



Toward a New Approach to Economic Growth
Following Conflict or Disaster

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Discussion Summary

From May 25 through May 27, 2010, the Kauffman Foundation and the Command and General Staff College Foundation at Ft. Leavenworth convened in Kansas City an extraordinary and unprecedented Summit on Entrepreneurship and Expeditionary Economics (EE). EE is a new field of endeavor that, while partly long-standing, is also in the process of being developed from scratch. It is meant to cover the various efforts of the United States government (and to some extent allied governments) to help build functioning economies in countries recovering from conflict or disaster. It is “expeditionary” because the effort takes place overseas, is meant to be finite in duration and intent, and tends to be led by (or at least a large portion of the work is done by) the military. But the first word in the conference title—“entrepreneurship”—is arguably the most important. It indicates a focus on the formation of new businesses, the rapid expansion of employment, and sustained economic growth—the very factors that have made the American economy the envy of the world.

Throughout American history, efforts to help create dynamic, modern economies in other countries have sometimes been celebrated as great successes and boons to American interests—for instance the Marshall Plan and the reconstruction of Japan after the Second World War. But some development efforts have also been derided as “nation building”—foolish, utopian wastes of effort and resources in regions peripheral to American interests with populations unable to realize the benefits of what we were attempting to give them.

This ongoing and unresolved tension between successes and failures in part explains why America has yet to develop a coherent approach to economy-building or the capability and resources to do it right. We still haven’t decided as a nation—through rigorous political debate and a resolution through votes by our elected representatives—that expeditionary economics is something we want to do.

Nonetheless, the United States consistently finds itself forced to do it, without proper doctrinal or institutional support. Thus to the extent that expeditionary economics is practiced, it is done on an ad hoc basis, underfunded and underappreciated. Few personnel and little institutional memory carry over from one situation to the next. When a new contingency arises, we have to start all over.

The May EE conference represented the first attempt to fill that void and replace it with a new culture of learning. This would entail the institutionalization of lessons to make future American and allied efforts to build growing economies in other countries more permanent and more successful.

The conference sessions—which enjoyed the participation of a wide variety of senior and mid-ranking military officers, former officers, civilian employees in defense and foreign policy related fields, economists, academics, and think tank experts—revealed some broad areas of agreement and some sharp disagreements. The three discussion panels explored past efforts at economy building, present work in Iraq and Afghanistan, and prospects and recommendations for the future. They sought to identify lessons learned from past and present efforts and to apply those lessons to future missions.

The first and fundamental area of consensus was on the necessity of getting this right. The United States will never be a truly imperial power; it has no wish to control the long-term destinies of other nations. It rather seeks to do something that no other occupying power in history has ever made its goal: to rebuild, hand over the reins to the indigenous population, and then leave—as soon as possible. We set this goal both for altruistic and self-interested reasons. To the extent that altruism predominates in the public mind, the political appetite for committing resources is low. Many participants noted the deep unpopularity of foreign aid (despite its being such a tiny percentage of federal spending and an even smaller share of U.S. GDP) and resultant cutbacks to agencies such as USAID that ought to be at the forefront of any rebuilding effort. To the extent that the public understands that rebuilding other countries makes the American people safer, they are much more likely to support the effort. Hence the surprisingly high levels of support for our development work in Iraq and Afghanistan, even when things were (or are) not going well. The public intuitively understands that abandoning these countries is a worse option than paying high stabilization costs in blood and treasure. To some extent they also understand that successful democratic, liberal capitalist countries are likely to emerge as U.S. allies, pillars of regional stability, and participants in the global market. But if there was broad consensus on “why,” consensus on “how” and even “when” proved elusive—at least at first. All agreed on the difficulty of the task and the many challenges we face—including fundamental and foundational tasks that are prerequisites for action such as separating what we know from what we don’t yet know. Participants also agreed that all aspects of American national power—military, diplomatic, political, economic, and cultural—must be brought to bear on the effort.

But which institutions should do what, in what proportion, at what cost, and in what sequence? And in what circumstances and in what regions should American efforts be brought to bear? These questions were cause for spirited debate.

The original conception of expeditionary economics focused on rebuilding efforts in countries where the American military is or has recently been engaged in war. But what about other post-conflict zones in which American forces had not been involved but

which might be important to American interests? The United States (and many other countries) has invested billions in the Palestinian territories for just this reason. What about failing states not yet in, or only in the early stages of, conflict? Should economy building be attempted “preemptively” there to prevent the emergence of a potential threat? Our experience in Somalia helped sour the American people on the idea of “nation building.” Should events beyond conflict and instability—for instance natural disasters—give rise to such efforts? Haiti offers a prime example.

No clear, or at least formulaic, answers emerged. Categories could be neither definitively ruled in or out, nor could clear lines be drawn. Responses will necessarily have to be case by case and depend almost entirely on complex circumstances, the imperatives of the time, the resources available, and the judgments of national leaders.

Concerning the “how,” underlying the very real disagreements was a partially obscured agreement: virtually none of the choices we face is binary, simply “either/or.” Rather, we must come to grips with a series of continua or sliding scales. For instance, many panelists and commenters decried the lack of sufficient planning for post-war Iraq. But many—and often the same individuals—also noted the limits of planning, the need for flexibility, and the danger that overreliance on a plan can result in the rote application of measures that have been, in government parlance, “overtaken by events.”

Similarly, perhaps the most important—and persistently explored—issue discussed during the conference was the extent to which the military should take the lead or be tasked with economic missions. This question, not coincidentally, strikes near the heart of the American people’s misgivings about “nation building”—understandably, many people don’t want the armed forces doing anything but fighting.

Yet, remarkably and tellingly, all the military officers—mid level and senior, active duty and retired—who spoke or commented at the conference not only accepted that the military must play a large role in expeditionary economics, they welcomed the challenge. They noted, first and foremost, the inherent inseparability of economic considerations from many types of war fighting and from stabilization operations. The military—as typically the only institution on the ground in any real size or strength in the early stages of a conflict—has no choice but to engage in economy building efforts, at least in the initial stages of entering any village, city or region and indeed its own kinetic operations are helped by such efforts. Many participants cited the mostly successful Commander’s Emergency Response Program (CERP), which provides funding to enable small reconstruction, infrastructure, and economic development projects. While criticisms of the program were levied and fixes suggested, field commanders who had served in Iraq all cited CERP’s indispensability at reducing violence and protecting the population.

The more difficult questions, then, focused on when civilian efforts could begin to relieve the military of its early and inevitable responsibility for economic matters and which civilians should be charged with the task. On the question of precisely “when,” once again, no clear answer emerged. It will be impossible to say in advance or come up with

ironclad rules. Decisions must be case-by-case and depend on the judgments of policymakers.

The question of “who” elicited a number of interesting proposals. As an organizing principle, they may be divided into two categories: strengthen and use existing institutions or create new institutions specific to the purpose. Strong advantages and equally important disadvantages were pointed out for each approach. For instance, political resistance to the high cost of more Foreign Service Officers might hinder attempts to bolster the State Department’s capabilities, and similar considerations would stand in the way of focusing the effort at USAID. Yet, new institutions might be equally hard to fund from scratch, and could also muddy up already-blurry lines of responsibility and accountability within the government. On the plus sides, State and USAID have longstanding traditions, capabilities, and institutional memories that could be tapped. But then a brand new institution would be—unlike any that currently exist—dedicated specifically to the task of expeditionary economics and not pulled by inertia or tradition away from economy building and toward other missions.

A question that loomed large was the extent to which expeditionary economics is even possible and what can reasonably be expected from the effort. Discussions of the success of American efforts in postwar Germany and Japan focused on those nations’ already-high levels of human capital, industrialization, and infrastructure (albeit highly damaged by war). Similarly rapid successes probably will not be possible in countries that start from a less advanced baseline. One challenge, then, will be to develop appropriate and achievable goals for specific countries and circumstances. Other complicating factors include ethnically heterogeneous states—for instance in the Balkans—or states in the grip of ideological conflict, such as Vietnam. The presence of such makes the practice of expeditionary economics more difficult. Managing—and tempering—expectations will be essential to maintaining officials’ focus and to maintaining political and public support.

Yet nearly all agreed that the paramount goal of expeditionary economics should be to further and facilitate economic growth. When economic pies are growing, people have less reason to fight each other, or to fight us. Understandably, growth will be more immediately achievable in some countries in regions rather than others. But difficulty should not be used as an excuse to ignore the goal. Indeed, one of the reasons that economy building efforts in Iran and Afghanistan have been so lackluster thus far is lack of an appropriate goal. A focus on firm formation and the growth of firms would be a good place to start—even as we recognize that few Microsofts or Googles are likely to emerge any time soon. As to the future, it’s impossible to say. But once the goal and the underlying policies to support that goal are in place, great things could ensue down the road.

Another important continuum to consider is the blurry spectrum of conditions to be found in areas of operation. For example, several participants pointed out that security must precede stability, which in turn precedes real economic development. But rarely are there bright lines between these states, nor is there necessarily any clear way to

measure which state our forces are in at any given time. An interesting debate arose around this and similar considerations about the concept of doctrine. The military formulates and promulgates doctrine for wide varieties of circumstances and should—it was proposed—begin to work on doctrine for expeditionary economics. Doctrine is useful as a field of study and at giving a wide range of personnel both a shared understanding of a common problem and a concrete set of potential solutions to employ when faced with recognizable circumstances. But the limits of doctrine are in a sense little different than the limits of planning. And thus did the conversation—and the conference—come full circle.

Many questions were raised; few were resolved. But resolution was not the intent. Rather, the purpose was to show what lines of inquiry must be thought through before any institutional reform can be attempted or expected to succeed, and—more important—before a new intellectual approach can be conceived and fleshed out.

The conference succeeded in this aspiration. In reaching full agreement on the “why” and delineating the key questions and alternatives regarding “who,” “how,” and “when,” it laid the groundwork for real answers to emerge from further study and discussion and for the training of new generations of military and civilian personnel committed to and equipped for the challenges of expeditionary economics.

American policymakers, civilian workers, and military personnel can—indeed must—do a better job of helping to build post-conflict, post-crisis economies in other countries. They are, what’s more, eager to learn how and to institutionalize new set of ideas and practices to make them work.