



Kauffman Foundation Research Series:
Expeditionary Economics

Building Expeditionary Economics: Understanding the Field and Setting Forth a Research Agenda

November 2010

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Foreword

It is with great pleasure that I introduce the inaugural paper in the Ewing Marion Kauffman Foundation Research Series on Expeditionary Economics. This series is commissioned as part of the Kauffman Foundation's ongoing work on entrepreneurship and economic growth, but moves us into a new field of study. The papers that follow over the coming months will flesh out the many layers of Expeditionary Economics—a topic that I believe is vital to international security and economic prosperity. Its premise is that economic development is essential for the longer-term success of many military interventions, but while the United States has enjoyed military success abroad, our discouraging record in promoting economic growth and development has prevented us from attaining strategic success in some overseas operations. Likewise, the civilian foreign assistance capabilities of the United States have repeatedly come up short in terms of offering alternative approaches or successful programs. The entire development apparatus of the United States, in other words, needs serious reconsideration. We know that while there is no predetermined path of economic success, entrepreneurs, an as-yet untapped resource in the post-conflict world, can continually spur economic growth.

This first paper presents an overview of Expeditionary Economics and sets forth an ambitious research agenda that extends the ideas first presented in an earlier essay, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," which appeared in *Foreign Affairs*. Rebecca Patterson and Dane Stangler build on those ideas and further explain the key tenets of the emerging field of Expeditionary Economics (ExpECON), highlighting how this field's assumptions and orientation differ from our current approach to post-conflict development. They further argue that ExpECON transcends counterinsurgency and the current engagements in Iraq and Afghanistan, instead placing economic growth as the centerpiece of all development efforts, civilian and military.

This paper and those that follow are intended to open a dialogue and invite participation. We welcome interested parties to join the conversation.

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Introduction

In the continuing debates over the future of the United States military, it has become common to note that the conflicts for which our armed forces are nominally prepared—large-scale, interstate wars on the order of World War II—actually constitute a fraction of the conflicts in which they have historically been engaged. Indeed, over the past century, the U.S. military has frequently found itself in the business of what is called, accurately or not, nation-building. This can occur subsequent to a conflict, as with the Marshall Plan or peacekeeping operations in the Balkans, or contemporaneously with fighting, as in the Philippines, Iraq, and Afghanistan. Less frequently, but of perhaps rising relevance, civilians and the military engage in efforts to prevent conflict. In each case, the importance of economic development to creating security and sustaining peace has been recognized. Yet the level of effort devoted to economic development and the quality of these efforts has been uneven, with some celebrated as great successes and others derided as wasteful and peripheral to American interests. In many ways, in fact, the United States has yet to develop a coherent or effective approach to economic development.

The environment for such efforts is often a dizzying mosaic of organizations and countries plagued by misaligned—or even contrarily aligned—incentives, both among themselves and with the host nation. Familiar problems with foreign aid include lack of transparency and accountability as well as disjointed interests among

donors and recipients. Within the American aid community, bureaucratic constraints hamper reconstruction and development.¹ Over the past few years, moreover, the “whole-of-government” approach touted by the United States has usually meant an increase of bureaucracy as well as a focus on what can be measured: namely, the rate at which budgeted funds can be spent, irrespective of outcomes.² The military, which assumed a leading development role in Iraq and Afghanistan, has (understandably) approached the task through the oppositional lens of conflict, seeing “money as a weapon system” and dollars as tools to purchase “hearts and minds.”³ Indeed, a recent neologism in the post-conflict community is “opposed development”—development activities undertaken in the presence of armed opposition.⁴

The emerging field of Expeditionary Economics addresses itself to these challenges.⁵ Regarding the military, for example, soldiers have consistently found themselves forced to rebuild economies without proper doctrinal or institutional support. For example, the State Department’s Office of the Coordinator for Reconstruction and Stabilization has promulgated a “useful framework” for development in the form of an “Essential Task Matrix,” which lists specific tasks within five “technical sectors.”⁶ Tasks included in “Economic Stabilization and Infrastructure” include such helpful specifics as “employment generation,” “general economic policy,” and “market economy.”⁷ While the field manuals published by the U.S. Army offer more detail in terms of sectors and important objectives (including “enterprise

1. See Andrew Natsios, “The Clash of the Counter-Bureaucracy and Development,” Center for Global Development, July 2010, at <http://www.cgdev.org/content/publications/detail/1424271>.

2. See, e.g., Todd Moss, “Too Big to Succeed? Why (W)hole of Government Cannot Work for U.S. Development Policy,” October 5, 2010, at <http://blogs.cgdev.org/globaldevelopment/2010/10/too-big-to-succeed-why-whole-of-government-cannot-work-for-u-s-development-policy.php>.

3. The standard operating procedure for spending the Department of Defense Commander’s Emergency Response Program dollars is titled “Money as A Weapon System.” The most recent publication was December 2009 and can be found at: [http://www.acq.osd.mil/dpap/ccap/cc/jchb/Contingency%20Model/Contract%20Actions/Iraq%20JCC%20Guidance%20Information/guides/maaws_a_cerp_sop_\(dec_09\).pdf](http://www.acq.osd.mil/dpap/ccap/cc/jchb/Contingency%20Model/Contract%20Actions/Iraq%20JCC%20Guidance%20Information/guides/maaws_a_cerp_sop_(dec_09).pdf).

4. For a discussion of opposed development see <http://www.usip.org/newsroom/multimedia/video-gallery/opposed-development-concept-and-implications>.

5. See Carl J. Schramm, “Expeditionary Economics: Spurring Growth After Conflicts and Disasters.” *Foreign Affairs*, May/June 2010.

6. See Brooke Stearns Lawson, et al., *Reconstruction Under Fire: Case Studies and Further Analysis of Civil Requirements* (Santa Monica, CA: RAND National Defense Research Institute, 2010).

7. See Office of the Coordinator for Reconstruction and Stabilization, *Post-Conflict Reconstruction Essential Tasks* (Washington, DC: United States Department of State, 2005).

creation”), there is little sense of how to implement such efforts or how to prioritize different tasks.⁸ An individual on the ground is left to his or her own devices in deciding what to do and how to do it. Moreover, few personnel and little institutional memory carry over from one situation to the next, forcing the relearning of the same lessons. Expeditionary Economics thus encompasses the frequent instances in which military and civilian expeditions must implicitly rebuild an economy. Fostering economic success—the third leg in the proverbial stool of diplomacy, defense, and development—must be made a more effective dimension of American expeditionary capacity.

More broadly, Expeditionary Economics (ExpECON) can also be seen as informing larger ideas about national security, strategy, and the exercise of power. In particular, *economic growth* must play an essential role in these three areas. The juxtaposition of the wars in Iraq and Afghanistan, the recession and financial crisis of 2008–09, and the steadily rising influence of other nations marks the beginning of a new era facing the United States. Economic growth—at home and abroad—can no longer be divorced from strategy and security. It is a well-accepted adage that military success without strategic success is not success, and sustainable peace after conflict has been a much more elusive goal than military victory over the past two decades. Part of the premise of ExpECON is that making economic growth part of the overall strategy when conducting military operations can help achieve strategic success.⁹ This does not mean charity or conventional aid projects or large infrastructure reconstruction. It means helping to develop an indigenous private business

sector that will create jobs, give citizens a stake in the outcome, and provide an income stream for the host nation government. In this way, economic success, however modest, should help bring along the other objectives of post-conflict efforts, including rule of law, governance, legitimacy, and reducing corruption.

What follows is a brief overview of some of the key ideas behind Expeditionary Economics, followed by a proposed research agenda. Those seeking a laundry list of what steps to follow in any given country will not (yet) be satisfied. This document is intended to open a dialogue and invite participation. International security depends on economic growth: We must create the space in which to develop new ideas and approaches.

Overview of Expeditionary Economics

Expeditionary Economics is an emerging field of study that focuses on the role of indigenous entrepreneurship in spurring economic growth post-conflict or post-disaster. In any transition from war to peace, security, governance, and economics all play a key role. Our proposition is that economic growth—the improvement of economic conditions for the average citizen—is vital to sustainable peace. Instead of the current focus on macroeconomic variables, we suggest an approach that focuses on economic opportunities for individuals and entrepreneurs.¹⁰ This tactical approach corresponds with the implicit involvement of the military in post-conflict security and stability, of which economic growth is an extraordinarily important part.

8. See United States Army, *The U.S. Army and Marine Corps Counterinsurgency Field Manual*, U.S. Army Field Manual No. 3-24, Marine Corps Warfighting Publication No. 3-33.5 (Chicago: University of Chicago Press, 2007); United States Army, *The U.S. Army Stability Operations Field Manual*, U.S. Army Field Manual No. 3-07 (Ann Arbor, MI: University of Michigan Press, 2009).

9. See, e.g., Frederick Kagan, *Finding the Target: The Transformation of American Military Policy* (New York: Encounter Books, 2006).

10. We use both “economic development” and “economic growth” in this paper, knowing that in the academic literature there is a strict demarcation between these terms. Our distinction might be described as follows: Economic development is, in the literature, attainment of a certain level of gross domestic product (GDP) per capita, accompanied by “a multifaceted process of structural transformations.” It is often associated with the modernization process. See Adam Przeworski, et al., *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990* (Cambridge, UK: Cambridge University Press, 2000). Economic growth, meanwhile, is to us a direction of change, indicating an expansion of opportunities and living standards, as well as the evolution of economic activities. See, e.g., Benjamin M. Friedman, *The Moral Consequences of Economic Growth* (New York: Vintage, 2005); Ricardo Hausmann and Bailey Klinger, “The Structure of the Product Space and the Evolution of Comparative Advantage,” Working Paper 2008-0038, Weatherhead Center for International Affairs, Harvard University, April 2007, at <http://www.wcfia.harvard.edu/node/2625>. Saudi Arabia, for example, has a relatively high level of GDP per capita, ranked 61st in the world, but very low growth rates over time. China, however, has a relatively low GDP per capita (130th in the world), but strikingly high growth rates.

Observations and Assumptions

Our motivation for economic development has changed. The origin of modern development aid dates back to the Marshall Plan and the early years of the Cold War. The motivation for aid and development during the Cold War was containment of the influence of the Soviet Union and Communism, which determined which countries and which types of projects we chose to fund. Today, the strategic calculus behind foreign assistance appears to have shifted, encompassing the prevention of state failure, thwarting terrorism, and humanitarian imperatives. Yet these shifts have yet to lead to any comprehensive review of how American development capabilities should be structured, and how they fit into larger questions of strategy and national security. The interests of the United States and other countries would certainly seem to correspond with the economic growth of fragile, failing, and post-conflict countries, not merely short-term projects that temporarily sway loyalties.¹¹ Recognizing this strategic shift should shape our objectives, how we proceed in pursuit of those, and how we measure progress. It may even warrant economic involvement as preventive action to preclude combat. This suggests an entirely different view of economics and its role in our national security strategy.

There is no predetermined path of economic development. If Tolstoy's masterpiece *Anna Karenina* had instead been a work of economic history he might have observed: "Each dysfunctional economy fails in the same way; each successful economy succeeds in its own way."¹² No amount of money or technical assistance can steer an economy toward an abstract ideal of economic growth because such an ideal simply doesn't exist—there is no normative way for an economy to develop. Often, however, international reconstruction efforts seem to take the view that "Iraq's economy should look like this" or "Afghanistan should be good at this,"

more or less attempting to centrally plan an economy—the very approach proven to thwart growth. Additionally, looking to the experience of other countries as models is helpful only to a limited degree: Each country brings its own unique history to bear, and an outside force cannot plan another's future economic trajectory.

The paradoxes of history, control, and motivation complicate the prospects for economic reconstruction efforts. Many of the countries and regions in which the United States presently engages in economic development programs, or might conceivably engage in the future, have traditional economies. Such economies have historically been organized around nonmarket means (command and control; tribes) for resource allocation.¹³ Paradoxically, we have ended up relying on a bureaucratic and nonmarket-based organization—the military—to change the course of these societies and institute market-based economies. Partly as a result, Western motivation and obsession with time impedes our ability to let indigenous populations develop and implement their own solutions—the flood of international donor money intended to "build" markets ends up distorting the operation of markets.¹⁴ International organizations have an inherent interest in solving economic problems to complement security and transition rapidly, whereas the indigenous population may not be as motivated to incur the transition costs of new economic programs. We can't want it more than they want it themselves.

Absence of clean transfer criteria from military operations to civilian-led reconstruction and development is the new norm. In an ideal world, economic development in post-conflict situations lies within the purview of civilian organizations such as the World Bank, the International Monetary Fund (IMF), U.S. Agency for International Development (USAID), and the Department of State. This "ideal world" relies on the assumption that war and peace are discrete conditions, a

11. See, e.g., Ashraf Ghani and Clare Lockhart, *Fixing Failed States: A Framework for Rebuilding a Fractured World* (New York: Oxford University Press USA, 2008).

12. The opening line of the novel is: "All happy families are like one another; each unhappy family is unhappy in its own way." Leo Tolstoy, *Anna Karenina* (1878) (Signet Classics, 1961).

13. COL Michael Meese, "The State and The Economy: Winning the Peace" (West Point, 2008).

paradigm that looks increasingly anachronistic. Instead, there is a continuum of conflict which may be dramatically different from one part of a country to another. This compounds the problem of “turning over” the economic development functions to a civilian agency. How does one know if a particular location is “ready” for development? Who decides when conditions on the ground are secure enough to move from aid-oriented spending to full-scale development? Is the military making those decisions? And if so, doesn’t that further indicate that the military must have some working knowledge of economics? This arbitrary moment, especially at the national level, is most likely to be a political decision based upon force reduction requirements and less likely to be a result of a dramatic economic recovery. None of this diminishes the role that civilian actors are meant to have in post-conflict economic growth. But the new realities and challenges facing the United States, and the prominent role played by the military in reconstruction and development in recent years, should prompt some careful thinking about how civilian agencies are structured and in what conditions they are trained to operate.

Expeditionary Economics transcends current operations, particularly COIN. Expeditionary Economics transcends our current operations in Iraq and Afghanistan. Our goal is that, as its principles are further developed, they will be flexible enough to be useful in a variety of situations—the importance of economic growth in post-conflict and post-disaster situations will not end with the current conflicts. Similarly, Expeditionary Economics and post-conflict economic development should be seen as distinct from counterinsurgency (COIN). Economic development is clearly an important component of COIN, but two points argue for distinction. First, in future engagements the United States likely will be confronted with the task of economic reconstruction in the absence of insurgency—consider natural disasters like the

earthquake in Haiti, as well as places of potential conflict that might be more conventional in nature, such as North Korea. Second, because the objective of COIN is an effective and legitimate government, economic development programs get stuffed within that framework. Consequently, setting in place what we imagine to be a fully-formed administrative state has become the desired end state in countries like Afghanistan—an objective that, for various reasons, has often impeded efforts to develop the economy.

The conventional wisdom about the preconditions for economic growth is inaccurate. Of the nearly \$50 billion that the United States has spent since 2003 on reconstruction in Iraq, more than half was spent on security-related programs, while almost one-third of the expenditures was spent on infrastructure and 15 percent on governance; merely 3 percent went to economic development (private sector development and economic governance).¹⁵ Clearly, these categories are not hermetically sealed off from each other: Security and infrastructure help to undergird economic development. Yet such spending did little to spur growth. During its fourteen months as the occupation authority in Iraq, the Coalition Provisional Authority (CPA) “focused on large infrastructure projects, with the goal being to build a foundation for Iraq’s economy. In the end, however, the projects that resulted from this approach—power plants, dams, and hospitals, for instance—did not measurably expand the private sector or move Iraq toward more stable and prosperous circumstances.”¹⁶ By June 2004, when the CPA’s tenure ended, electricity and oil production were higher than they had been in the wake of the 2003 invasion, but still below prewar levels.¹⁷ The Iraq Relief and Reconstruction Fund allocated nearly \$20 billion in June 2004, with “private sector employment development” the smallest expenditure category. This changed dramatically by 2005, but still it remained one of

14. Jake Cusack and Erik Malmstrom, “Bactrian Gold: Challenges and Hope for Private Sector Development in Afghanistan,” Ewing Marion Kauffman Foundation (forthcoming, December 2010).

15. See Special Inspector General for Iraq Reconstruction, *Reconstruction Spending and Its Uses*, July 2010 48–49.

16. See, e.g., David J. Berteau, et al., “Final Report on Lessons Learned: Department of Defense Task Force for Business and Stability Operations,” Center for Strategic and International Studies, June 2010.

17. See Special Inspector General for Iraq Reconstruction, *Hard Lessons: The Iraq Reconstruction Experience* (2009), 162.

the smaller areas of reconstruction spending.¹⁸ The tension between short- and long-term actions to stimulate post-conflict economies remains unresolved.

The military will continue to play a large role by default. The military will continue to be a key player in the economic development of post-conflict and post-disaster countries.¹⁹ The idea that the military is and will continue to be the organization tasked to restart economies in nonpermissive environments seems antithetical to their mission and to our own free-market ideals. Yet without some semblance of economic growth, the military will be stuck in the status quo—throwing good money after bad and hoping that the security situation improves. Moreover, if one examines the types of missions that the U.S. military, and the army in particular, has been asked to undertake over the course of the last century, few have been without an economic component.²⁰ Finally, the military has the most pressing incentive to conclude any expeditionary ventures quickly: The sooner economic growth occurs in a post-conflict country, the sooner forces can redeploy.²¹

Regardless of whether or not the military *should* be responsible for building economies, the military *will* be a leading arm of the United States in post-conflict societies for an extended period of time.²² Acknowledging this fact is the first step to admitting that what the military does will, for better or worse, have an economic impact on the indigenous populations. If we agree that we can and should do better, then we have a responsibility to give the military the tools to, at a minimum, “do no harm.” The current methodology of hoping that the military gets it right until civilian organizations can take over is simply unacceptable. Furthermore, it ignores the fact that the economy—some form of one

anyway—continues to operate throughout the spectrum of conflict, from pre-conflict to post-conflict.

Economics and its importance are constant. Security, governance, and the rule of law have dominated discussions about how to reshape Iraq and Afghanistan. The operating idea was that once security was established, a functioning government was in place, and a legal system was up and running, *then* economic development could take place. This is perfectly reasonable, but such a neatly linear concept quickly crumbled in the face of reality: The U.S. military saw almost immediately in 2003 and 2004 in Iraq that efforts at economic development must proceed in tandem with bolstering security.²³ In other words, post-conflict reconstruction and economic development should be seen as a coevolutionary process rather than a sequential one. This is a principal lesson of both general economic history and postwar reconstruction episodes. And, in many ways, economic growth underpins security and governance and the rule of law—it might be much more feasible to make progress on the economic front rather than try to conjure up a new social compact in another country. Clearly, security and governance are important, but more important than the level of security or insecurity in a particular location might be the regularity or predictability of the particular level of security. If individuals and firms can expect a certain level of security, they can calculate the risks associated with doing business. Markets function in some of the most insecure places in the world. Likewise, governance and the rule of law cannot be seen as divorced from the economy. In many ways, economic development can be used to shape these.

Focus on the individual, with the presumption that each person holds within themselves a vast array of potential. As

18. Ibid., 170.

19. COL Jeffrey Peterson, “The Economic Framework for a More Prosperous and Safer World,” Ewing Marion Kauffman Foundation, 2010, http://www.kauffman.org/entrepreneurship/the-economic-framework-for-a-more-prosperous-and-safer-world.aspx?utm_source=Newsletter&utm_medium=Opticast&utm_campaign=Ideas_At_Work_10_2010

20. See, e.g., Andrew J. Birtle, *United States Army Counterinsurgency and Contingency Operations Doctrine, 1860–1941* (Washington, DC: U.S. Army Center of Military History, 1998); Andrew J. Birtle, *United States Army Counterinsurgency and Contingency Operations Doctrine, 1942–1976* (Washington, DC: U.S. Army Center of Military History, 2007).

21. See Schramm, “Expeditionary Economics.”

evidenced by development efforts in Iraq and Afghanistan, the United States and its allies seem to have forgotten or ignored the most basic lesson of social science: People respond to incentives. Reconstruction often proceeds, instead, from the perspective that certain activities or ways of doing business are “inefficient” or “wrong” according to our own expectations, often ignoring the context in which that activity takes place. Yet incentives and transaction costs can explain a great deal—we have largely ignored the most basic attributes of human behavior. The current version of the military’s counterinsurgency manual (Field Manual 3-24) contains an observation about people being “rational” and concerned with their own self-interest, and that a counterinsurgent tactic should be to get people to see where their self-interest lies. In trying to make a point about human behavior, the manual undermines the very point it is trying to make by imposing a normative view of things, ignoring the reasons why a certain behavior exists that may appear, to an outsider, to be “irrational” or contrary to self-interest. Our efforts at economic development must be premised on individual human potential and dignity. The answer, for example, is not necessarily the standard one of mass-produced education through building hundreds of schools. Poor and conflict-laden countries need more education and skill training, but they also need an economic context where they can realize the economic returns from improved human capital.

Human impulse creates markets. In a post-conflict setting, the job of the military and civilian development experts is not to create new companies or establish new markets. Those will happen on their own. From war-torn Sarajevo to destitute North Korea, when given the opportunity,

people will do business: Nearly half of Afghan businesses are less than five years old, meaning they started in the middle of an insurgency.²⁴ Trade and commerce—economic activity—are natural human impulses. The task for those practicing Expeditionary Economics is to help these along; to support the congealing of commerce into functioning markets. The aim of ExpECON is not to implant or mandate Western capitalism in developing countries; there has been altogether too much confusion of markets and capitalism in recent reconstruction efforts and their associated criticisms. The term capitalism refers to a type of economy in which a society is governed mostly by markets with some role for nonmarket activity, such as government provision of public goods. Markets, much more broadly, are characterized by exchange, specialization, division of labor, trade, and some medium of value—these traits are coeval with human civilization. Capitalism requires markets, but markets can work outside of capitalism—indeed, markets existed for thousands of years before capitalism.²⁵

22. See, e.g., David J. Berteau, et al., “Final Report on Lessons Learned: Department of Defense Task Force for Business and Stability Operations,” Center for Strategic and International Studies, June 2010.

23. Ibid.

24. Center for International Private Enterprise, “Afghan Business Attitudes on the Economy, Government, and Business Organizations: 2009–2010 Afghan Business Survey Final Report” (2010). See also Jake Cusack and Erik Malmstrom, “Bactrian Gold: Challenges and Hope for Private Sector Development in Afghanistan,” Ewing Marion Kauffman Foundation (forthcoming, December 2010).

25. See, e.g., David S. Landes, Joel Mokyr, and William J. Baumol, eds., *The Invention of Enterprise: Entrepreneurship from Ancient Mesopotamia to Modern Times* (Princeton, NJ: Princeton University Press, 2010).

26. See Andrew Wilder, “A Weapons System Based on Wishful Thinking,” *The Boston Globe*. September 19, 2009. Consider, too, what is conveyed to soldiers and target populations by the phrase, “money as a weapons system” — money is described as only a tool for defeating an enemy, particularly by purchasing a population’s loyalty. Any sense of sustainable, long-term growth or development is implicitly excluded.

Prescriptions

It's not all about the volume of money.

In a post-conflict setting, money can create as many problems as it can solve. Overreliance on grants and aid actually creates disincentives for entrepreneurship. Money should be used as a last resort, not as the primary method for solving problems. The military uses the phrase, "money as a weapon system," which implies that the dispersal of money can be used precisely and discriminately. Unfortunately, there are typically unintended consequences when it is used in this way.²⁶ Present incentives are such that the military and civilian development agencies measure their progress against the "burn rate": how quickly they are able to spend money. Ease and convenience partially explain this—it is simply easier to count inputs than outputs for programs on "governance" and "private sector development." Part of it is also structural: For a variety of reasons, USAID has morphed into a contracting agency and, with a high velocity of money and projects, the burn rate is what gets reported to its regulatory overseers and Congress.

The people must own the economy. Given the current state of development theory, it is difficult to know what to do or what not to do. Notwithstanding the prior observation that there is no standard model of development, every successful economy in the world has grown through the efforts of private entrepreneurship—individuals taking their own future into their own hands.²⁷ Entrepreneurship may look different in China than it does in the United States, but it retains the same element of creativity and risk taking.²⁸ Our task is to help this process along. This suggests that undertaking large multimillion-dollar projects in post-conflict places will not create long-term jobs for the indigenous population (which is supported by a good deal of evidence in both Iraq and Afghanistan). Instead, if our intent is to

create jobs and encourage entrepreneurship, we need to focus on new and small- or medium-sized businesses, helping them overcome the myriad barriers to entry.²⁹

Set realistic expectations. The United States and its allies need to be realistic both internally and externally about what can be achieved, particularly in a relatively short time frame. The post-conflict expectations that were set in place for Afghanistan and Iraq—both implicitly and explicitly—went far beyond what would have been reasonable. This also should inform how we choose to award or distribute projects and programs. If only a small fraction are expected to succeed, a greater number of projects (with smaller start-up costs) is preferable to a few large projects. In this sense, progress on the economic front may be considerably more attainable in post-conflict situations, particularly during periods of intractable political, religious, or ethnic differences, than forming a democratic government.

Expeditionary Economics is not about grafting something onto the existing bureaucracy. While the theories and ideas behind international development have often been misguided, the bureaucratic structures of aid and development compound its problems. As pointed out by many observers, international aid organizations are plagued by agency problems, information asymmetries, and distorted incentives.³⁰ The impulse in Washington, moreover, is simply to entangle a new field such as Expeditionary Economics within the existing bureaucracy—where on the organizational chart does a new Bureau or Office of Expeditionary Economics belong? This is precisely the opposite of the intended approach.

27. See Carl J. Schramm, "Building Entrepreneurial Economies," *Foreign Affairs*, July/August, 2004; William J. Baumol, Robert E. Litan, and Carl Schramm, *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity* (New Haven, CT: Yale University Press, 2007).

28. See, e.g., Kellee S. Tsai, *Back-Alley Banking: Private Entrepreneurs in China* (Ithaca, NY: Cornell University Press, 2002); Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (New York: Cambridge University Press, 2008).

29. See Carl Schramm, Robert Litan, and Dane Stangler, "Afghanistan's Most Important Natural Resource," *Wall Street Journal Europe*, June 17, 2010.

30. See, e.g., Owen Barder, "Beyond Planning: Markets and Networks for Better Aid," Center for Global Development, Working Paper 185, October 2009, at <http://www.cgdev.org/content/publications/detail/1422971>.

Imagining a Research Agenda

The question of how to improve or overhaul post-conflict economic reconstruction is, at the moment, popular and pressing. Even after the United States transitions to a different stance in Afghanistan in the second half of 2011, future engagements will make similar demands on the American military and civilian agencies. When those situations occur, then, what can be done better? One danger is that, as fatigue with the wars in Iraq and Afghanistan grows, and with tight fiscal conditions facing the federal government, the impetus for fashioning a new approach to economic development will diminish. Laying out a research agenda will hopefully help carve out the intellectual space for exploring the economic dimension in preparation for future demands and contingencies.

When considering a research agenda for this emerging field, we can think about four different levels of analysis:

- The tactical level concerns concrete guidance that can be given to soldiers and civilian aid workers on the ground. Despite the variance across countries and within countries, there would seem to be some general lessons that can be applied to discrete situations, regarding programs such as the Commander's Emergency Response Program (CERP), Provincial Reconstruction Teams (PRTs), identifying and supporting local entrepreneurs, prioritizing actions, and so on.
- The operational level aims to connect economic actors, both civilian and military, at the subnational level or across provinces—for example, issues concerning supply chains and transportation arise here, as do questions around access to capital, infrastructure, and institutions.

- At the strategic level, the United States (and other countries) must think carefully about the division of labor between the civilian and military sides of post-conflict development, as well as how economic development can be better integrated into the prewar planning process. If full-spectrum operations will become more frequent, those activities at one end of the spectrum, such as nonkinetic economic activities, cannot be ignored at the other end.
- Finally, cutting across all of these is what we might think of as a "mezzanine level": how to develop and promote a private business sector in post-conflict countries. This will entail both theoretical and empirical research as well as attention to the organization of military and civilian reconstruction efforts.³¹

Measurement and Evaluation

Perhaps the most immediate thing that can be accomplished is to set in place systems for data collection, performance measurement, and evaluation. The absence of reliable and authoritative data that track economic development is a significant problem. After nearly ten years at war, the United States still lacks any real evidence of the impact of its spending in most economic sectors. Developing a methodology for data collection that begins immediately upon occupation will certainly save money in the long term and can also inform policy makers about problematic trends before there is a crisis. Addressing this problem could take the form of a metrics primer for national level data down to the provincial and local level. Metrics and performance measures should be built into U.S. military information collection plans pre- and post-conflict.³² What information should be gathered prewar, during war, and postwar to provide an

31. We are grateful to Drew Erdmann for helping us think through this conceptual organization.

32. For a good related discussion of intelligence collection and analysis, see Major General Michael T. Flynn, USA Captain Matt Pottinger, USMC Paul D. Batchelor, DIA, "Fixing Intel: A Blueprint for Making Intelligence Relevant in Afghanistan," Center for a New American Security, January 2010, at http://www.cnas.org/files/documents/publications/AfghanIntel_Flynn_Jan2010_code507_voices.pdf.

33. See, e.g., Eli Berman, et al., "Can Hearts and Minds Be Bought? The Economics of Counterinsurgency in Iraq," National Bureau of Economic Research Working Paper No. 14606, December 2008, at <http://www.nber.org/papers/w14606>; Andrew Wilder, "Losing Hearts and Minds in Afghanistan," in *Afghanistan, 1979–2009: In the Grip of Conflict*, (Washington, DC: Middle East Institute, 2009), at <http://www.mei.edu/Portals/0/Publications/Afghanistan%20VP.pdf>.

economic picture? Who should spearhead the economics metrics effort? Likewise, while there has been some empirical work regarding the effectiveness of CERP projects, there remains little consensus over the impact of aid projects on development and security.³³ The United States and its allies need more comprehensive evaluations of programs like CERP and the National Solidarity Program in Afghanistan.

Past Successes

On a broader level, the United States needs to build an arsenal of past successes, as it were: What can be learned from prior episodes of post-conflict reconstruction? What are the different types of models that could be used? What types of spending or projects have had the greatest impact on security and stability? There has been research, of course, on the effectiveness of the Marshall Plan in Europe, the postwar rebuilding of Japan, and other engagements, but in terms of compiling lessons learned for future conflicts and marrying the literature on the future of war with post-conflict research, efforts remain desultory.

Foreign Aid and Development: Organizational Structure and Design

Serious consideration needs to be given to the future of civilian development capabilities in the United States, from USAID and the State Department to the use of contractors. Fairly or not, USAID has come under withering criticism over the past several years for its work in Iraq and Afghanistan; so, too, have the State Department and the vast array of development contractors employed by the government.³⁴ The question that must be asked is whether post-conflict development efforts can be improved from within the existing system, or whether a complete overhaul of the current agency structure is necessary. We are doubtful that adequate reform can be accomplished by trying to improve on the

present structure; the constraints imposed on USAID, for example, would appear to necessitate starting over. This is not a judgment on the talent or motivation within USAID, but a realistic appraisal of the tight situation in which it is caught.

Civilian Development

A voluminous array of literature exists on economic development—from targeted programs and randomized evaluations to sweeping critiques and suggested changes. There also is a large amount of literature examining countries, particularly in East Asia, that have developed successfully. What the civilian development community in the United States needs is a library of case studies from which practical lessons are systematically drawn. Such a compilation of case studies should only be an intermediate step and not an end in itself: The case study method has limits as a pedagogical tool, and its usefulness in this context would be enhanced only by systematic synthesis. Analysis exists, of course, but civilian agencies need analysis and meta-analysis that look specifically at what, if anything, can be learned from successful (and unsuccessful) instances of development over the past two centuries. Do the experiences of other countries offer any ideas for post-conflict reconstruction in failed states?

Two further areas of great interest to civilian development are rule of law and establishment of institutions. Setting in place the “rule of law” has been an important objective for the United States in both Iraq and Afghanistan, but often has seemed to revolve around physical reconstruction like building a courthouse. On-the-ground efforts at promoting the rule of law and establishing institutions have often looked dramatically underinformed in terms of history and context. Such efforts, too, have frequently been underfunded when compared to physical security and infrastructure projects, and obviously take longer to bear fruit. Again, however, some sort of lessons learned analysis seems appropriate here, as does a worked-out understanding of

34. See, e.g., Ben Arnoldy, “Afghanistan War: How USAID Loses Hearts and Minds,” *Christian Science Monitor*, July 28, 2010, at <http://www.csmonitor.com/World/Asia-South-Central/2010/0728/Afghanistan-war-How-USAID-loses-hearts-and-minds>.

35. See, e.g., Brock Dahl, “The Quiet Enemy: Defeating Corruption and Organized Crime,” *Military Review*, March–April, 2010.

36. Joshua Foust, personal communication.

how the rule of law and associated institutions develop. This is not to deny that fostering the rule of law is incredibly difficult, but the process of actualizing it frequently seems to be guided by the “we-know-it-when-we-see-it” heuristic. Special attention also needs to be paid to existing institutions, whether formal or informal, without letting the requisite “institutional rehabilitation” rely too heavily on traditional methods.³⁵

Private Sector Development

The dynamics of how a private sector emerges and takes shape in post-conflict states is vastly underresearched. The departments and agencies of the United States and other countries have talked frequently about developing a private sector in Iraq and Afghanistan but, as one commentator pointed out to us, such efforts often confuse “creating a market” with “rebuilding a bazaar we just destroyed.”³⁶ There is room for vastly greater understanding of how a private sector develops in post-conflict societies. Much has been made of the “Arizona Market” that sprang up in Bosnia in the late 1990s after international forces secured the area around Brcko, which began as an informal open air flea market and turned into a large produce market.³⁷ Yet the subsequent history of the Arizona Market and unsuccessful efforts to replicate it has called its usefulness as an example into question.³⁸ The development community needs a coherent body of work about how a private sector emerges and takes shape and where, in terms of opportunities to help, the levers for action may be. Finally, once successful private sector initiatives are identified, there is the challenge of determining scalability. What often works in one discrete location does not translate to another locale, making success incredibly difficult to replicate or scale.

Counterfactual Analysis and War-Gaming

Likewise, we wonder about the potential utility of counterfactual analysis applied to Iraq and Afghanistan: What could we, and would we, have done differently had we approached these post-invasion scenarios through the lens of Expeditionary Economics? A “what if” analysis can obviously run off the rails into overly idealistic and wishful thinking—resource constraints like those facing the U.S. military in a post-conflict setting rarely exist in a “what if” scenario. Done correctly, however, counterfactual analyses could be enormously useful to the military and civilian development apparatus in preparing for future contingencies and making adjustments.³⁹ Similarly, developing economic scenarios for the Defense Department’s strategic planning exercises and war games may also offer a previously untapped opportunity.

Military Efforts

We already have mentioned the attention that should be paid to economic considerations when planning or preparing for a conflict. An entire assessment or plan should address economic impacts, resources, infrastructure, and so forth. This concerns high level issues of strategy and planning, but Expeditionary Economics also raises longer-term questions about developing economic capabilities within the military itself. Rather than relying on outside contractors and experts, and given that the individual units and soldiers may once again be asked to engage in economic reconstruction, should the United States military consider a deeper incorporation of economics into the military education system? Indeed, in our conversations with officers from across all four branches of service, it is apparent that many in the military have already begun to think about the ramifications of Iraq and Afghanistan—and what they mean for future

37. See Bruce R. Scott and Edward N. Murphy, “Brcko and The Arizona Market,” Harvard Business School case, December 2004.

38. Almost immediately, it became an elaborate market for many illegal activities. See, e.g., Peter Andreas, *Blue Helmets and Black Markets: The Business of Survival in the Siege of Sarajevo* (Ithaca, NY: Cornell University Press, 2008).

39. For an overview of the utility of counterfactual analysis, see Niall Ferguson, “Introduction: Virtual History: Towards a ‘Chaotic’ Theory of the Past,” in Niall Ferguson, ed., *Virtual History: Alternatives and Counterfactuals* (New York: Basic Books, 1999).

post-conflict engagements—in terms of military training, education, promotion, organization, and force structure.

Preventive Defense

The United States and its allies also need a good deal of research into what might be called “preventive defense”: To what extent can economic development efforts help to defuse or avoid conflict in areas at risk of violence? We are under no illusions that American-led development programs, whether civilian- or military-led, can head off all potential conflicts in the world, but if the military and, indeed, the entire government are thinking seriously about future conflicts and the requisite national security posture, then economic growth in failing or fragile states would seem to be a promising route of action. Thus, at an even broader, more philosophical level, the United States needs to take greater account of economic growth and development in matters of strategy.

Military–Private Sector Partnership

In current as well as future stability operations, private sector involvement will inevitably be significant. Employing the private sector can be a powerful tool for enhancing economic well-being and bringing about swifter stabilization. Unfortunately, Combatant Commanders do not know what they can count on from civilian companies, universities, federally funded research and development centers, private consultants, nongovernmental organizations, etc. Further, there is no effective mechanism in place to involve the private sector in rehearsals or exercises. Finally, during actual operations, the United States lacks an effective, agile institution for bringing the full power of the private sector to bear on stability operations swiftly and efficiently.⁴⁰

How can these problems be mitigated? Should there be a private sector ombudsman who has the ability to coordinate the response of the private sector? Can a mechanism be created to include relevant private sector stakeholders into the military planning process, rehearsals, or exercises? When and how should the private sector be involved? Once the private sector is involved, how does the military stay abreast of which organizations are providing money or services to the indigenous population? Is there a way to coordinate spending to reduce duplication of effort? Which types of work should the military avoid altogether? How can the military encourage private sector involvement or solutions to post-conflict problems? The field of military–private sector partnership offers numerous opportunities for much needed research—we must move from an approach centered on the “whole of government” to one that more broadly encompasses the “whole of national power.”⁴¹

Political Economy

Finally, the experiences in Iraq and Afghanistan demonstrate how little we still understand about the complex dynamics of political economy, particularly in post-conflict nations. There are passages, for example, in Samuel Huntington’s book *Political Order in Changing Societies*, written more than four decades ago, that read as if they were descriptions of what happened in Iraq and Afghanistan subsequent to U.S. invasion.⁴² Clearly, we have a great deal of work to do in understanding these situations. In particular, three areas of research would seem to be most relevant, in the short- and long-term, to the U.S. military and civilian agencies in approaching post-conflict economic development.

First, what is the relationship between

40. See Defense Science Board, “Institutionalizing Stability Operations within DoD: Report of the Defense Science Board Task Force,” September 2005. The creation of the Task Force for Business and Stability Operations (TFBSO) is an indication that the Pentagon recognized this gap in the current capabilities to integrate the private sector in overseas operations. Its status as a task force further suggests its impermanence and the absence of a long-term institution. Public evaluations have generally been positive, even while noting that there are insufficient data for full assessment. See, e.g., David J. Berteau, et al., “Final Report on Lessons Learned: Department of Defense Task Force for Business and Stability Operations,” Center for Strategic and International Studies, June 2010. Our private conversations with those who have worked with the TFBSO, however, indicate a lack of transparency and effectiveness.

41. See Schramm, “Expeditionary Economics.”

42. Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968).

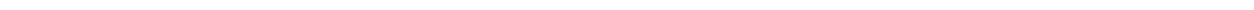
economic growth and conflict or security? Does economic growth reduce conflict and enhance security? Is it a monotonic relationship either way? Second, what is the relationship between entrepreneurship and democracy? It appears to be relatively well established that democracy and economic development are closely connected, but there are unanswered questions pertaining to the structure of the economy and how it affects democratic government—in particular, whether entrepreneurship, the formation and growth of new (local) firms and the ownership structure of such firms, bears more strongly on democracy than other pathways of economic growth. Finally, much work remains to be done on comparative entrepreneurship around the world: Given the importance of entrepreneurship, how does it differ (or not) across countries and systems? Recent literature, for example, has established the importance of private enterprise to China's remarkable economic record, but there is little sense of how this would translate to development work in a country like Iraq and Afghanistan.

Conclusion

Expeditionary Economics must be a key component of our national strategy to turn conflict or disaster abroad into an opportunity for sustained economic growth. That the success of past military engagements was often only a qualified one is due largely to the missing component of economic recovery. The prevailing notion that security must be established before focusing on economic development is incomplete—security and economic development occur in tandem as a coevolutionary process, and the military, at least, already knows this. Economic growth presents a way to further other objectives of post-conflict efforts: rule of law, governance, legitimacy, and reducing corruption. Our current orientation toward first establishing an administrative state and reordering a state's political structure overlooks the potential of individual entrepreneurs and the impact that new, local businesses can have in building a viable indigenous economy.

Expeditionary Economics is a new field of study, and we recognize that there are currently many more questions than answers. From philosophical

considerations about which actors should have responsibility for what tasks, to the very granular details of how to empower and encourage individual entrepreneurs, there is enormous potential for research and much work yet to be done. We hope researchers as well as military and civilian practitioners will join us in exploring answers to the questions we raise in this paper, and in making Expeditionary Economics the blueprint to our future development successes.



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