of tradition or legitimacy from religious or other sources may play a role in the survival of power and tenure of some rulers¹¹. Because of this, less educated voters are inclined to follow populists because they hear and see what they want to. Further, because of strategies such as enclave economies, it is difficult for less educated voters to see how and where wealth is to be distributed. Additionally, because populism utilizes the idea of a cult of personality around populist leaders, followers are disinclined to seek outside information that might contradict the government. By rallying around their economic motives, populism can be a simple and successful democratic regime, but could also lead to the opposite. Populism often encourages the breakdown of social and economic behaviors by creating deeply partisan divides between parties, or conversely, by encouraging a one-party system which could lead to authoritarian regimes and backlash from voters if they are able to speak out and criticize their leaders (assuming the government is not so authoritarian that free speech is eliminated).

⁸ Dahl, *Polyarchy*

⁹ Skocpol, *States and Social Revolutions*.

¹⁰ While Mateusz Morawiecki is the Prime Minister of Poland, Kaczynski as the founder and long-time political figure is seen as the 'leader' of the Law and Justice Party and the architect behind many of the policies and the general direction of the party's platform and campaigns.

¹¹ Prezworski and Gandhi, pp. 1287-88.

Populist (far) right parties are the largest and strongest member of the populist family. By performing a Principal Component Analysis (PCA), Akkerman et. al. investigates “whether it is possible to identify a populist dimension and distinguish it from other, related, ideological constructs, such as pluralism and elitism”¹². Confusion over conflicting definitions of modern examples of populism exist because while populism is strong in both the United States and in Europe, in the U.S., it is typically left-wing, economic and highly inclusive (Sanders, 2016) while in Europe it is typically right-wing, identity-based and highly exclusionary (PiS of Poland). Additionally, confusion stems from the context and how this plays into determining whether populism is present. Additionally, populism is rarely a standalone political group and is often seen, and is most successful, when attached to another political body such as a radical right, or neo-liberalist group.

Populists have the opportunity to react in one of two fashions during internal state conflicts. Similar to autocrats, populists use acknowledgement of flaws to their advantage. They can contrast repression to their promised bright futures and remind citizens of how passionate and paradigm-altering their, the populist’s, platform is. Or, they can use internal strife to build support and unify parties by suggesting everyone work together to overcome external issues. Previously existing, stable, governments may also aid in the administration of a populist. When regimes experience a high amount of leadership turnover, and are surrounded by states with strong populist leadership, they are more likely to adapt to the trend and alter their government¹³. This is why powerful states who become populist are dangerous when interconnected with their neighbors such as in the European Union, because they can be self-sustaining through internal strife and they are likely to have a domino effect and cause other states to turn over into populist administrations.

Using democratic arguments such as increased welfare spending as well as conservative ones such as control of social rights is an effective populist strategy because they can broaden their basis of support to the left and the right, satisfy the public and also maximize their effectiveness. “Partisan legislatures incorporate potential opposition forces, investing them with a stake in the ruler’s survival. By broadening the bases of support for the rule, these institutions lengthen his [the ruler’s] tenure”¹⁴. Median Voter Theorem supports this fundamental populist method of support gathering because by broadening support in the legislature, voters may follow suit and vote the same way as their representatives, despite the risks. Median Voter Theorem is used by empty populists to gain support because they can strategize to maximize their voters whether they are the first candidate to announce a platform or the last¹⁵. If the populist candidate is first to enter the race, then while they have the advantage of gaining the true median voters. This gains them the densest and largest population (assuming a normal, unimodal distribution rather than a uniform distribution). While this is beneficial for gaining support, this can also harm them because there might be additional centrist candidates¹⁶; therefore, they will now have to compete for space.

Additionally, in order to be elected in the first place in a democracy, or to gain unanimous support and complete power in an autocracy, populists can be elected by taking advantage of far-left and far-right voters, as well as part of the median. Whether utilizing the true median vote or targeting a specific fringe group, populist candidates will eventually win over members of the legislative body who can be used to solicit cooperation and to neutralize threats of rebellion and strong opposition.

¹² Akkerman et. al. et. al., pg. 1326.

¹³ Prezworski and Gandhi, pg. 1286.

¹⁴ Prezworski and Gandhi, pg. 1280.

¹⁵ Brams, Steven J. *Rational Politics: Decisions, Games, and Strategy*. Washington, D.C: CQ Press, 1985. Print. Ch. 4.

¹⁶ Brams, Steven J. *Rational Politics: Decisions, Games, and Strategy*. Washington, D.C: CQ Press, 1985. Print. Ch. 4.

Electorist political business cycles (PBCs) assume that all politicians are vote maximizers and as such, put less effort into policy commitments and pushes incumbents to strive for macroeconomic discounts such as forcing unemployment below its neutral state; this explains why exclusionary and complete populists such as Trump and Kaczynski make promises to bring jobs and provide opportunity, yet the results of this macroeconomic change are temporary.

While low unemployment benefits voters in the short term, this promotes inflation and keeps the state within a loop of low unemployment with high inflation, and neutral or higher unemployment with less or no inflation. Since hard populists often gain control of a very one-sided government, but not particularly single-party, this cycle leads to the dismantling of hard earned democracy.

There is an ideological border developing within Poland between the East and West sides of the country which borders where Russian and German imperial territories were encamped in the 20th century¹⁷. Similarly, while Trump gained support across the U.S., the South was home to his most prominent supporters not just because of historical right-wing support but because of the racism and anti-Semitism surrounding both Trump and many Southern voters. Historical ideological divisions such as this are driving election outcomes almost as much as other explanatory variables such as income and education.

The Law and Justice Party (PiS), a conservative euro-skeptic party, promised transparency and efficiency in Polish government. However, while their hardline reform policies were once thought of as strong and independent, they are now perversely viewed as aggressive and exclusionary. PiS encapsulates many of the same issues we face in the Trump era such as educational reforms that pursues such audacious movements such as using creationism rather than science in schools, however PiS does this from within the party and is more centralized than Trump's administration which relies on alliances with religious and corporate leaders to control the masses. The support of median voters of PiS makes their strength and radical reforms justifiably threatening because they can alter Polish government virtuously autonomously as seen by the parliament passing three bills, two of which were thankfully vetoed by President Andrzej Duda, that would have reduced the judicial branches power even further by delegating the justice minister the right to name the heads of Poland's lower courts¹⁸ which would result in partisan judicialization.

Majoritarian systems lead to dichotomous left-right parties rather than centrist and have a tendency to be right-leaning governments. Proportional-Representation (PR) systems, on the other hand, tend to lean left. So it is curious that the powerful lower house of Parliament in Poland, the Sejm, which is a PR system, is controlled by a far-right party. So it is clear that the PiS has high levels of influence and managed to successfully overcome the predicted outcome of elections and have clearly united their party to be in control of all branches of Polish government. Additionally, PiS has increased their influence since being elected into power in 2015 and brought the state media and prosecutor's office under direct government control by introducing restrictions on non-governmental organizations. This has not only increased welfare spending by the state as authoritarian and coalition governments often witness, but qualifies the PiS as a radical right group because "to qualify as Radical

¹⁷ Lewis, Martin W. "Poland's Stark Electoral Divid." *GeoCurrents*, Stanford University Department of History, 2016.

¹⁸ "The Attacks on Poland's Judicial Independence Goes Deeper than You May Think", The Center for Spatial Data Science, 23 July 2017, <https://spatial.uchicago.edu/news/washington-post-attack-poland-s-judicial-independence-goes-deeper-you-may-think-here-are-5>.

Right, a party additionally needs to display authoritarian tendencies – that is, an aggressive stance towards political enemies and a preference for a strictly ordered society”¹⁹.

Election promises from Kaczynski and PiS included introducing a child subsidy and retirement age cut in order to appeal to the median voter while remaining true to their relentlessly conservative roots. Because of the unilateral control of media, government opposition groups have also lost influence and popularity. Judiciary reforms by the PiS, which President Andrzej Duda has attempted to fight, are much to blame for this as the PiS eliminate separation of powers.

Elite-focused theories on regime transitions predict that democracies will remain stable if they maintain their “self-enforcing equilibrium”²⁰. This posits that political actors will continue to support the status quo so long as it served their agenda. So, the PiS aims to alter the current status quo to one that fits their desires where they will gain equilibrium and citizens comply as they know the government will not liberalize for their benefit²¹. Although Polish political parties are not typically well institutionalized but instead are leader-centric, other parties have not deviated from the norm until PiS in the past few years who have created a small autocracy with loyal party members who force constituents to shift their way of life to make room for a once minority party to rule²² with an iron fist. This autocracy found its members remaining loyal by promising state-sector jobs assuming they are loyal to Kaczynski which was possibly by planning for a widespread purge of civil servants and state-owned companies from the preceding administration.

PiS is hostile to liberal and democratic parties, and despite their success, the Polish National Election Study does not show significant decrease in popular support for democracy and democratic institutions or a rise in favor for nondemocratic institutions²³. This demonstrates how exclusionary populists are able to find support despite public resistance. Because the PiS satisfies demands of fringe groups (extreme and far-right conservatives) who are hardly recognized otherwise in the media or government, the voters from the end of the political spectrum will also find themselves loyal to their newfound representative who actively appeals to their extreme and conservative views. The success of PiS is further contradictory to the norm because the 2015 edition of the Polish National Election Study shows that when explicitly asked to state their preference for progress vs. tradition, individual entrepreneurship vs. social solidarity, and freedom vs. equality, in each case respondents preferred the first to the second option, by about 55 percent vs. 34 percent.

The primary difference between Poland and the United States’ approach to populism is that the PiS has become more radical and critical of liberal-democratic governments and across the party and its leaders are unified within this perspective. The PiS has 235 members in the Sejm out of a possible 460, meaning they are a majority and have autonomous power. Autonomy is useful in this case for PiS because decisive actions are free from political manipulation from outside the party, however, this means unchallenged authority of the PiS.

¹⁹ Kai Arzheimer (2015) The AfD: Finally a Successful Right-Wing Populist Eurosceptic Party for Germany?, *West European Politics*, 38:3, 535-556, DOI: 10.1080/01402382.2015.1004230

²⁰ Prezworski, Adam. “Democracy as an Equilibrium” *Springer Link*, Kluwer Academic Publishers, 05 February 2014. <https://link.springer.com/article/10.1007%2Fs11127-005-7163-4>.

²¹ Kelly, Lidia and Pawlak, Justyna. *Poland's Far-Right: Opportunity and Threat for Ruling PiS*. Reuters, 3 January. 2018.

²² Cienski, Jan. “5 Takeaways from Poland's Election.” *POLITICO*, 27 Oct. 2015, www.politico.eu/article/5-takeaways-polish-election-2015-law-justice-civic-voters-kaczynski-tusk-eu-pis-szydlo/.

²³ Jerzyński, Tomasz W. “Polish National Election Study (PGSW)”. ADS – Description of Data Set, 2015.

Therefore, liberal parties are faced with limited options. However, in the US, while Congressional Republicans have a general sense of unity, it is not as tight as PiS and bipartisan voting, which is still encouraged by both parties, prevents Republicans from leading the legislature unopposed. Additionally, Trump is not always on the same page as his party, making for further disunity. While this allows for continuous attempts at bipartisan legislature, the disunity unfortunately disables the ability for a social revolution which would let the United States break away from populism. Further, party disunity prevents important legislation from passing because not one party alone has the strength to do so.

By having no restriction on term limits within the Sejm, voters are often lead to incumbent reelection, so long as voters act retrospectively²⁴. This then means less agency costs, but this may also lead to elected officials taking advantage of their office's power. However, with being in office without term limits, they can benefit more with each election cycle because if they follow through with election promises and adapt their platform to incorporate current social issues, they will most likely continue to be reelected.

Moral Hazard is, of course, always a consideration for any elected or appointed official with specific term lengths and limits, but if they have the opportunity to be reelected without end then they are more likely to consider the consequences of their actions. Thus, rather than acting outright they will produce policies that benefit the state and their constituents before they work on their own agenda. But, they will still pursue their own, often contrary to constituent needs, agendas later. Thus, when adverse selection takes place by the voters, the elected officials benefit because while they are continuously producing their constituents desired results, the elected official and legislature are able maintains their autonomy and power to make their own reforms under the radar.

Power asymmetries within a collective such as the Sejm can motivate leaders to begin acting opportunistically, engaging in "Principal subversion"²⁵. Checks and balances are therefore needed to monitor, even when elected officials are not bound to constraints of term limits, to prevent a shift towards autocracy. The issue with Poland, however, is that with autonomy of PiS in the Sejm, there are no checks to balance their power. And given their far-right ideologies, strength, unity, and identifying as populist, we can conclude that the future election outcomes are likely to be more of the same and lead to increasingly far-right policies and reduction of minority rights.

Because of their authoritarian approach to governance, many aspects of Principal-Agent relations and governance are not considered by the PiS such as judicialization or antinomic delegation. Therefore, although the PiS has control over Poland's government, they do not satisfy the Coase Theorem's conditions and are therefore operating almost as inefficient as Trump's populist administration which is inefficient for more obvious reasons.

Additionally, electoral cycles suggest excessive "costs of democracy" exist²⁶ because of democratic deficits between administrations, additionally right-wing coalition governments who tend to have authoritarian characteristics have already high democratic deficits. As transaction costs rise and efficiency decreases, a new deviation from the status quo will occur where electoral competition can lead to centrist parties rather than partisan one's. We can assume minimal electoral competition is

²⁴ Timothy Besley. 2006. *Principled Agents? The Political Economy of Good Government* (Oxford UP): pp. 117-118.

²⁵ Mor Sobol. 2016. "Principal-Agent Analysis and Pathological Delegation: The (Almost) Untold Story." *Governance* 29(3): pg. 341.

²⁶ William Keech. 2014. *Economic Politics in the United States: The Costs and Risks of Democracy*. Cambridge University Press: Chapters 8 & 9.

a driving factor in PiS' success because they are so successful despite the Polish National Election Study's results, then increasing competition should, despite anti-NGO policies and anti-opposition efforts instigated by Kaczynski, engage young and progressive voters to re-introduce democracy into the Polish Parliament.

The voter distribution across Trump supporters²⁷ leans heavily on those with less than a four-year degree as right-wing, populist, supporters also decreased with education which is contributed to education encouraging individuals is encouraged to seek alternative sources of information to help choose candidates with intentions that fit one's needs rather than following populists because of their tagline campaign slogans such as "Make America Great Again" or "Dobra Zmiana" ("Good Change") which promise a bright future, without showing the costs. Alongside this apparent inverse relationship between college education and far-right wing candidate support with which we can say, the more education a voter receives, the less likely they were to support Trump.

Income levels also affected decisions in the 2016 election. Voters with an income \$50-99,999²⁸ per year were most likely to support Trump. This still shows that while many poor or uneducated supporters fell victim to Trump's populist campaign, median-income voters made up the bulk of support despite them being reasonably capable of understanding his biased campaign. This being said, they were still coerced through populism to make sacrifices for the upper classes²⁹. This can be explained by the middle-income group's exposure to education and relationship to their income. Many middle-income Republicans live in less urban areas and have elevated income despite their academic attainment due to technical skill related jobs such as welding where an average salary is around \$64,000 per year despite education requirements being no more than a GED and possibly a two-year technical degree. This relationship to the middle class is an example of how information asymmetry affects election outcome. Because these voters, with minimal education, comprise a bulk of the state, they are a determinant of election outcome. Trump's encouragement to speak out about their economic issues, and then counter it with social topic voting on the issues of immigration with comments about immigrants taking job opportunities away from this middle class, rallies support despite his actually contradictory and harmful intentions. The voters throw their support to the populist without having the knowledge whether they are doing the right thing and the populist, Trump in this case, is validated by the support of these voters as well as their party³⁰.

Kaczynski, and Prime Minister Morawiecki, invested in their election promise, a monthly child subsidy for the working poor and a subsidy for second and other subsequent children from middle and upper-class families which affect the same socio-economic groups as Republicans aimed with their tax plans. However, by engaging in this promise, the PiS is pressured to deliver while also beginning to be a contributor to the European Union budget but opposes the funds being politicized. So although the PiS is providing financial security for families, they still segregate themselves from the norm of total EU integration, harming their society as a whole. Investing in the health and welfare of one's citizens is important and a sign of leadership, however both the Republicans and the PiS targeted the demographic they needed the most support from³¹ resulting in more votes, but also by buying their support PiS and Republicans are putting themselves under high levels of scrutiny by those constituents.

²⁷ "Where Donald Trump's Support Really Comes From." *The Economist*, The Economist Newspaper, 20 April 2016, Print

²⁸ Rothwell, Jonathan T. and Diego-Rosell, Pablo, Explaining Nationalist Political Views: The Case of Donald Trump (November 2, 2016).

²⁹ Rothwell, Jonathan T. and Diego-Rosell, Pablo, Explaining Nationalist Political Views: The Case of Donald Trump (November 2, 2016).

³⁰ Akkerman et. al., pg. 1287.

³¹ Szczerbiak, Aleks., University of Sussex Politics Department, <http://eprints.lse.ac.uk/70831/1/blogs.lse.ac.uk-How%20will%20Polands%20Law%20and%20Justice%20party%20govern.pdf>.

There is a crisis of party legitimacy now present across Europe due to growing Euro-skepticism³² and concerns about immigration. Because of the tense political atmosphere, populists have the opportunity to gain room for their platform because voters feel detached from their traditional parties and now want someone to look up to who will defend their rights as times change. Since many European countries were so recently under control of large dictatorships, nationalists such as Kaczynski are uncomfortable with liberal policies because they feel out of control and out of touch with their own state identity. However, Kaczynski and Trump's strict control is why non-supporters protest so severely because they feel deprived of their rights and often are. While conservatives and nationalists work to bring the state back to their own preferred, but outdated, ideological position in society, they feel the only way to protect their rights is to take away freedoms from others who might otherwise infringe on the conservatives' existence. This logic applies to both Kaczynski's PiS and Trump's Republicans as both parties have a restorative intention for their countries, yet in their efforts to protect their ideologies, they diminish minority, immigrant, and women's rights. Further, as populism has a contagious affect, it is worrisome that Poland is neighbors to both Germany and previous Soviet states (such as Ukraine) who have historical ties to right-wing extremism and contain strong populist parties with similar messages such as the Alternative for Germany (AfD) Party in Germany who run on a hardline anti-immigration and Islamophobic policy³³.

In all, low levels of education and lower to moderate income voters show to be successful targets for populists. Education and income are the determinant variables for conservative candidate support, but the driving force behind exclusionary populist success is the social divide within states such as the North-South relationship in the United States and the East-West relationship in Poland. Historically recent interactions with authoritarianism, racism, anti-Semitism and anti-immigration, such as slavery and segregation in the American South and anti-Zionism in the former USSR-Polish state push the conservative voters to follow hard-populists who they feel with get to the root of their problems with jobs and social welfare because they claim to fight for the people and the nation, not understanding that a nationalist, authoritative politician might have a different ideal nation in mind than the voters.

Because of Down's Calculus of Voting $V=pB-C$, if the costs outweigh the direct benefits of the voter's interactions with an election they are unlikely to cast a quality vote. So, combined with education and income affecting voter's quality of interaction at the polls, they also need a personal attachment to the outcome. This is why populists make large campaign promises such as family stipends or tax breaks. However, as we have seen, especially in the United States, reneged *ex ante* promises creates gaps in policy resulting in inconsistent administration which often causes outbursts from the public. This is worsened by the voter's retrospective voting which leads to voters forgiving many of their candidates flaws and mistakes, leading them to reflect only upon the last several months of their candidate's campaign, or if an incumbent running for reelection, their time in office. The election, or reelection, of populists can then be further secured and the Down's Calculus model turns into $V=pB-C+D$ with the added variable (D), in theory outweighing the costs of voting and costs of the election outcome by providing a feeling of civic duty³⁴ and therefore continuing the unfortunate success of populists despite their obvious flaws and demonstrating. Therefore, this demonstrates that visceral motivations drive election outcomes significantly as well as rational, strategic, motivations and rational-economic voting.

³² Albertazzi, Daniele, et. al., 2008. Print.

³³ Aalberg, Toril, et. al., "Populist Political Communication in Europe", Routledge 2017, Print., pp. 114-117.

³⁴ Riker, William and Peter Ordeshook. 1968. "A Theory of the Calculus of Voting." *American Political Science Review* 62(1): 25-42.

Financial and Political Implications of Moral Hazard During the Great Recession and for Future Markets

Georgina Tzanetos

Moral hazard is defined as taking excessive risk when one is protected from its consequences. In its everyday form, it could be as simple handling the clutch too rough in a rental car when you'd be far more careful in your own. In its more complicated and dangerous form, banks receive exorbitant capital when they are in distress. Hazard is realized when institutions behave in a risky way and fall back on the reassurance from some other, larger institution. Banks, and countries, get "bailed-out" when they are deemed too big to fail, or when too many banks are failing simultaneously.¹ Some literature supports the idea that bail-outs aim to prevent bank runs, reduce the social cost of bank failure, and promote financial stability, but other studies suggest that these safety-nets perpetuate moral hazard in the form of excessive risk-taking behavior.² The Great Recession brought banks and entire sovereigns to exercise enormous amounts of uncovered risks in pursuit of profit, utilizing disproportionate actions relative to their respective economic environments. In this paper I will identify these patterns and their implications for the future. Moreover, my aim is to contribute to the conversation surrounding interconnected markets regarding responsibility. I will demonstrate, evidenced through researchers, that even economic strongholds like Germany and the United States exercised recklessness comparable to smaller, less-dominant economies that took the brunt of the blame during the Great Recession.

One challenge in the discussion of moral hazard is identifying where the problem truly exists. Financial institutions and sovereign states, even if otherwise properly managed, can be financially distressed due to exogenous shocks. Dam and Koetter point out that these types of situations do not give sufficient evidence for moral hazard.³ They argue that problems only arise from *additional* risk-taking due to higher bailout expectations. For example, our driver won't assume the costs should the clutch fail out by way of insurance reimbursement. Reckless behavior under the auspice of coverage is behavior researchers have found across political institutions as well. Countries and financial institutions are just as likely to take an additional risk given an already tumultuous climate. Countries with uneven national balance sheets repress wages yet continue to lend, and highly indebted financial institutions offer loans to those who cannot afford them.⁴

Problems arise from the additional risk that banks and countries take due to higher bailout expectations, which are typically not observable. For the purposes of this paper, it would be helpful to know them up front, but I move forward operating under the assumption that central bank leaders and global finance ministers prefer to keep their egregious expectations of financial safety nets to themselves. Thus, I will present political and economic factors that can predict bailout expectations. Researchers have used this method and believe that political factors are suited for the identification of moral hazard effects as they explain bailout probabilities, but do not directly affect risk taking.⁵

¹Maureen Ohara and Wayne Shaw, "Deposit Insurance and Wealth Effects: The Value of Being 'Too Big to Fail,'" *The Journal of Finance*, vol. 45, no. 5 (1990): 1587. doi:10.2307/2328751.

²G. Gorton and L. Huang, "Liquidity, Efficiency, and Bank Bailouts," *American Economic Review*, vol. 94 (2002): 455-83.

³Lammertjan Dam and Michael Koetter, "Bank Bailouts and Moral Hazard: Evidence from Germany," *Review of Financial Studies*, vol. 25, no. 8 (May 2012): 2343-2380. doi:10.1093/rfs/hhs056.

⁴Dam and Koetter; Jörg Bibow, "The Euro Debt Crisis and Germany's Euro Trilemma," *SSRN Electronic Journal* (2012), doi:10.2139/ssrn.2060325.

⁵Dam and Koetter.

Since the Great Recession, a great deal of literature has been written on the issue, concerning both the developing world and developed markets. This paper will concentrate on Germany, Greece, and the United States— offering each side of the Recession spectrum. Researchers Dam and Koetter (2012) focused on evidence from Germany in terms of moral hazard. Their study analyzed the importance of political factors in a developed, stable economy to explain the likelihood of bank bailouts. To capture the expectations of bank I in year t about a regulator’s behavior, they modeled the expected probability π_{it} conditional on a bank being in distress as:

$$\begin{aligned}\pi_{it} &\equiv E[I_{i,t} | D_{i,t} = 1] \\ &= \alpha_{year} + \alpha_{state} + \alpha_{pillar} + X'_{i,t-1}\alpha_1 + M'_{m,t-1}\alpha_2 + Z'_{m,t}\beta.\end{aligned}$$

the results of which are shown in Table 4 below. One of the more crucial takeaways from this model is the significance of the variables *Elections*, *vote share differences*, and state and federal prime ministers being from the same party (*Same party* variable) to the outcome. The first six columns in Table 4 show that all three political variables are significant. As the researchers show, in all specifications, the indicator for state parliament elections is negative and larger vote share differences further amplify the reduction of bailout expectations. This also shows that bank bailouts seem unpopular among political constituents and that they are significantly less likely to occur during election periods. Germany is a special case in respects to political considerations and their effects on banking, as board members of both BaFin and Bundesbank (major German banks) are suggested by politicians. Furthermore, around 20% of all banks are regional, government-owned savings banks in Germany.⁶ Dam and Koetter point out that local politicians serve on the supervisory boards of savings banks and influence regional associations and also serve on the supervisory boards of commercial and cooperative banks⁷.

Governments that hold this type of influence in the banking system may abuse their clout to pursue objectives that help them realize political ambitions, but do not contribute to any value-maximizing objective.⁸ This particular model estimates expected bailout probabilities, and the result shows that in Germany, safety nets in banking, increase moral hazard. Germany is an interesting example, as its politics are heavily intertwined with its banking sector. What is especially notable in the above model is how it corresponds to the economic manipulation that followed. Dam and Koetter’s model was constructed to reflect the period between 1995 and 2006, with 2,479 observations for distress. Around the same time, Germany’s government made economic decisions that had implications on global financial markets for decades.

⁶Dam and Koetter.

⁷ Dam and Koetter.

⁸P. Sapienza, “The Effects of Government Ownership on Bank Lending,” *Journal of Financial Economics* vol. 72 (2004): 357-84.

Table 4
First-stage bailout regressions: Identification of bailout probabilities

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Votes	Elections	Same party	Votes and elections	Votes and same party	All three instruments	Election lags and leads	Spatial weights	Bruxelles concordance
Vote share difference _t	-0.002** [0.001]			-0.002** [0.001]	-0.002** [0.001]	-0.002** [0.001]	-0.001** [0.001]		-0.002** [0.001]
Election _t		-0.042** [0.019]		-0.039** [0.019]		-0.047** [0.017]	-0.062** [0.028]		-0.047** [0.017]
Same party _t			-0.041* [0.023]		-0.039* [0.021]	-0.046** [0.020]	-0.047** [0.019]	-0.047** [0.020]	-0.046** [0.020]
Election _{t-1}							-0.044 [0.035]		
Election _{t-2}							-0.014 [0.033]		
Election _{t+1}							-0.002 [0.036]		
Election _{t+2}							-0.003 [0.032]		
Spatial weight elections _t								-0.067*** [0.021]	
Spatial weight vote share differences _t								-0.001* [0.001]	
Preconcordance (2001) indicator _t									-0.055* [0.031]
Total assets _{t-1}	0.066*** [0.022]	0.068*** [0.023]	0.067*** [0.023]	0.067*** [0.023]	0.065*** [0.022]	0.066*** [0.023]	0.065*** [0.022]	0.067*** [0.023]	0.066*** [0.023]
Hidden reserves _{t-1}	-0.106*** [0.027]	-0.105*** [0.027]	-0.106*** [0.028]	-0.105*** [0.027]	-0.106*** [0.028]	-0.105*** [0.027]	-0.101*** [0.028]	-0.105*** [0.028]	-0.105*** [0.027]
Nonperforming loan share _{t-1}	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]	0.003*** [0.001]
Customer loan share _{t-1}	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]	0.001 [0.001]

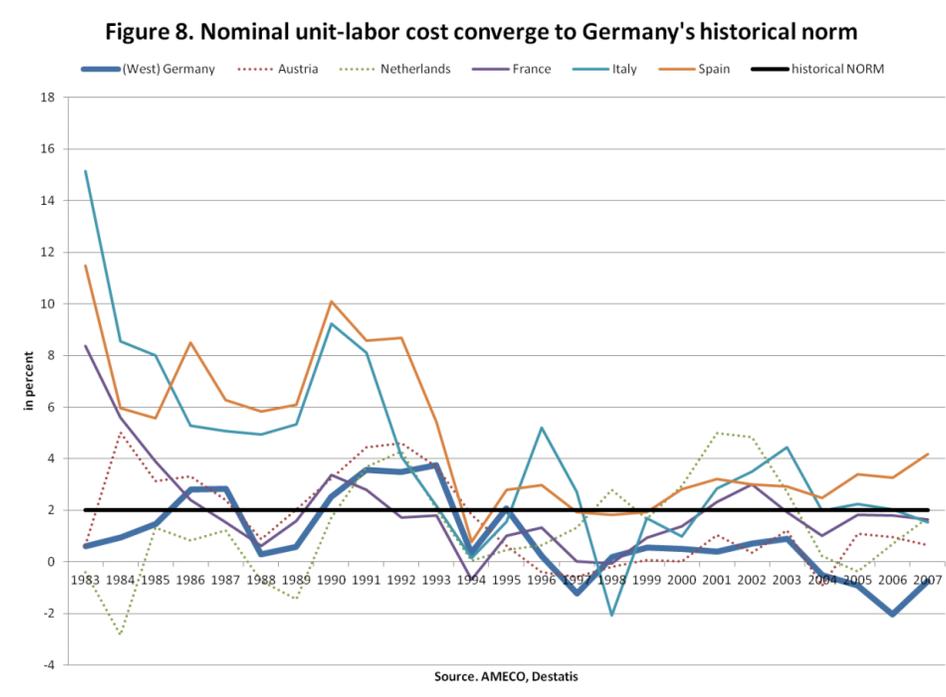
(continued)

As the European Union has eliminated the exchange rate factor in calculating inflation or productivity and GDP of its nations, national wage and productivity trends within monetary unions can be most easily understood in terms of Mundell's 1961 contribution to "optimum currency area" theory. This focuses on "asymmetric shocks," and how either market mechanisms and/or policy responses might help to rebalance off-kilter economies.⁹ A relatable example is to compare France

⁹Bibow, Jörg. "The Euro Debt Crisis and Germany's Euro Trilemma." *SSRN Electronic Journal*, 2012, doi:10.2139/ssrn.2060325.

and Italy, two of the largest and most influential economic players in Europe. Consider a hypothetical shift in the wine market, with a newfound international interest in Italian over French. Ordinarily, these types of competitive markets would have currencies that would be reflected in their respective exchange rates—in a monetary union though, this is not possible. This leads to out-of-sync cyclical positions and trade imbalances between the two markets subjected to the asymmetric shock. Bibow explains that an easy way to counter asymmetric shock involves exchange rate realignment.¹⁰ Since this is not an option in a monetary union, the same outcome could be achieved through wage-price flexibility, with an “internal devaluation” in France (now that no one wants their wine anymore) and/or the opposite in Italy (in our example, an internal increase in value).

According to Optimum Currency Area (OCA) theory, common wage bargaining—or wage coordination—is critical in preventing asymmetric shocks and sustaining a monetary union.

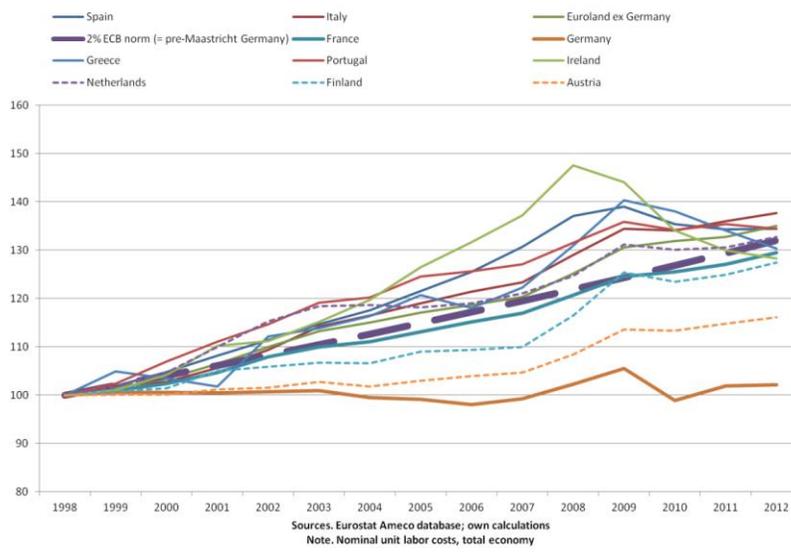


Ironically, we see Germany departing from its own historical stability norm, with potentially catastrophic effects for the Euro. Upon creation of the EU, the ECB defined price stability as an EU-wide Harmonized Index of Consumer Prices with an inflation rate of about 2 percent. In the absence of any asymmetric shocks that require adjustment in relative competitiveness positions, this implies that national unit labor trends should converge to 2 percent¹¹. Agreement of all EU countries to comply with this common 2 percent trend would be in line with commitment to a uniform inflation rate, as well as signifying the avoidance of any devaluation strategies to internally compete. Bibow states that at the start of the Euro most of Europe had fully converged to the historical German norm of 2 percent and has stayed close to that ever since—except for Germany itself. Starting in 1996, Germany shifted *down*, and established its own new, lower standard of zero nominal labor cost inflation.

¹⁰Bibow.

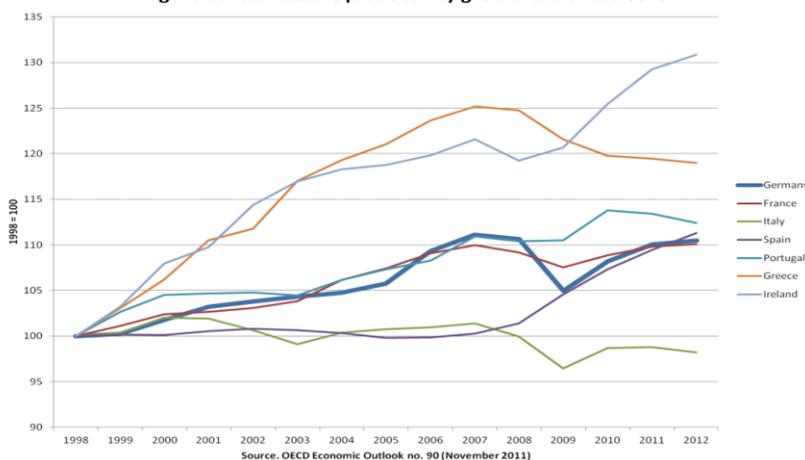
¹¹ Maastricht Treaty, Article 103 Sec. 1.

Figure 9. Germany departed from its own historical 2 percent norm



As shown in Figure 9 above, Germany was significantly repressing its wages in the years leading up to the crisis meaning, misrepresenting its productivity and domestic labor output.¹² We would expect that as productivity increases, unit labor costs (the cost of labor per unit of output) decreases. One of the more important things to take away from Figure 9 is that the decline in unit labor cost growth was not due to any increase in productivity growth, but to a decline in wage inflation. This wage restraint gave German exporters an extra boost, and a manipulative advantage. Interestingly, German productivity growth since 1998 was average, similar to that of France and Portugal. Ironically, Greece and Ireland actually outpaced the economic juggernauts over a 20-year period.¹³

Figure 10. Cumulative productivity growth under the euro

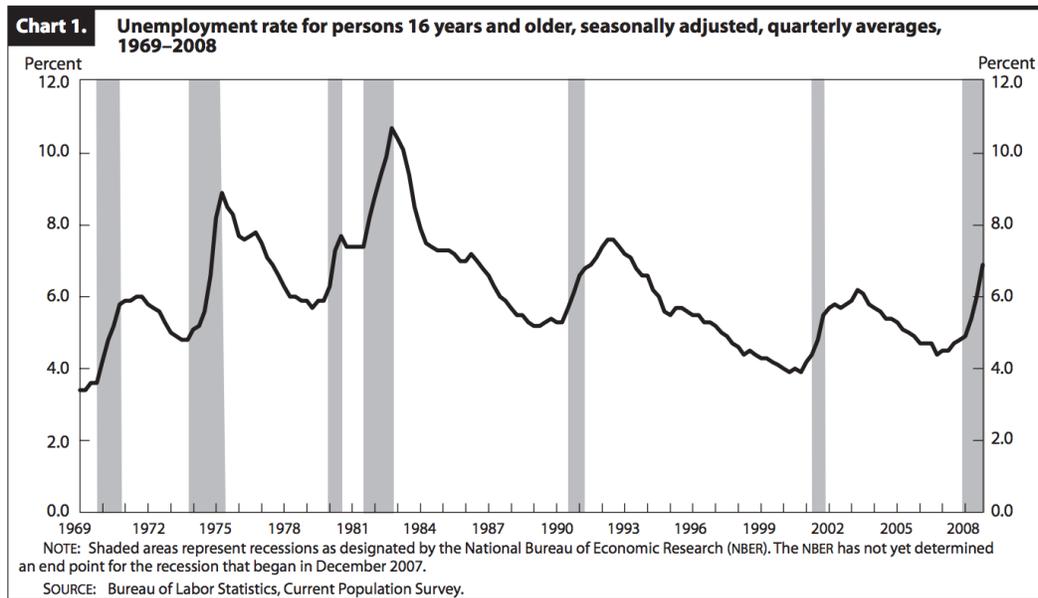


¹²Bibow.

¹³Bibow.

While this cannot explain the entirety of our recent global financial crisis, it certainly shifts the popular perception of a “lazy South” compromising economic prosperity for the “responsible” North. With wage repression largely contributing to Germany’s competitive gains inside the Euro area in the years leading up to the Recession, it is important to note that, just like inflation differentials, unit labor cost growth differentials are cumulative. If sustained over a number of years, as they were, divergent trends build up to massive distortions in relative competitiveness positions.¹⁴ Dem and Koetter’s model shows indications of financial stress, and Bibow’s data demonstrates the attempted remedies for the then-impending economic ills. Lagging productivity, competition, and political leniency toward economic red flags all contributed to Germany’s moral hazard leading up to the Recession. Although the implications are staggering, Germany was not alone.

Below is a table representing U.S. labor participation rates from 1969 until the most recent crisis:



Like Germany, we see lagging labor rates, years before the crisis occurred.¹⁵ Interestingly enough, in the table below we also see an increase in loan distribution rates during the same given period.

¹⁴Bibow.

¹⁵Michael Borbely, “U.S. labor market in 2008: economy in recession,” *Monthly Labor Review* (Mar. 2009): 3-19.

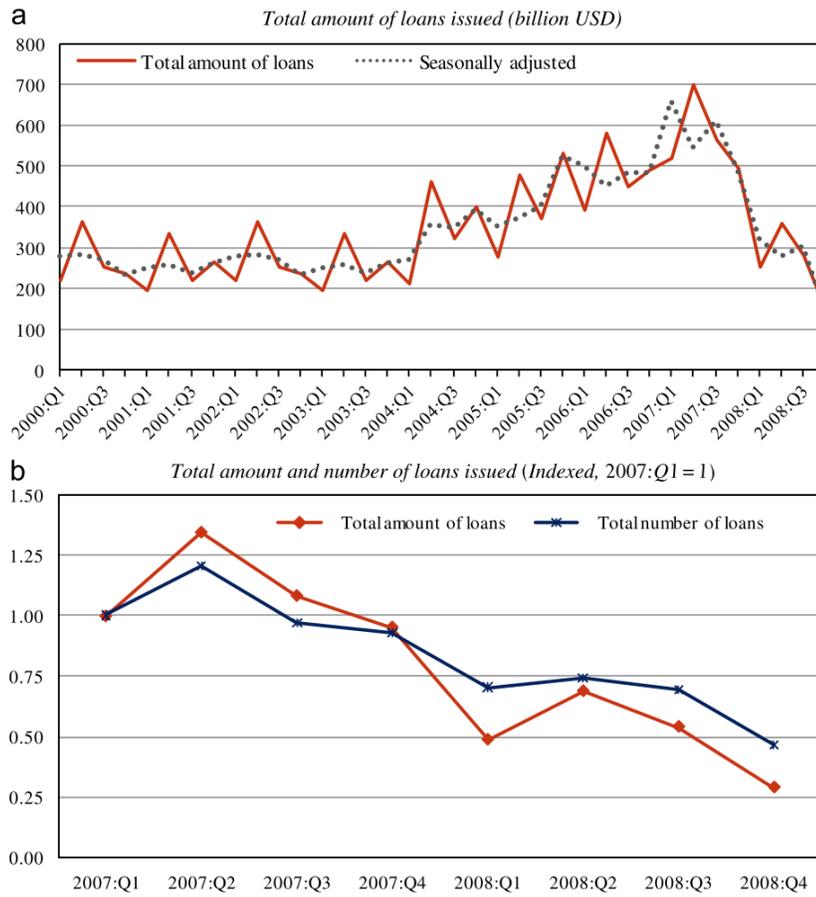
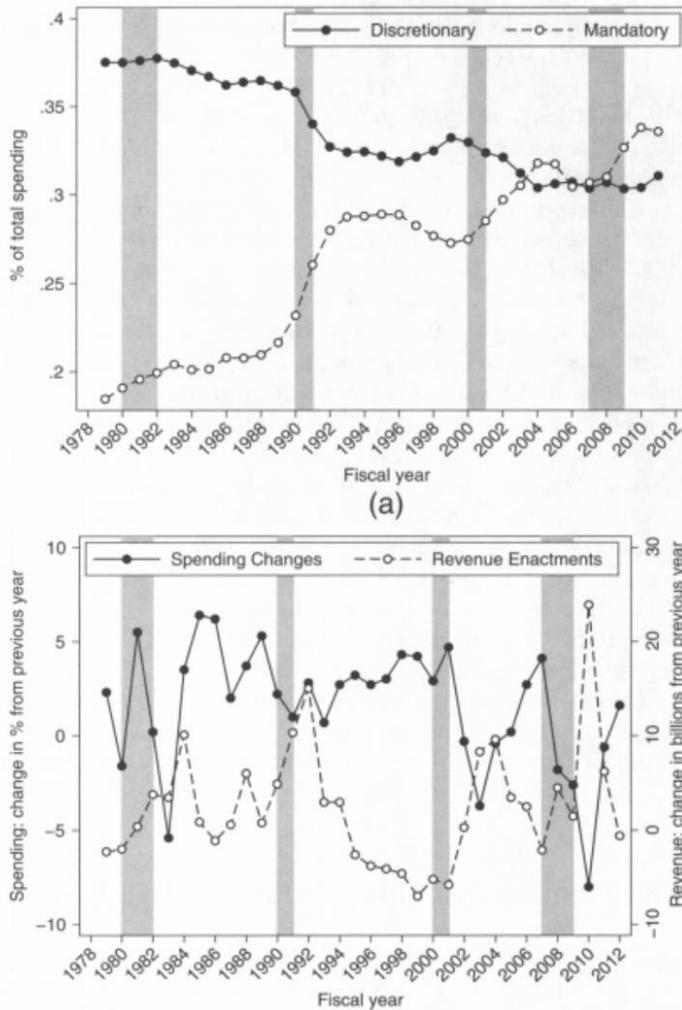


Fig. 1. Total loan issuance, U.S. corporate loans. The graph is compiled from the DealScan database of loan originations. Panel A: Total amount of loans issued (billion USD); Panel B: Total amount and number of loans issued (Indexed, 2007:Q1 = 1).

In the 3-4 years leading up to the Recession, labor rates fall, but the distribution of loan issues increases.¹⁶ This pattern mirrors Germany’s as well. Additionally, as seen in the table below, the amount of spending in the years prior to the Recession actually increased by state.

¹⁶Victoria Ivashina and David S. Scharfstein, “Bank Lending During the Financial Crisis of 2008,” SSRN Electronic Journal (2009). doi:10.2139/ssrn.1297337.

FIGURE 1
Trends in State Fiscal Policy, 1979–2012



There are various arguments for the reasons behind these indicators. Some economists argue that this was part of a natural cycle, while others stand firmly behind the idea that there was a great deal of negligence on the part of the U.S. government. Either way, a commonality endures with Germany. In the years preceding the financial crisis, increased government spending accompanied a lower labor participation rate, coupled with increased loan issues. From a moral hazard perspective, the defining elements are present. Falling labor rates should typically signal tightened monetary policy, but in both Germany and the United States the inverse resulted. However, one of the most important differences between Germany and the United States was the ability to print money. The United States is not part of a monetary union, and therefore has the ability to print its own currency without the need for accompanying reserves (like gold). This is in part due to policies that, in the past, did not restrict policymakers from doing so. In the United States, states control their own budgets, and like Germany, maintain account imbalances in the years ahead of the Recession. As with Germany, policy and movements by political actors played an integral role in account imbalances and the responses to

them. Figure 4 below shows that raising traditional sources of state tax revenue—such as personal income tax, sales tax, and corporate income tax—was not common in the years preceding the Recession. As Campbell and Sances point out, between only 10 and 20 percent of states raised these taxes.¹⁷ In contrast, the lower three panels of the graph show that between 20 and 50 percent of states raised “other” taxes—a category they indicate includes alcohol, tobacco, and gasoline taxes—and between 20 and 40 percent of state fees. States also clearly dipped into reserves, which 46 out of 50 states had at the start of the Recession.¹⁸ About half of these states drew on those funds in the peak year of the Recession.

The implication here is obvious. Although with the data presented one cannot assume that policy makers abused their state budgets as a result of falling labor rates, it is clear that the discrepancy was mishandled - the question is why. The traditional forms of revenue production mentioned—raising income tax, sales tax, and corporate income tax—all have policy (and re-election) implications for a state legislator or politician. Raising the tax on cigarettes and alcohol holds significance in a different way than increasing the overall sales tax - raising income and corporate tax is a highly politicized issue in every single election, regardless of political party or agenda. 2008 was a Presidential and Senatorial election year. In 2006, two years before the Recession, Congressional seats were up for re-election in every state. We do not need regression analysis to tell us why congressmen shied away from increasing the appropriate tax measures to re-balance their state budgets a year or two before they faced re-election. We see here though that, like Germany, both the conditions of political control and budget and labor shortfalls were present in the years leading up to the crisis.

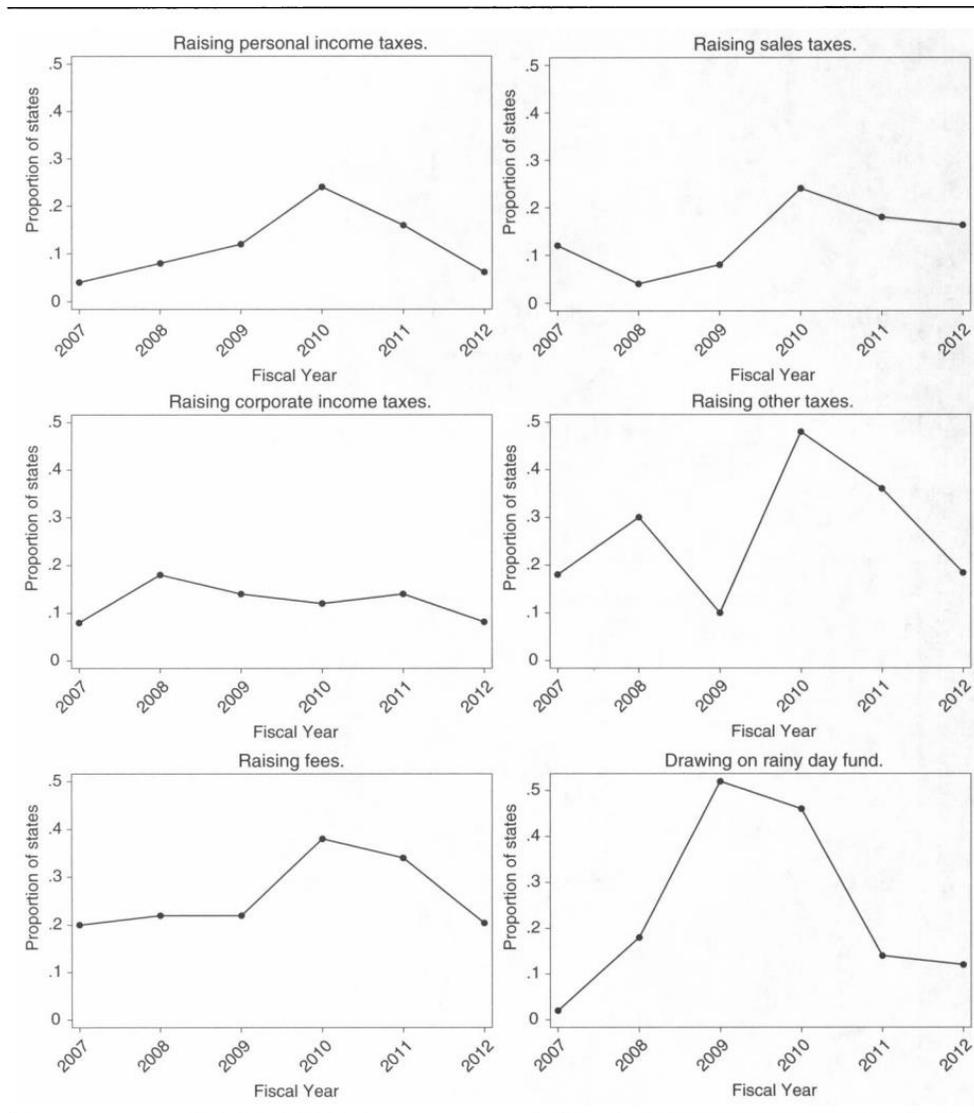
Many argue that de-regulation in 1982 was the seed of the financial crisis with the passing of the Garn-St. Germain Depository Institutions Act. This removed restrictions on loan-to-value ratios for banks, which lenders and others used to understand how risky a loan was. It is also utilized for approving loans or requiring mortgage insurance. However, the early eighties brought a period of economic “revolution” with President Reagan’s trickle-down policies. The economy appeared to be improving by deregulation and the idea that allowing for more money at the upper echelons of the economy would eventually have a rippling effect on the rest of the country. Many argue though that this period facilitated imbalanced budgets, reckless lending, and overall structural weaknesses that led to the collapse of the U.S. financial system almost 20 years later.¹⁹

¹⁷Andrea Louise Campbell and Michael W. Sances, “State Fiscal Policy during the Great Recession,” *The ANNALS of the American Academy of Political and Social Science* vol. 650, no. 1 (2013): 252–273. doi:10.1177/0002716213500459.

¹⁸Campbell and Sances.

¹⁹Campbell and Sances.

FIGURE 4
State Strategies to Reduce or Eliminate Budget Gaps in the Great Recession



The United States and Germany were applied as examples here to represent two of the most influential, and thought to be stable, economic players in the world. It is standard in all financial markets to weigh the stability of foreign currencies against U.S. Treasury bonds, and Germany has long been considered the bastion of European economic stability for the European Union. Any discussion of the Great Recession would be remiss without discussing Greece though. Greece claimed its debt to be 6% of GDP for years before finally admitting its imbalances and correcting the figure to 13%. One factor to which many scholars attribute the account imbalance was political maneuvering and corruption. Loizides and Kovras show in the table below that, throughout the debt crisis, Spain

maintained a balanced budget, while Greece produced deficits almost double those of Portugal.²⁰ Table 2 portrays Greece as the “closest approximation” of majoritarianism in the region, marked by single-party majority governments and fewer parties in Parliament. Furthermore, cabinet stability/durability—based on strict party discipline, as they point out—has been a tenet of Greek economic growth since the consolidation of democracy. They present the idea that moderate voters choose between two parties that differ only slightly in socioeconomic policy. Swift succession in government more accurately reflects the electorate’s preferences, punishes a failure to perform, and increases the likelihood of firm policy implementation.²¹ Yet this, as Greek experience illustrates, might not always be the case. Greek policies set a “lethal” institutional trap: to ensure the formation of a majority government, mainstream political parties had to rely on institutionalized electoral outbidding across a wide spectrum of issues²². Even small differences in the popular vote between the two main parties would mean that the victor could win parliamentary majority. Loizides and Kovras argue that this perpetuated a populist discourse and “clientelistic” network that attracted swing voters while maintaining the loyalty of partisan voters.

²⁰Iosif Kovras and Neophytos Loizides, “The Greek Debt Crisis and Southern Europe: Majoritarian Pitfalls?” *Comparative Politics* vol. 47, no. 1 (Jan. 2014): 1–20. doi:10.5129/001041514813623164.

²¹Iosif Kovras and Neophytos Loizides, “The Greek Debt Crisis and Southern Europe: Majoritarian Pitfalls?” *Comparative Politics* vol. 47, no. 1 (Jan. 2014): 1–20. doi:10.5129/001041514813623164.

²²Iosif Kovras and Neophytos Loizides, “The Greek Debt Crisis and Southern Europe: Majoritarian Pitfalls?” *Comparative Politics* vol. 47, no. 1 (Jan. 2014): 1–20. doi:10.5129/001041514813623164.

Table 1 Executive Performance: Administration, Economy, and Accountability

Country	Government Effectiveness (1996–2009)	Functioning Government (2006–2010)	Budget Balance (1996–2009)	Control of Corruption (1996–2009)
Greece	0.79	7.14	-5.9	0.84
Ireland	1.62	8.57	0.6	1.60
Spain	1.40	7.98	0.5	1.16
Portugal	1.11	7.97	-3.3	1.20

Source: Arend Lijphart, *Patterns of Government Forms and Performance in Thirty-six Countries*, 2nd edition (New Haven: Yale University Press, 2012).

Table 2 Indicative Variables of Majoritarianism

	Minimal Winning One-Party Cabinet (1981–2010)	Number of Parliamentary Parties (1981–2010)	Cabinet Durability (in months, 1970s–2009)
Greece	97.7%	2.32	34.6
Ireland	31%	2.95	34.1
Spain	55.4%	2.85	40.1
Portugal	71.6%	2.61	34.4

Source: Arend Lijphart, *Patterns of Government Forms and Performance in Thirty-six Countries*, 2nd edition (New Haven: Yale University Press, 2012).

Table 1 shows Greek government deficits and how they differ considerably from other Southern European countries. Loizides and Kovras argue that the vicious cycle of constant competition between the two major parties was at fault.

Referring back to the American example of budget imbalances and the data surrounding the mitigation of imbalances by individual states, we see a similarity. The effect is not as severe within American states as it is in Greece, perhaps because there are other states to (presumably) balance out the total federal budget whereas the total population of Greece is affected by these extremely tight-lined elections. Regardless, the pattern of neglecting seemingly urgent financial vulnerabilities near their respective election dates re-emerges in Greece as it did with the United States and Germany as well. The institutionalization of electoral outbidding, coupled with the dominance of populism and clientelistic networks, made the public sector an instrument of party politics.²³ According to the OECD, Greece is the “OECD member with the highest share of its active workforce employed in

²³ Iosif Kovras and Neophytos Loizides, “The Greek Debt Crisis and Southern Europe: Majoritarian Pitfalls?” *Comparative Politics* vol. 47, no. 1 (Jan. 2014): 1–20. doi:10.5129/001041514813623164.

public corporations” (12.8 percent in 2008, for a total of 692,000).²⁴ It also estimates that since the 1980s, the public sector has doubled due to the instrumental use of public resources in electoral outbidding. In addition, besides targeting median voters nationwide, political parties have invented new critical constituencies and alliances within the public sector and created partisan “armies” within civil service. Greek public-sector workers have the opportunity for tenure, but they must seek the support of MPs to gain any permanent position or renew their existing contract. As an even stronger evidence of jeopardizing economic stability for political gain, the two researchers point out that leading Greek government officials even admitted that governments purposefully relaxed tax audits in the months preceding elections—particularly in regions where critical votes were needed—leading to a free fall in the collection of taxes.

As presented in this paper, government guarantees are one of the main driving forces behind both stability, and total ruin, of national and international economies. The international economy is far too intertwined for any large part of it to not be priced or represented at its true value. As explained earlier, the stability of many bonds and notes throughout the world is dependent on the U.S. Treasury yield. If the U.S. Treasury yield, which is influenced by interest rates, inflation, and economic growth, is distorted in any way, what happens? If lagging job participation in the United States is masked by political and economic manipulation for the purposes of political ambition, the true rate is ignored and reported through distortion. Other countries, like Germany, who need to compete and not fall economically behind, repress wages to mask any weaknesses in their system. Further countries, like Greece, do the same not only to economically compete but also to maintain political power both at home and abroad. The cycle continues, without a correction, and countries all over the world base the stability of their currencies against two currencies (the U.S. Dollar and the Euro) that need price corrections themselves. Of even greater consequence, these reported creditors then lend to countries like Greece at the same rate as sovereigns with less credit risk. This, of course, is a very narrow representation of only one example of a potential shock. The vital point to understand is that the international economy is far too interconnected for shocks or distortions to be fully contained to one area.

Currently, with what has been presented in this paper, we see that when financial vulnerability, political volatility, and government influence in the banking sector are all present simultaneously, the consequences of moral hazards are observed. In Germany, the probability of expecting bailouts in times of political elections coupled with weak economic factors was actually modeled to show that risk-taking was increased. In the United States, at both the state and federal level, banks and legislatures mismanaged their respective funds in compensating for an underreported job market. Combined with overvalued loans, this suppressed the intensity of the problem, and eventually imploded. Greece’s government, as the most egregious example, quite literally used taxes as a game pieces to obtain political power, underreported its effects, then relied on the European Union for assistance. Europe tends to follow the trends that Germany sets, and recognizing that even Germany was at fault for many of the profligate sins it accused Southern European countries of is important in understanding the global vulnerability of moral hazard. The United States, even more so than Germany, is relied upon so heavily for economic stability that a wrong move can have catastrophic side effects on other countries. This was explicitly stated on July 30, 2007 in a news article by the New York Times with the headline: “German bank becomes first EU victim of subprime mortgage woes.”²⁵ The article speaks of previously mentioned Bundesbank, a bank that provided loans to medium-sized companies. Bundesbank told *The New York Times* that its investments in the financial instruments that fueled the

²⁴Kovras and Loizides.

²⁵Carter Dougherty, “German bank becomes first EU victim of U.S. subprime mortgage woes,” New York Times (New York, NY), July 30 2007.

subprime lending industry in the United States were sinking in value, and thus threatening its own credit-worthiness.

It is important to note that dozens of countries took excessive risks when they certainly did not have the reserves to back them up. Larger states, like Germany and the United States, have large and diverse enough economies that they have pushed through. For smaller countries though, like Greece, Portugal, Italy, Spain, and Ireland, the recovery might not be as thorough. This presents implications for the future, and a necessary focus on reforms. Moreover, inter-governmental reliance on political institutions that operate outside the scope of the United States or Europe only increases the probability of the consequences of moral hazard.

Another crucial element is the response to these problems, and how responses risk making it worse. For the Great Recession, both in the United States and in Europe, governments answered with bailouts. Many argue that the bailouts themselves only perpetuated the cycle of moral hazard. Logic could surely dictate that although the most recent shock was exceptional and no country would want to be put in a similar position again, it does not necessarily exclude that from ever happening. One suggested reform is introducing *ex ante* conditionality to bail-outs. This idea is centered around making the level of bailout conditional on the quality of domestic policies in the financial sector. The Council On Foreign Relations Task Force has suggested that the IMF distinguish countries on the basis of their compliance with a set of standards and good practices, and publish regular reports assessing countries' progress in meeting these standards (similar to a credit-rating agency, but autonomous). Another suggestion is that IMF lending be restricted to a group of countries selected for the soundness of their banking policies, and countries not within this group would be excluded altogether.²⁶ Increasing the price, as has been suggested by countless officials and media outlets, is also another suggestion. This would make it more costly for countries to borrow from the IMF, with the addition of a penalty rate. Of all the suggestions for reforms, this seems the least likely to reduce moral hazard. If a successive downfall is observed again like the Great Recession, the increased rates on loans from the IMF could become essentially obsolete if enough countries could not afford to pay them.

The snowball effect of risky practices and financial vulnerabilities lends itself to the question: what will prevent future crises like this, once the memory of the Great Recession begins to wane? The conditions that accompany moral hazard, as presented in this paper, are certainly not new. What is new, is the connectivity and interdependence of not only the global economy, but political institutions as well. The puzzle of Europe's ever-changing alliances and economic strongholds is a prime example of this. The United States, although an economic, military, and political superpower on its own, is now indebted by 1.06 trillion dollars to foreign states, with 1.24 trillion of that held by communist China. According to the U.S. Treasury, China owns about 10% of publicly held U.S. debt.²⁷

This paper shows certain conditions that accompany excessively risky lending during periods of tumultuous economic and political activity. Perhaps the most important are indicators of lagging productivity or job growth. Countries seem to mask this true effect (thus affecting pricing in international markets relative to their bond and asset values) by distorting or manipulating other areas of reporting and/or lending. Secondly, proximity to electoral activity often accompanies the mismanagement of economic vulnerabilities that can be dealt with, but would potentially jeopardize, political outcomes or ambitions of the particular player.

²⁶O. Jeanne and J. Zettelmeyer, "International bailouts, moral hazard and conditionality," *Economic Policy* vol. 16, no. 33 (Jan. 2001): 408–432. doi:10.1111/1468-0327.00080.

²⁷ *Treasury International Capital (TIC)*, ticdata.treasury.gov/Publish/mfh.txt.

The discussion surrounding proper reforms is varied, but any research moving forward should fully take into account the vulnerability of any state, large or small, to fall into the cycle of moral hazard as it relates to credit, lending, and managing financial and fiscal policy. Based on what has been observed, the only viable way forward is beginning from the lowest levels, be they state or community, to correct financial errors as they begin to occur. Stricter rule-based policies could achieve this, but then present the risk of over-regulating capital markets in the face of global integration. As such, further research is needed to find where the equilibrium lies between stop-losses that are built in to prevent further financial manipulation while still maintaining capital inflows. In order to appropriately find such equilibrium balance, it is crucial to take into account that any country or political actor is equally vulnerable to commit such manipulations.

Why Do Cease-Fire Agreements Mediated by Third Parties Fail?

Syrian Cases 2011-2016

Kazumichi Uchida

INTRODUCTION

Why are cease-fire agreements mediated by third parties likely to be short-lived?

Scholars and practitioners generally believe that to end civil wars, they should employ third party mediators to halt violence and protect the combatants.¹ Among them, they argue, the most critical factors are security guarantees and power sharing guarantees that third parties provide for the combatants.² All combatants in civil wars fear that even if they reach ceasefire agreements, their opponents will not comply and, instead, exploit them. They are afraid that soon after they conform to the agreements and disarm, their opponents will betray them and attack them again. In other words, “the reason civil war negotiations fail is that it is almost impossible for the combatants themselves to arrange credible guarantees on the terms of the settlement.”³ To resolve the problem, Barbara Walter postulates that third parties should provide combatants with both security guarantees and power sharing guarantees.⁴ The former guarantees that groups will be protected, violations detected, and promises kept.⁵ The latter guarantees combatants independent control over key leadership positions to insulate them from future harm and to prevent their rival from consolidating power.⁶ Scholars argue that only if third parties guarantee both physical and political safety will combatants terminate civil wars peacefully.

In this essay, I will prove that cease-fire agreements mediated by third parties fail by demonstrating that the guarantees third parties provide for combatants worsen the commitment problem. I will begin with a review of current peacemaking theories. In the model section, I will use game theory to demonstrate that both the security and power sharing guarantees third parties provide for combatants worsen the commitment problem instead of resolving it, which results in the failures of cease-fire agreements. In the case studies section, I demonstrate that both power sharing and security guarantees are significantly associated with civil war duration by using Syrian cases from 2011 to 2016. In the conclusion, I sum up this study with a few remarks.

LITERATURE REVIEW

There are two schools of thought concerning the peaceful conclusion of civil wars: the Walter hypothesis and the Wagner hypothesis.⁷ The former insists on negotiated settlements, which employ

¹ Monica Duffy Toft, “Ending Civil Wars: A Case for Rebel Victory?,” *International Security*, Vol. 34, No. 4 (Spring 2010) p.7.

² Barbara F. Walter, *Committing to Peace: The Successful Settlement of Civil Wars* (Princeton and Oxford: Princeton University Press, 2002) pp. 26-31.

³ *Ibid.*, p. 5.

⁴ *Ibid.*, p. 3.

⁵ *Ibid.*, p. 26.

⁶ *Ibid.*, p. 30.

⁷ Monica Duffy Toft, “Ending Civil Wars: A Case for Rebel Victory,” *International Security*, Vol. 34, No. 4 (Spring 2010) p. 7. She called the schools “Negotiated Settlements” and “Give War a Chance.”

third party resources to halt the violence and preserve the combatants.⁸ The latter insists that negotiated settlements are more likely to break down than settlements based on military victory.⁹

Barbara Walter, for whom the school of thought is named, argues that “negotiations will succeed and promises to abide by the terms of the settlement will be credible only if a third party is willing to enforce or verify demobilization and only if the combatants are willing to extend power sharing guarantees.”¹⁰ She argues that a ceasefire agreement creates a potentially devastating opportunity for post-treaty exploitation. Over the short-term, the government and rebels will be obligated to demobilize, disengage, and disarm their separate militaries to eliminate competing armies and rebuild a single, national military force. Over the longer-term, combatants will be required to hand over conquered territory to a new central government, over which neither side would possess full control. “This dual process creates two opportunities for exploitation, and this is the reason so many civil wars fail to end with successful settlements,” she argues.¹¹ The fear of post-treaty exploitation can convince factions in a civil war to retain their weapons and reject settlements even if both sides would otherwise prefer peace over armed conflict. In contrast, combatants who are certain that an outside power will enforce or verify demobilization and are guaranteed leadership in the first postwar government will voluntarily sign and implement a peace agreement; combatants who lack third party guarantees will not.¹² Walter calls it a “credible commitment theory.”¹³ Therefore, this school strongly recommends that third parties should provide guarantees of both *security* and *power sharing* for combatants so that those combatants can reach agreements in the first phase. To resolve the commitment problem, third parties should guarantee combatants’ physical and political safety.

The problem with this hypothesis is that we do not observe it in the real world. For instance, as we will see in the case study section below, since June 30, 2012 at the Geneva Conference, most of actors engaged in the Syrian conflict have decided to push for a transnational government in Syria¹⁴; however, both the Assad regime and the rebels have broken the ceasefire agreements and continued to fight. It seems that both sides made use of the security guarantees that the third parties provided for them to offend their opponents and to expand their influence over the country instead of defending themselves. Therefore, we should reconsider what roles the third-party security play in civil wars. Do they really resolve the commitment problem, or do they worsen it?

The main point of the second school, the Wagner hypothesis, is that even if combatants reach agreements temporarily, power shifts in favor of the dissatisfied cause conflicts in the future. As time passes, the power balance among them will change in favor of the dissatisfied, and the dissatisfaction will explode in the form of military force at some point.¹⁵ If the power balance among the combatants changes while their aims do not, war may break out. Edward Luttwak further argues that a ceasefire actually intensifies and prolongs the struggle once it ends because “it tends to arrest war-induced exhaustion and lets belligerents reconstitute and rearm their forces.”¹⁶ By reaching agreements

⁸ Monica Duffy Toft, “Ending Civil Wars: A Case for Rebel Victory,” *International Security*, Vol. 34, No. 4 (Spring 2010) p. 7. She called the schools “Negotiated Settlements” and “Give War a Chance.”

⁹ Roy Licklider, “The Consequences of Negotiated Settlements in Civil Wars, 1945-1993,” *American Political Science Review*, Vol. 89, No. 3 (September 1995) p. 685.

¹⁰ Barbara F. Walter, *Committing to Peace: The Successful Settlements of Civil Wars* (Princeton and Oxford: Princeton University Press, 2002) p. 5.

¹¹ *Ibid.*, p. 21.

¹² *Ibid.*, p. 33.

¹³ *Ibid.*, p. 6.

¹⁴ Karen De Young, “Syria Conference Fails to Specify Plans for Assad,” *The Washington Post*, June 30th, 2012, https://www.washingtonpost.com/world/national-security/syria-conference-fails-to-specify-plan-for-assad/2012/06/30/gjQAsPfeEW_story.html?utm_term=.daf30ac2d843

¹⁵ Robert Harrison Wagner, “The Causes of Peace,” in *Stopping the Killing: How Civil Wars End*, ed. Roy Licklider (New York: New York University Press, 1993) p. 260.

¹⁶ Edward N. Luttwak, “Give War a Chance,” *Foreign Affairs* (July/August 1999) p. 36.

temporarily belligerents are able to buy time to get ready for revenge. Therefore, Luttwak argues, peace can happen either when all belligerents become exhausted or when one wins decisively. Fighting must continue until a resolution is reached.¹⁷

The problem with this hypothesis is that it is not realistic for the international community to stay on the sidelines until one side in a conflict is completely defeated. For instance, if a large number of refugees flood into the neighboring countries, there is a possibility that they disturb the stability of those neighboring countries. Therefore, the international community should take measures to terminate civil wars.

Both the Walter hypothesis and the Wagner hypothesis are significantly flawed. Specifically, regarding to the Walter hypothesis, both governments and rebels seem to make use of the security guarantees the third parties provide for them in order to escape from the burdens of power sharing guarantees and to expand their influence all over the country, prolonging the civil war. In the next section, we will see exactly what roles both guarantees play in civil wars by using simple game theory.

GAME THEORY MODEL: GOVERNMENT AND REBEL

I. Prisoner's Dilemma Game (Before Intervention)

This section will focus situation before third parties intervene in civil wars. There are two players: *government* and *rebel*. Each player has two options: *negotiation* and *attack*. The profits and outcomes of each action can be summarized in the chart below.

Table 3.1 Game Structure before Intervention

		Rebel	
		Negotiation	Attack
Government	Negotiation	(3, 3) Peace	(1, 4) Breakdown
	Attack	(4, 1) Breakdown	(2, 2) Total War

There are three types of outcomes: peace, breakdown, and total war. First, if both players choose to negotiate, they can reach a ceasefire agreement and achieve peace. Second, ceasefire agreements break down if one of them chooses to negotiate, while the other chooses to attack. In this case, either player breaks the ceasefire agreement and attacks the other unilaterally. Finally, total war breaks out if both players choose to attack.

¹⁷ Edward N. Luttwak, "Give War a Chance," *Foreign Affairs* (July/August 1999) p. 26.

The players' preference in this game is the following:

Breakdown (Attack) > Peace > Total War > Breakdown (Attacked)

Both sides gain most if they attack one-sidedly and take advantage of the opponent's vulnerability. They lose nothing if they reach a cease-fire agreement and achieve peace. They lose most if the opponent betrays them and they are attacked one-sidedly, because they are unprepared for fighting, and thus, damaged significantly. The structure of the game is the same as the classic prisoner's dilemma.

In this game, each player prefers "Attack" to "Negotiate and Be Attacked" because they are afraid of being betrayed, even if they intend to negotiate with the opponent. As a result, both of them choose "Attack" and thus reach "Total War" in equilibrium. This is how total wars break out before third parties are able to intervene.

II. Chicken Game (After Intervention)

This section will focus on the situation after third parties intervene in civil wars. The players and their options remain the same as above. However, their profits change.

Table 3.2 Game Structure after Intervention

		Rebel	
		Negotiation	Attack
Government	Negotiation	(2, 2) Peace	(3, 4) Breakdown
	Attack	(4, 3) Breakdown	(1, 1) Total War

The players' preference in this game is the following:

Breakdown (Attack) > Breakdown (Attacked) > Peace > Total War

The reason why Breakdown (Attacked) is the second-best preference is because third parties guarantee their security by stationing their troops or mediating fights, thus they lose less even if the opponent betrays and attacks them unilaterally. All combatants attempt to make use of the security guarantees provided by third parties in order to attack the opposite groups one-sidedly because they stand to lose less by striking first.

In this game, both sides fear losses (2, 2) if both choose to negotiate and achieve peace. This is because third parties might impose power sharing on them against their will at the negotiation table. Parties cannot exert their own will even if they achieve peace. Basically, neither side trusts the other

so they fear power sharing after the war. Instead, they prefer to keep fighting with security guarantees provided by the third parties rather than having the major burden of power sharing at the negotiation table.

The outcomes of this game are (Attack, Negotiate) and (Negotiate, Attack) in equilibrium. Thus, they reach “Breakdown” in the game, and either side breaks the ceasefire agreement and commences fighting again. In general, a game with this structure is called as a “chicken game,” because both players have their respective escape routes; however, if one of them chooses to escape, then the other gains the most. On the other hand, if neither side chooses to escape, then both the parties face significant losses. In this case, both the government and the rebels have their respective escape routes and chances to disarm; however, if either of them chooses to disarm, while the other does not, then they possess less of an advantage compared to the other player. If neither chooses to disarm, then both face significant damages. Therefore, they reach a “Breakdown” in this game, in which either side breaks the ceasefire agreement and starts using force again.

This is how interventions by third parties end up prolonging civil wars. Third parties provide both power sharing and security guarantees for the combatants. However, both the government and rebels make use of the security guarantees to escape from the burdens of power sharing. This demonstrates that the security and power sharing guarantees that third parties provide for combatants do not resolve the commitment problem, but rather worsen it.

TEST OF THE THEORY

From the model, the following hypothesis will be tested below:

1. From March 2011 to February 2016, third parties did not work closely together to end Syrian conflicts, providing neither security nor power-sharing guarantees, which resulted in the civil war in a full scale.
2. On February 2016, the United States and Russia, both of which are capable of providing both security and power sharing guarantees, reached ceasefire agreements, which have been short-lived.

The outcomes vary sharply across time, creating a good example for multiple within-case comparison tests.¹⁸

[Term I: March 2011- September 2016]

On March 18, 2011, Syrian policemen arrested some children for drawing politically charged caricatures on a wall in the city of Dara’a.¹⁹ On the same day, thousands of citizens held demonstrations in the streets to demand the release of the children, with six people killed by police fire.²⁰ The demonstrations spread to larger cities such as Aleppo. President Bashar al-Assad responded with repressive action.

Great powers took a variety of measures against the repression of the Assad regime, making efforts to achieve ceasefire agreements between the Syrian government and major opposition groups such as the Free Syrian Army. For instance, on August 18, 2011, U.S. President Barack Obama called

¹⁸ Stephen Van Evera, *Guide to Methods for Students of Political Science* (Ithaca: Cornell University Press, 1997) pp. 58-63.

¹⁹ The Editors of the Encyclopedia Britannica, “Syrian Civil War: Syrian History,” *The Encyclopedia Britannica* (February 28, 2018). <https://www.britannica.com/event/Syrian-Civil-War>.

²⁰ The New York Times, “In Syria, Crackdown after Protests,” *The New York Times* (March 18, 2011). www.nytimes.com/2011/03/19/world/middleeast/19syria.html?_r=0.

for the resignation of President Assad.²¹ On the same day, EU countries also demanded his resignation.²² Then on September 2, the EU decided to ban all imports of Syrian oil.²³ At the time, the United States and Russia could not reach any agreements that enabled them to provide both security and power-sharing guarantees for the Assad administration and Syrian rebels. Meanwhile, on June 3, 2012, president Assad officially declared that he had decided to use military forces instead of policemen and secret services to repress the rebel groups.²⁴ This is how a civil war broke out in a full scale in Syria.

On January 2, 2013, the Syrian Observatory for Human Rights, an NGO based in London, announced that more than 60,000 people had been killed since anti-government demonstrations began in 2011.²⁵

[Term II: From September 2016 on]

The five permanent members of the UN Security Council, EU representatives, and the League of Arab States issued a joint communiqué on June 30, 2012.²⁶ This was the point when third parties started working closely together to settle the civil war in Syria. Due to the ongoing Geneva Peace Talks that had continued in several iterations between 2012-2016, on February 23, 2016, the Syrian government and a major opposition group announced that they would observe a conditional pause in the fighting.²⁷ However, on April 19, 2016, government warplanes attacked a crowded market in the northwestern Syrian town of Maarat al- Noaman, killing dozens of people.²⁸ This attack illustrated the fragility of the conditional agreements to stop fighting between Syrian government forces and some armed opposition groups.

After intensified fighting and a vow by Bashar al-Assad to retake the entire country, a ceasefire negotiated by Russia and the United States officially took effect on September 12, 2016.²⁹ However, on September 19, a humanitarian aid convoy was attacked.³⁰ As a result, the Syrian military declared that a seven-day partial ceasefire was over and immediately began intensive bombardments of rebel-held areas in Aleppo.

These cases in Syria provide significant support for my model. When third parties do not provide either security or power-sharing guarantees for combatants, a full-scale civil war breaks out; yet, when third parties provide both of the guarantees, ceasefire agreements are short-lived.

²¹ Colum Lynch, "U.N. Blasts Syrian Leaders on Human Rights," *The Washington Post* (August 18, 2011).

https://www.washingtonpost.com/blogs/checkpoint-washington/post/un-blasts-syrian-leaders-on-human-rights/2011/08/18/gIQAvduBOJ_blog.html?utm_term=.d6278eede847.

²² Steven Lee Myers, "U.S. and Allies say Syria Leader Must Step Down," *The New York Times* (August 18, 2011).

<http://www.nytimes.com/2011/08/19/world/middleeast/19diplo.html>.

²³ Nada Bakri and Steven Erlanger, "E.U. Bans Syrian Oil as Protests Continue," *The New York Times* (September 2, 2011).

<http://www.nytimes.com/2011/09/03/world/middleeast/03syria.html>.

²⁴ Alexander Valiente, "President Assad's Speech, on June 3, 2012," *Syria 360: Reporting On Events in Syria and the Middle East*.

<https://syria360.wordpress.com/2012/06/03/president-assads-speech-june-3-2012/>.

²⁵ Syrian Observatory for Human Rights, "Killing Continues in Syria," (March 1, 2013). <http://www.syriahr.com/en/?p=3656>.

²⁶ <http://www.un.org/News/dh/infocus/Syria/FinalCommuniqueActionGroupforSyria.pdf>; Nick Cumming-Bruce and Rod Nordland, "Talks Come Up With Plan for Syria, but Not Assad's Exit," *The New York Times* (June 30, 2012).<http://www.nytimes.com/2012/07/01/world/middleeast/future-of-syria-on-agenda-as-countries-gather-in-geneva.html>.

²⁷ Anne Barnard, "Syrian Government and Rebel Group Agree to Partial Cease-Fire," *The New York Times* (February 23, 2016).

<https://www.nytimes.com/2016/02/24/world/middleeast/government-in-syria-and-main-opposition-agree-to-partial-and-conditional-truce.html>.

²⁸ Anne Bernard, "Syria Cease-Fire Crumbles as Bombings Kills Dozens," *The New York Times* (April 19, 2016).

<https://www.nytimes.com/2016/04/20/world/middleeast/syria-cease-fire.html>.

²⁹ Anne Bernard and Rick Gladstone, "Syria is Calmer, but Cautious as Cease-Fire Begins," *The New York Times* (September 12, 2016).

<https://www.nytimes.com/2016/09/13/world/middleeast/hours-before-cease-fire-assad-vows-to-recover-every-area-in-syria.html>.

³⁰ Anne Bernard and Michael R. Gordon, "Aid Convoys is Hit in Syria as Cease-Fire Falter and Bombings Resume," *The New York Times* (September 19, 2016). <https://www.nytimes.com/2016/09/20/world/middleeast/syria-aid-john-kerry.html>.

CONCLUSION

In the Walter hypothesis, scholars have argued that to resolve the commitment problem among combatants, third parties should provide them with both security guarantees and power sharing guarantees. However, the case studies above demonstrate that combatants are likely to make use of the security guarantees that third parties provide for them to escape from the burdens of power sharing, and thus, to prolong civil wars. Therefore, the guarantees that third parties provide for combatants worsen the commitment problem. We can call it, instead, a “commitment tragedy.”

The Walter hypothesis assumes that all combatants are “defensive,” i.e. that their priority is to defend themselves from opponents after civil wars end. However, the empirical results reveal that we should assume that all combatants are “offensive,” i.e. that their priority is to alter the power balance in their favor at the cost of humane lives. As we saw in the case study section, although Assad administration and rebel groups reached ceasefire agreements mediated by third parties in 2016, both sides later attacked in order to shift the power balance after the civil war. Third parties should take proper measures on the basis of this assumption in order to better terminate civil wars.

How to Understand the Sino-U.S. Rapprochement:

A Study on the American Perceptions of China from 1949-1972

Kaibo Wang

INTRODUCTION

U.S. President Richard Nixon's pivotal visit to the People's Republic of China (PRC) in 1972 came as a surprise to much of the world. After 25 years of tension, the American president—who represented the liberal world—visited Beijing, which was controlled by the Chinese Communist Party. Furthermore, the Shanghai Communiqué, which showed the willingness of the U.S. to coordinate with a communist country in opposition to the Soviet Union, was announced during Nixon's visit. Nixon called his trip “the week that changed the world.”¹ Why would the leader of the liberal Western Bloc visit China, a frightening and communist authoritarian regime? Nixon's diplomacy is only a surprise if one conceptualizes China simply as a dangerous communist enemy. However, I argue that the Sino-U.S. rapprochement is not so unexpected when one considers how American perceptions of China changed between 1949 and 1972. Assessing the relationship between China and the United States in a more complete cultural and historical context provides a better picture of the Sino-U.S. rapprochement.

It is important to grasp the role that perceptions played during the Cold War. During this period in the U.S., the PRC was usually characterized purely as a communist enemy. This oversimplification ignores the history of Sino-U.S. cooperation that led Americans to feel that China was “lost” after 1949. It also overlooks shifts in American ideology after the Sino-Soviet split. These two issues of perception paved the way for the Sino-U.S. rapprochement. Thus, the image of China as simply a communist adversary from 1949 to 1972 is misleading because it exaggerates the negative attitudes of the American public that were informed by the threat of the Cold War and perpetuated by misinformation and fear.

The reality of the Sino-U.S. relationship is indeed more complex. The feeling among American policymakers that China was “lost” after the PRC took control in 1949 indicates that America's former strategic plan actually required and aspired to good relations with China. The Truman government believed that China could be a valuable counterweight to the Soviet Union.² Additionally, when communist China publicly separated itself from the U.S.S.R. in the 1960s, the U.S. experienced an ideological shift where perceptions of China as a Cold War enemy gradually faded. This nostalgia for the former Sino-U.S. friendship and changing American beliefs about China were prerequisites for the rapprochement that occurred in 1972 and cannot be forgotten when considering American attitudes toward China.

The essay is divided into four sections. The first section discusses American perceptions of China during the Cold War. The second section re-examines the long history between the two countries and the “loss of China” as a way to comprehend the eventual Sino-U.S. rapprochement. The third section analyzes several shifts in the American perspective on Communist China: the negative images of Communist China were strengthened after both the Chinese Civil war and the Korean War

¹ “The Week That Changed the World”: The 40th Anniversary of President Nixon's China Trip, Wilson Center, Last modified May 15, 2017. <https://www.wilsoncenter.org/article/the-week-changed-the-world-the-40th-anniversary-president-nixons-china-trip#sthash.YCFtu4U.dpuf>.

² Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 254.

then, the Sino-Soviet split in the 1960s eventually improved the American opinion of China, which made the rapprochement possible. Finally, a conclusion will be drawn based on the discussion above.

AMERICAN PERCEPTIONS OF CHINA FROM 1949 TO 1972

In this essay, I define perception in two ways. Perception first includes visual images in the form of cultural icons and stereotypes. Second, perception describes more abstract feelings and ideas. After the Communist Party took control of China in 1949, there was almost no contact between the two countries. China was not clearly defined in the collective American consciousness consequently perceptions of the Chinese were reduced to stereotypes such as the Chinese characters in American films. The Chinese could be as kind as the Chinese-American detective Charlie Chan or as evil as Fu Manchu, a cunning Chinese criminal. Isaacs, an American journalist and scholar of China, describe the problem with a metaphor, “every wing in our long gallery of images of the Chinese has been in its way a hall of mirrors in which reflections have often seemed more real than the reality.”³ Because the American public did not know much about China, the characteristics of the Chinese conveyed by media and popular culture—whether they were correct or not— became central to the formation of the American perception of China.

The inaccurate perceptions of China were also strategically manipulated during the Cold War. As the scholar of Chinese history Bruce Cummings, “China, little known to most Americans... could become ‘China’, an issue that most people could be mobilized around because it stood for nothing in the American mind and therefore could stand for everything.”⁴ Because the people in each country had little contact with each other it was easy to manipulate American perceptions of China. For instance, Fu Manchu, the evil Chinese character, was shown on TV after the Communist Party won the war and took control of the mainland.⁵ The U.S. government did nothing to clarify these images and contributed to the characterization of the PRC as a dangerous and mysterious foreign threat. Well-respected historian Akira Iriye, who examines history from a cultural perspective, explained that, “the failure of the leadership to picture a clear image of Chinese-American relations was crucial in producing confusion and mutual animosity among the American people.”⁶

Things began to change in 1970s. In Nixon’s administration, fear of China as a communist threat was downplayed, “official press releases and public statements consistently omitted the term [‘the Chinese Communist Party’] and, rather than ‘Chairman of the Chinese Communist Party’, Mao Zedong was instead merely ‘Chairman’.”⁷

It is important to consider the historical and cultural factors that contributed to the Sino-U.S. relationship during this period. The “loss” of China and the American ideological shifts related to major geopolitical events are two influential aspects that should be studied in order to build to a more complete picture of the American perception of China.

³ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 215.

⁴ Bruce Cummings, *The Origins of the Korean War, vol. 2: The Roaring of the Cataract, 1947–1950* (Princeton: Princeton University Press, 1990), 107.

⁵ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 219.

⁶ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 267.

⁷ Steven Mosher, *China Misperceived: American Illusions and Chinese Reality* (New York: Harper Collins Publishers, 1990), 140.

THE “LOSS” OF CHINA: DISRUPTION OF U.S. STRATEGY AND NOSTALGIA FOR SINO-U.S. FRIENDSHIP

By generalizing China as a communist enemy during this period, people usually ignore a significant element of the historical American attitude towards China which was the “loss” of China. Isaacs defines the “loss” of China (or, more accurately, the loss of the Nationalist Republic of China when they were overthrown by the PRC in 1949) as “a loss of self-confidence, a loss of assurance about security and power...a loss of certainty about the shape of the world and America’s place in it, perhaps the loss of the hope and expectation that they could return to their private world...and be free without fear or concern to enjoy it.”⁸ He continues to argue that the Korean War consolidated the “loss” of China because the United States was forced to fight against the Chinese army on the Korean peninsula.⁹ Thus, the “loss” of China should be considered a significant factor in the American perception of China after 1949.

China was not only an ally during World War II and an important force in fighting the Japanese it was a key piece of America’s global strategy before 1949. The loss of China interrupted the United States’ plans for Asia and the Chinese could no longer act as an American ally to impede the spread of Communism. Prior to 1949, Americans believed that they were, “benevolent guardians and benefactors of China and the Chinese, as saviors, teachers, healers, protectors.”¹⁰ With missionary efforts, trade, and military cooperation, the U.S. believed China would become modernized through American efforts. In fact, the United States felt it had a special responsibility to cultivate China. “At the end of 119 years of Protestant missionary work in China, there were said to be somewhere between half a million and a million Chinese Protestants.”¹¹ When the Nationalist Party was in danger of defeat in 1948, the Truman administration passed the China Aid Act to provide \$125 million to support China.¹² However, all of America’s efforts were in vain after the victory of the Communist Party. People graduating from American educational institutions established in China began to work in a communist government.¹³ All the achievements realized and resources contributed to China’s success now fell to the hands of the Communist regime.

In addition to this frustration, the “loss” of China also disrupted American strategic planning in Asia after WWII. The Truman administration thought that “peace in the Pacific would depend on the replacement of Japan by a unified, democratic, and peaceful China.”¹⁴ Furthermore, American officials believed that “China offered the only real post-war market for American manufactured goods.”¹⁵ China, as an American ally in Asia, could aid in stabilizing regional politics and help the area resist the influence of the Soviet Union. However, communist China interrupted the American vision of post-war Asia. The Nationalist Party, which was supported by the United States, left mainland China and went to Taiwan after the victory of the PRC in 1949.

To make matters worse, the unexpected friendship between China and the U.S.S.R. completely ended any American hopes for friendly relations with China. Even for Stalin, a Sino-Soviet communist alliance was unpredicted to some extent. When Mao visited Moscow in 1949, Stalin was, “uncertain about the long-term viability of a communist leadership in Beijing, [and] aimed at getting a treaty that

⁸ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 191.

⁹ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 191.

¹⁰ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 193.

¹¹ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 206.

¹² Robert Sutter, *US-Chinese Relations Perilous Past, Pragmatic Present* (Lanham: Rowman & Littlefield, 2010), 50.

¹³ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 207.

¹⁴ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 254.

¹⁵ John Dower, *War Without Mercy: Race and Power in the Pacific War* (New York: Pantheon Books, 1986), 171.

was conducive to Soviet security rather than an alliance between two Communist-led states.”¹⁶ However, the ensuing Korean War consolidated the alliance between China and the Soviet Union. The Korean War dragged China into a conflict in direct opposition to the United States and firmly established China as a part of the Soviet Bloc.

Despite these issues, the Sino-U.S. rapprochement is not surprising when people recall the history of American-Chinese friendship before 1949 and the U.S.’s frustration over the “loss” of China. It is clear that cooperation with China to oppose the Soviet Union was not a new strategy formed in 1972. The “loss” of China is evidence that the American opinion of China once was positive and that this attitude shifted after 1949. With this in mind, it is misleading to conclude that Nixon’s visit to China was startling or unprecedented. In reality, this diplomacy was consistent with the American strategy pre-1949.

Moreover, the “loss” of China left Americans nostalgic for the former Sino-U.S. friendship and made China an attractive candidate for rapprochement. Iriye argues that “[America and China] had been ‘sister republics’, then wartime allies, and developed close connections through missionaries and educators. Images produced by such experiences had not totally disappeared and could be resurrected, made once again more authentic now that reconciliation was in effect.”¹⁷ Indeed, the former Sino-U.S. friendship was rediscovered in the 1970s. As more American elites noticed the importance of China and the possibility of using China to counter the U.S.S.R., they began to support more research on China. Media opinion also began to turn in favor of China. “American television stations began showing films of the Asian war in which the two countries had fought together against the Japanese enemy.”¹⁸ Once again, American perceptions of China were shifting.

One could argue that America’s friendship extended only to the Nationalist Party and no further. While the United States and Taiwan undoubtedly had, and continue to have, a special relationship, this does not explain the “loss” of China because the Nationalist Republic of China in Taiwan continued to cooperate with the U.S. after 1949. American president Eisenhower even visited Taiwan in 1960 to show his support. While the contested definition of “China” is not the focus of this essay, the key finding is that Nixon’s visit to China in 1972 was not the first time that America had considered China as a partner to resist the influence of the Soviet Union. Even after the PRC assumed power, nostalgia for the former friendship did not disappear. It served as historical background for Sino-U.S. rapprochement over two decades later.

IDEOLOGICAL SHIFTS: FROM COMMUNIST THREAT TO THE SINO-U.S. RAPPROCHEMENT

If the Americans only understood China as a communist enemy from 1949 to 1972, then it is impossible to understand the American ideological shifts towards communist China. Analysis of the American’s more nuanced perceptions of communist China during this period show us that there were actually multiple U.S. strategies at work. For example, in the 1960s, the U.S. began to realize that China was not a committed partner of the U.S.S.R. and, thus, began to change its attitude towards communist China. This change provides historical context for the Sino-U.S. rapprochement.

¹⁶ Odd Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2007), 65.

¹⁷ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 358.

¹⁸ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 358.

The American feelings about communist China after 1949 were influenced by the rhetoric of the U.S.-Soviet competitions. Even though the Communist Party had obvious superiority in the Chinese Civil War, it was not considered a hostile power at first. "It is noticeable that congressional and other critics of the official China policy did not generally regard the communist victory in China as a grave threat to American security."¹⁹ Furthermore, Americans still believed that there were some opportunities to cooperate with communist China to prevent the complete "loss" of China and the negative effects of this. The Truman administration even thought to build a relationship with communist China.²⁰ However, the Communist Party finally decided to seek a friendship with the Soviet Union, at which point the Chinese Civil War became a "part of the world-wide struggle between Communism and anti-Communism."²¹ At that point, China assumed all of the negative associations Americans held of Soviet Communism. Some Americans felt that China, as they knew it, no longer even existed. One of panelists interviewed by Isaacs said at the time, "This isn't any China; it is now part of Russia."²² The Soviet Union became the big brother of China and China became a representative of Communist power in Asia.

If we consider the Chinese Civil War as the start of American's shift in ideological understanding away from China, the Korean War is the cornerstone that made Americans firmly believe in the image of China as a communist enemy under the control of the Soviet Union. Although no one expected direct military conflict between China and the United States, the military conflict on the Korean peninsula was compelling evidence of the "loss" of China. The historian Oliver Turner said, "during the Korean War Chinese troops had been likened to a yellow tide and a human sea."²³ These images played on America's fears of China as an uncivil and non-Christian state with huge population. America not only lost a cooperative partner in Asia, it simultaneously had to contend with a new communist enemy. "Instead of looking at Sino-American relations as those between the two countries," Iriye said, "Americans entertained an image of global confrontation with the Soviet-directed Communist movement."²⁴ After the Korean War, the American perception of China became extremely negative. The perception of China was totally related to Communism because China was fighting against America for the Communist Bloc. Therefore, China, in the eye of Americans, began to become a strong promoter of the Communist world revolution, which rekindled the negative images of China in America. These perceptions were based on the imagination and fear which came from Chinese history. For example, after the Korean War, popular ideations of the Chinese became that of modernized Mongol hordes. "They (Chinese) were Mongol hordes with big guns and jet aircrafts and a growing number among them who knew how to use these weapons with considerable precision and skill."²⁵ The Chinese army was seen as a group of endless soldier-like barbarians. This image was projected upon Chinese immigrants to U.S., who were seen as equipped with evil Communist thoughts ready to threaten liberal prosperity and the freedom of the Western world.

The third ideological shift on communist China came after the Sino-Soviet split. It showed that communist China was actually not always an ally of the Soviet Union. When the Premier of the Soviet Union Nikita Khrushchev visited China to try to prevent the split, "the Chairman (Mao) listed all his complaints against the Soviets, from the 1920s on."²⁶ Cumulative discontent eventually led to the Sino-Soviet split in the 1960s and gradually changed American perception of Communist China.

¹⁹ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 268.

²⁰ Robert Sutter, *US-Chinese Relations Perilous Past, Pragmatic Present* (Lanham: Rowman & Littlefield, 2010), 52.

²¹ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 271.

²² Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 219.

²³ Oliver Turner, *American Image of China: Identity, Power, Policy* (Abingdon: Routledge, 2014), 100.

²⁴ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 292.

²⁵ Harold Isaacs, *Scratches on Our Minds: American Views of China and India* (New York: M.E. Sharpe, 1980), 236.

²⁶ Odd Westad, *Restless Empire: China and the World Since 1750* (New York: Basic Books, 2012), 337.

“The Sino-Soviet dispute... brought about the awareness that the Sino-American crisis was indeed a crisis between the two countries, not simply part of a wider, global confrontation between Communism and anti-Communism.”²⁷

Although no one could deny that China was no longer a member of the Soviet Communist Bloc, it still held hostility toward the United States, as shown in China’s anti-imperialist stance and involvement in the Vietnam War. China fought indirectly with U.S. by supporting the Vietnamese Communist leader Ho Chi Minh. Still, because China got rid of the shadow of the Soviet Union, it avoided being completely demonized as an ally of an American enemy.

After the Sino-Soviet split, Americans attempted to create a different China policy. “Though publicly reserved about China policy, the Kennedy administration seemed to appeal to emerging opinions of the American elite seeking some moderation in the stern U.S. isolation and containment of China.”²⁸ In the 1960s, the United States began to find a balance to conduct “the policy of containment without isolation toward China.”²⁹ Although it took a long time between this cognitive shift and the actual rapprochement under Nixon, changes in the American perception of China could be seen as one of the prerequisites for rapprochement. The Americans perceived China in the 1960s as separate from the Soviet Union, and rapprochement became possible. As historian Robert Sutter writes, “internal and international weaknesses in 1968 and 1969 drove the United States and China closer together in a pragmatic search for means to deal with difficult circumstances.”³⁰ This time, the cooperation between the two countries was not frustrated by the American suspicion of communist China because the American perceptions of China at that time had almost no connection to the Soviet Communist threat. The significance of the change toward communist China became clear after the Nixon’s visit to China. “China was no longer the great menace of the 1950s and 1960s, but a friend—and once more a potential ally—anxious to learn the secrets of American capitalism.”³¹

All in all, after examining the many shifts in the American perspective on China from 1949 to 1972, it is clear that China cannot be understood simply as a communist enemy. When the Soviet influence was removed from China in the 1960s, the Sino-U.S. rapprochement became possible. At that point, China and America had the Soviet Union as a common enemy. In the end, strategic calculations based on changing perspectives from both sides contributed to the Sino-U.S. rapprochement.

CONCLUSION

Characterizing American perceptions of China as a constant communist enemy from 1949 to 1972 is insufficient for understanding the Sino-U.S. rapprochement. In reality, perceptions of China were unclear, lacked evidence, and were sometimes manipulated by media or politicians. Only when we examine other relevant factors in this period and understand how Americans actually viewed China, can we explain the logic and historical clues leading to the Sino-U.S. rapprochement. The “loss” of China and the American ideological shifts about communist China are two vital factors which influenced the American China policy during this period.

²⁷ Akira Iriye, *Across the Pacific: An Inner History of American-East Asian Relations* (Chicago: Imprint Publications, 1992), 305.

²⁸ Robert Sutter, *US-Chinese Relations Perilous Past, Pragmatic Present* (Lanham: Rowman & Littlefield, 2010), 59.

²⁹ Robert Sutter, *US-Chinese Relations Perilous Past, Pragmatic Present* (Lanham: Rowman & Littlefield, 2010), 60.

³⁰ Robert Sutter, *US-Chinese Relations Perilous Past, Pragmatic Present* (Lanham: Rowman & Littlefield, 2010), 67.

³¹ Jonathan Goldstein, Jerry Israel and Hilary Conroy, eds., *American Views China: American Images of China Then and Now* (London and Toronto: Associated University Presses, 1991), 184.

The “loss” of China reminds people that China was expected to be an American partner to resist the Soviet Union in the late 1940s. Thus, Nixon’s visit to China is not a complete surprise because it represented a return to the state of affairs from two decades earlier. Moreover, the opening to China drew on the nostalgia of the former Sino-U.S. relationship. This shared history allowed the American people to reduce their suspicion and unite with a communist nation. With the historical background in mind, one can see how this rapprochement recalls the former friendship and cooperation between the two countries.

American ideological shifts on communist China are also important elements of the American perceptions of China from 1949 to 1972. In the late 1940s, America did not regard communist China as an enemy and even explored the possibility of working with the Communist Party. This only changed when the Chinese Civil War became a proxy for U.S.-Soviet competition. Furthermore, the unexpected Korean War consolidated the Sino-Soviet alliance and China unambiguously became a communist enemy of the United States. Later, the Sino-Soviet split caused an American ideological shift towards China, which served as a prerequisite for Sino-U.S. rapprochement.

Some historians may argue that the Sino-U.S. rapprochement is mainly a strategic choice so it is not something related to perceptual or ideological shifts. The rapprochement as a historical turning point that cannot be simply explained by one reason alone. Only when one keeps the longer history of American perceptions of China in mind can one have a better understanding of the rapprochement. Firstly, cooperation with China to counter the influence of USSR was not a new strategy. By examining American perceptions of China during the 1940s-1950s, one can understand that the rapprochement meant the U.S. could once again apply a strategy designed after World War II. Secondly, the perceptual changes of America allowed the U.S. to consider China as an independent power instead of under the monolithic control of Soviet Union. This permitted American policy makers to analyze China in a more rational way, rather than being trapped within the confines of ideological hostility.

As historian Oliver Turner writes about this shift, “ideas were not secondary to global events; they were inextricable from global events and responsible for the creation of a modified China.”³² American perceptions of China from 1949 to 1972 shed light on our understanding of the Sino-U.S. rapprochement. After considering the “loss” of China and the American ideological shifts towards Communist China after the Sino-Soviet split, we are able to form a more complete idea of American perceptions of China instead of simplifying China as a Communist enemy. Nixon’s trip to China and “the week that changed the world”³³ were reasonable and strategic diplomatic actions given these historical and cultural considerations.

³² Oliver Turner, *American Image of China: Identity, Power, Policy* (Abingdon: Routledge, 2014), 108.

³³ “The Week That Changed the World”: The 40th Anniversary of President Nixon’s China Trip, Wilson Center, Last modified May 15, 2017. <https://www.wilsoncenter.org/article/the-week-changed-the-world-the-40th-anniversary-president-nixons-china-trip#sthash.fYCFtu4U.dpuf>.