External Threat, Polarization, and Legislative Efficacy: Evidence from the Cold War[1]

Brian Wheaton[2]
UCLA Anderson and Hoover Institution
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Abstract: How do a nation's political actors respond to increases in the economic power of a rival nation? To answer this question, I exploit a novel source of variation. From the 1950s through the early 1990s, the CIA projected Soviet GNP growth over the horizon of each Soviet Five-Year Plan. Subsequently, every year, the CIA computed estimates of actual Soviet GNP growth. These economic data were presented to Congress each year, and published versions were widely distributed to the executive branch and federal legislators. The difference between the expected and actual growth rates represents a shock to perceptions of Soviet economic strength. I show that, in response to a positive shock, use of executive orders by the president increases and the number of bills which become law increases as well. This increase is driven by defense EOs and bills, which are both introduced and passed more frequently as legislators come together to focus on protecting against the Soviet threat. I also find evidence that legislators move away from supporting progressive/socialist policies, thereby distancing themselves from policies that might be associated with the USSR, and voting in line with the president increases as legislators rally around their leader.

1 Introduction

Throughout history, it has been a constant that nations face external threat from competitor nations. Indeed, for centuries, political philosophers such as Hobbes (1651) and political economists such as Weber (1919) have cited provisioning of security and defense against external threats as the very reasons for which nation-states initially came into being. Academics, journalists, and politicians alike have speculated on whether being faced with a coherent and discernable external threat leads nations to set aside internal divisions and improve their functioning in order to combat the external threat.

I study this question with a previously unused source of exogenous variation originating

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[2] Contact: bwheaton@stanford.edu

from US Central Intelligence Agency (CIA) projections and estimates of Soviet GNP growth. During the Cold War, the United States had a vested interest in remaining informed about the capabilities of its chief rival of the time, the Soviet Union. The CIA was thus tasked with assessing the economic capabilities of the USSR. To this end, it compiled estimates and projections of Soviet economic size and growth sector-by-sector and region-by-region. The CIA reported these figures to Congress each year, publishing them annually in the Joint Economic Committee's so-called Green Books. These publications were highly anticipated and widely distributed to policymakers and academics of the time.

Consequently, when annual estimates of growth were released, they yielded a shock to policymakers' perceptions of Soviet economic strength. Specifically, if actual growth reported by the CIA came in above its earlier projections, policymakers received a positive shock to their perceptions of Soviet economic strength. If actual growth came in below projections, policymakers received a negative shock. In the same vein, the Soviet government itself listed planned economic growth in each Five-Year Plan, later releasing data annually on its actual (or at least, claimed) growth. Applying the same logic, the gap between these official series – planned and actual – yields an alternative series of shocks.

I study the effects of these shocks to politicians' perceptions of Soviet economic strength on a variety of outcome variables, including the number of executive orders issued by the president, the number of bills passed by congress, and the issue area of executive orders/bills, and legislators' voting patterns. I find that positive shocks induce more executive orders to be issued by the president and result in more bills becoming law. (Negative shocks do the inverse.) These increases are driven by executive orders and bills relating to defense. Furthermore, legislators vote more frequently with the president (and more frequently in general). Finally, I find some evidence that legislators move away from supporting progressive/socialist policies, which they may associate with the USSR. On the whole, it appears that the political system responded to intensifications in the perceived threat from its rival nation by increasing its legislative efficacy, increasing its focus on defense in particular, and rallying around the president.

2 Literature Review

My work contributes to the political science literature on Rally-Around-the-Flag effects. The effect – first suggested by Mueller (1970) – refers to a boost in political support enjoyed by a country's governmental institutions and political leadership in the face of war or international crisis. Support for this thesis has been found in the context of the Cuban Missile Crisis (Smith 2003), the Iran Hostage Crisis (Callaghan and Virtanen 1993), the 9/11 Attacks (Curran, Schubert, and Stewart 2002), the death of Osama bin Laden (Jones 2011), the early stages of the COVID pandemic (Yam et al 2020), and more. Recent work focusing on using more exogenous sources of variation has tended to find that rally effects are small in size (Myrick 2021) or revert fairly quickly (Kuijpers 2019). However, evidence has also been found that rally effects can exist when allies – rather than merely one's own nation – are under threat of war (Fukumoto and Tabuchi 2022). Papers in this literature have focused on approval ratings of leaders by the public as outcome variables and have tended to focus primarily on wars or major diplomatic events. The shocks I focus on – shocks to perceptions of the economic might of a rival nation – have not received much research attention previously.

My work also contributes to the literature in cultural economics on the effects of war on ingroup cooperation. Annan et al (2011), Bauer, Fiala, and Levely (2018), Blattman (2009), De Luca and Verpoorten (2015), and Rohner, Thoenig, and Zilibotti (2013) all study the effects of exposure to the Lord's Resistance Army Insurgency in Uganda on such outcomes as social trust, trust in government/leadership, political participation, and community cohesion. They find positive effects of war of on these outcomes. The Sierra Leone Civil War – studied by Bauer et al (2014), Bellows and Miguel (2006, 2009), and Cecchi et al (2016) – yielded similar effects. Studies of the Russian Invasion of Georgia (Bauer et al 2014), the Nepalese Civil War (Gilligan, Pasquale, and Samii 2014 and De Juan and Pierskalla 2016), the Israel-Hezbollah War (Gneezy and Fessler 2012), the Israel-Palestine Conflict (Grossman, Manekin, and Miodownik 2015), the US war in Vietnam (Shewfelt 2009), and a pooled sample of multiple wars across 35 countries (Grosjean 2014) also find similar results. Because it is not practical or ethical for researchers to randomly select individuals and expose them to war, most of these studies must ultimately rely

on a variation of the assumption that the geographical spread of war is exogenous to the social-cooperation outcomes they study. In practice, however, communities that have higher levels of group cohesion and are more efficacious at uniting their society behind a war are plausibly more likely to insert themselves in a war.

I study many of the same questions addressed by the above literatures, but I focus on cooperation and rallying-around-the-flag by political actors rather than members of the public. Furthermore, I aim to use a source of variation that is highly likely to be exogenous. Additionally, because the variation I utilize pertains to a cold war rather than a hot one, it enables me to probe whether such findings hold up in cases when the external threats are not immediate physical ones.

3 Empirical Framework

3.1 Data

I obtain data on CIA estimates of Soviet GNP growth and on official NMP growth reported by the Soviet Government from Easterly and Fischer (1995).[3] I obtain data on CIA projections of Soviet GNP growth from CIA (1981) and Kontorovich (2001). CIA (1981) lists CIA projections of Soviet growth from their inception in the 1950s through the date of publication. Kontorovich (2001) lists CIA projections (and other projections) for the 1970s through the early 1990s. The CIA frequently updated its projections, and consequently overlapping projections often exist for any given year. I take the most recent projection for each year as the relevant one, as this is the projection that would have been current as of when actual growth figures were released. Figure 1 displays the Soviet growth shock series to provide a sense of what the variation looks like. Generally speaking, the series bounces around zero – what one would hope for a series of (quasi-)random shocks. I obtain data on planned Soviet NMP growth from the Soviet Five-Year Plans (Saburov 1952, Bulganin 1956, Khrushchev 1959, Kosygin 1966, Kosygin 1971, Kosygin 1976, Tikhonov 1981, Ryzhkov 1986). I obtain data on Gross World

[3] Net Material Product (NMP) was the Soviet equivalent of GNP, as Soviet-type planned economies used a different national accounting concept than Western market economies. Essentially, NMP excluded services.

Product from FRED.

In terms of outcome variables, I obtain data on executive orders, bills, and their subject areas from the Comparative Agendas Project (Adler and Wilkerson 2021). I obtain data on legislator voting patterns from the Congressional Quarterly Press (CQPress) Legislator Data. This dataset also contains rankings of legislators by a variety of special interest groups.

3.2 Regression Strategy

The first regression strategy I use relies on the assumed exogeneity of Soviet economic growth – conditional on world economic growth – to the outcome variables involving the efficacy of the US political system. In particular,

$$Y_t = \alpha + \beta_t SovietGrowth_{t-1} + \gamma GWPGrowth_{t-1} + \varepsilon_t, \quad (1)$$

where Y_t represents the value of some outcome of interest, Y, in year t, $SovietGrowth_{t-1}$ represents Soviet economic growth during year t-1 as measured using either the CIA series or the official Soviet government series, $GWPGrowth_{t-1}$ represents the growth of Gross World Product (i.e., global economic output), and ε_t is the error term. The basic idea of this first regression strategy is that any growth in the Soviet economy may represent an increase in its economic strength – and hence, threat. However, if it is only growing at the same pace as the global economy, this may not represent much of a shock or a perceived increase in threat.

The second specification takes the exogeneity of the key right-hand-side variable more seriously. Soviet economic growth is replaced with a Soviet economic shock series that is computed by subtracting projected Soviet growth from actual growth to obtain the unexpected component of Soviet growth. That is,

$$Y_t = \alpha + \beta_t SovietShock_{t-1} + \gamma GWPGrowth_{t-1} + \varepsilon_t, \quad (2)$$

where $SovietShock_t \equiv SovietGrowth_t - SovietGrowthProjected_t$. Both actual and projected growth can be measured using either the CIA series or the official Soviet government series. I run regression specifications based on both versions.

4 Results

Table 1 shows the results of regression specifications corresponding to both Equation (1) and Equation (2) with the number of executive orders and bills which become law each year on the left-hand-side. Columns (1) through (4) show that the number of executive orders issued in a year appears to increase significantly in response to increased perceptions of Soviet economic strength. This is true if one uses raw Soviet economic growth – measured by the CIA or official Soviet data – on the right-hand side or if one uses Soviet economic shocks (rather than raw growth) – per the official Soviet data. (The result is non-significant if one uses economic shocks measured from the CIA data.) Columns (5) through (8) and (9) through (12) repeat this exercise, albeit for the number of bills introduced and the number of bills which are passed into law, respectively, instead of executive orders. I find no significant increase in the number of bills *introduced* resulting from any measure of Soviet growth/shocks, but I do find a significant increase in the number of bills *passed* resulting from all measures of Soviet growth/shocks.

Table 2 repeats the exercise of Table 1, but splits the executive orders and bills into defense and non-defense, revealing a slightly subtler underlying pattern. The increase in the number of executive orders issued appears to be driven entirely by defense executive orders. With regard to bills, there actually is a significant increase in the number of defense bills introduced by the legislature; there is no significant increase in the number of non-defense bills introduced. However, the increase in the number of bills *passed* occurs for both defense and non-defense bills. To sum up, it seems that shocks to the perception of Soviet economic strength by legislators and the executive branch lead to the branches working in concert to pass more laws geared toward the defense of the nation – a rational response to perceived threats from a rival nation. Furthermore, these results suggest that external threat lubricates legislative efficacy, with legislators working together to affect an increase in the passage of even non-defense laws.

Today, it is common for a wide variety of special interest groups to rate legislators on a scale of 0 to 100 in terms of the extent to which each legislator votes in accord with the goals of the interest group. Two of the earliest groups to do this were the Committee on Political Education (COPE) – a branch of the CIO (and later, AFL-CIO) labor union – and the Americans for Democratic Action (ADA) – a mainstream liberal-oriented group. Beginning in the late

1940s, the ADA oriented itself as strongly anti-communist. For example, it led strong attacks on the 1948 Progressive Party presidential campaign of former Vice President Henry Wallace, who advocated for socialism and reconciliation with the USSR. COPE did not take this approach, and indeed, factions of the CIO were supportive of the Wallace campaign. Regardless, COPE focused entirely on labor/economic issues in its ranking, whereas ADA also incorporated foreign policy stances. Table 4 shows that positive shocks to legislators' perceptions of Soviet economic strength leads to a statistically-significant reduction in COPE scores but no such reduction in ADA scores. Furthermore, there is some evidence that the frequency with which legislators vote in line with the president increases. This suggests that legislators moved away from the progressive/socialist policies advocated by COPE – which, during the Cold War, tended to be associated with the USSR in the minds of legislators and the public. In other words, there is evidence of a rally-around-the-flag effect on the part of legislators, whereby they move in line with their leader and also appear to double-down on the American capitalist economic system.

5 Conclusion

I study how a nation's political actors respond to increases in the economic power of a rival nation. I investigate this question through the lens of competition between the United States and the Soviet Union during the Cold War. Throughout that era, the CIA produced projections of Soviet GNP growth and, subsequently, estimates of actual attained Soviet GNP growth. These data were published, presented before Congress, and widely-distributed to members of the executive and legislative branches. In short, they were highly salient in the minds of US legislators. Consequently, the gap between actual and projected growth constitutes a shock to perceptions of Soviet economic strength by US political actors.

I show that positive shocks lead to a flurry of lawmaking activity – increased issuance of executive orders by the president and an increased number of bills becoming law through the legislature. (Negative shocks do the opposite.) These increases are driven by defense bills and executive orders, which makes intuitive sense. However, a higher fraction of the introduced non-defense bills end up becoming law as well. Furthermore, positive shocks lead legislators' to

increase their frequency of voting in line with the president – a rally-around-the-flag effect. And legislators move away from supporting progressive/socialist policies, thereby distancing themselves from policies that might be associated with the USSR. On the whole, these results suggest that rally-around-the-flag effects exist not only for the general public, but also for political actors themselves. Shocks to the perceived economic power of a rival nation appear to lead to a country's political system improving its legislative efficacy, focusing on defense of its citizens, and (at least temporarily) setting polarization aside.

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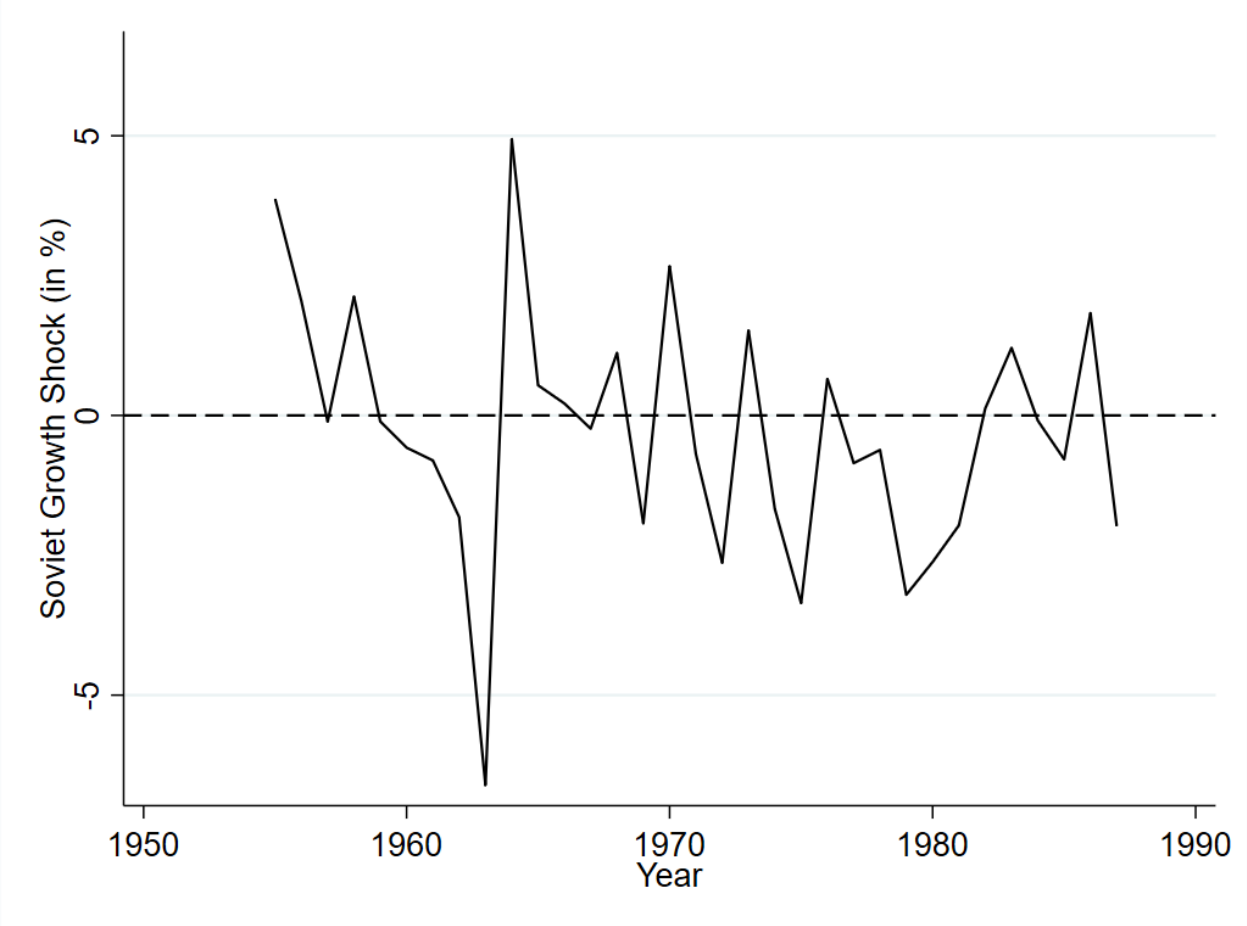
Tables & Figures

Figure 1: Raw Soviet Growth Shock Series



Note: This figure plots the raw left-hand-side variable – actual Soviet GNP growth computed by the CIA minus projected Soviet GNP growth from CIA projections.

Table 1: Effects on Executive Orders and Bills

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Dependent Variable:	Number of Executive Orders				Number of Introduced Bills				Number of Passed Bills			
Soviet GNP Growth (CIA)	2.01*				180.8				14.19***			
	(1.04)				(136.2)				(2.56)			
Soviet GNP Shock (CIA)		-0.69				299.8				13.46***		
		(0.95)				(181.6)				(3.64)		
Soviet NMP Growth (Official)			2.64**				17.51				10.14***	
			(1.00)				(128.8)				(3.05)	
Soviet NMP Shock (Official)				3.55**				55.10				13.15***
				(1.69)				(252.6)				(4.71)
R-Squared	0.1119	0.0183	0.2440	0.1490	0.0393	0.2295	0.0009	0.1752	0.3877	0.2295	0.2790	0.1752
Observations	38	33	38	38	38	33	38	38	38	33	38	38

Note: This table shows the effect of raw Soviet economic growth and Soviet economic shocks (actual minus projected growth) on the number of executive orders, introduced bills, and passed bills, per data from the Comparative Agendas Project (CAP). Some specifications use data on Soviet economic growth from CIA estimates/projections; others use data on Soviet economic growth from official Soviet releases/plans. Standard errors are heteroskedasticity and autocorrelation robust.

Table 2: Effects on Defense and Non-Defense Executive Orders and Bills

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Dependent Variable:	Defense Executive Orders		Nondefense Executive Orders		Defense Introduced Bills		Nondefense Introduced Bills		Defense Passed Bills		Nondefense Passed Bills	
Soviet GNP Growth (CIA)	1.28**		0.73		62.87***		117.9		5.37***		8.82***	
	(0.52)		(0.87)		(13.12)		(125.7)		(0.79)		(2.11)	
Soviet GNP Shock (CIA)		0.17		-0.86		57.98***		241.8		4.28***		9.18***
		(0.39)		(1.20)		(19.61)		(163.9)		(1.23)		(2.91)
R-Squared	0.2277	0.0163	0.0212	0.0266	0.3481	0.1735	0.0238	0.0547	0.5485	0.3025	0.2609	0.1780
Observations	38	33	38	33	38	33	38	33	38	33	38	33

Note: This table shows the effect of raw Soviet economic growth and Soviet economic shocks (actual minus projected growth) on the number of defense and non-defense executive orders, introduced bills, and passed bills, per data from the Comparative Agendas Project (CAP). Standard errors are heteroskedasticity and autocorrelation robust.

Table 3: Effects on Legislator Voting Patterns

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Dependent Variable:	Presidential Support (PSS) in Voting for Bills				Americans for Democratic Action (ADA) Legislator Voting Scores				Committee on Political Education (COPE) Legislator Voting Scores			
Soviet GNP Growth (CIA)	0.96**				-0.31				-0.66***			
	(0.36)				(0.27)				(0.22)			
Soviet GNP Shock (CIA)		0.35				-0.03				-0.56**		
		(0.49)				(0.39)				(0.24)		
Soviet NMP Growth (Official)			1.13***				-0.34				-0.85***	
			(0.35)				(0.23)				(0.25)	
Soviet NMP Shock (Official)				0.56				-0.41				-1.05***
				(0.60)				(0.31)				(0.35)
R-Squared	0.0188	0.0022	0.0239	0.0033	0.0012	0.0004	0.0016	0.0011	0.0025	0.0012	0.0036	0.0020
Observations	17,656	16,244	17,656	17,656	18,550	16,198	18,550	18,550	16,591	16,135	16,591	16,591

Note: This table shows the effect of raw Soviet economic growth and Soviet economic shocks (actual minus projected growth) on legislator voting patterns from the CQPress Legislator and Interest Group data. Standard errors are clustered by year.