

# **Expeditionary Economics: A Future Resource for Military Planners?**

**A Monograph  
by  
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When major combat operations come to a close, decisive action is paramount. Without deliberate action in subsequent stability operations, there is risk of marginalizing previous victories. Expeditionary economic theory offers a solution for bringing stability to post-conflict regions. Economic growth and expansion is its primary objective. Stability operations require flexible military capability that can proactively respond to complex environments. Expeditionary economics offers useful principles for military planners to consider when developing solutions to complex problems. These principles are evident in historical military campaigns and operations. This study examines the nature and development of expeditionary economic theory. Furthermore, it searches the historical cases of postwar Japan, Vietnam, and the Balkans for examples of the principles found in expeditionary economics. The findings suggest that applying the principles of expeditionary economics in post-conflict environments is vital for achieving strategic aims. This is especially useful when the preponderance of military involvement transitions from major combat to stability operations. However, current military doctrine already accounts for this and must not be discarded in pursuit of economic growth to accomplish strategic aims. This paper concludes that there is no need to adopt any new doctrine with separate military organizations to accomplish this.

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## **Abstract**

Expeditionary Economics: A Future Resource for Military Planners?, by Major Clifton D. Schmitt, 56 Pages.

When major combat operations come to a close, decisive action is paramount. Without deliberate action in subsequent stability operations, there is risk of marginalizing previous victories. Expeditionary economic theory offers a solution for bringing stability to post-conflict regions. Economic growth and expansion is its primary objective. Stability operations require flexible military capability that can proactively respond to complex environments. Expeditionary economics offers useful principles for military planners to consider when developing solutions to complex problems. These principles are evident in historical military campaigns and operations. This study examines the nature and development of expeditionary economic theory. Furthermore, it searches the historical cases of postwar Japan, Vietnam, and the Balkans for examples of the principles found in expeditionary economics. The findings suggest that applying the principles of expeditionary economics in post-conflict environments is vital for achieving strategic aims. This is especially useful when the preponderance of military involvement transitions from major combat to stability operations. However, current military doctrine already accounts for this and must not be discarded in pursuit of economic growth to accomplish strategic aims. This paper concludes that there is no need to adopt any new doctrine with separate military organizations to accomplish this.

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# Introduction

## Background

There is much debate over the military's role in stability operations. Historically, the U.S. Army takes the lead in stability operations after armed conflict. Since the Army has been focusing so much attention on stability operations for over a decade now, there is a growing concern over diminishing proficiency in conducting major combat operations required to defeat a professional military. This creates a larger debate on the use of military forces and the associated core competencies necessary to fight and win the nations wars. The current economic situation in the United States along with the national deficit intensifies this debate. The Department of Defense announced new priorities along with budget cuts from 2013 through 2015.<sup>1</sup> This will impact the military's ability to organize, equip, and train its forces for efficient success in future conflicts.

Therefore, as major combat operations come to a close in a relatively short period of time, the operations that follow are generally more complicated. This implies that the operations that follow major combat operations are more decisive in nature than actual major combat operations. As a result, there is an inherent requirement for military professionals to consider the second grammar of war in the aftermath of major combat operations.<sup>2</sup> There are a variety of proposed alternatives. For example, Thomas Barnett makes the assertion that a separate military force needs to be created to focus on military operations other than war (MOOTW).<sup>3</sup> Another broad approach is expeditionary economics theory. Expeditionary economics offers a focused

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<sup>1</sup> U.S. Department of Defense, *Major Budget Decisions Briefing from the Pentagon*, (January 2012), by Leon E. Panetta and GEN Martin E. Dempsey, Washington D.C., 2012, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4962> (accessed January 29, 2012).

<sup>2</sup>The second grammar of war addresses activity beyond initial combat operations. It encapsulates all military activity from destruction to creation and elucidates the relationship with the operating environment. For a comprehensive review of this idea, see Antulio J. Echevarria II, *The Evolution of Operational Art*, ed. John Andreas Olsen and Martin Van Crevald (Oxford: Oxford University Press, 2011), 161.

<sup>3</sup> Thomas P. M. Barnett, *Blueprint for Action* (New York: Penguin, 2005), xix, 38-39.

solution to provide an alternative for increasing the military's proficiency in stability operations which is generally associated with nation-building. It does this by keeping economic development and expansion as the goal that military planners will work toward setting conditions to achieve. Expeditionary economics proposes a way to plan for operations that follow major combat operations.

According to military doctrine, operations are conducted in six phases.<sup>4</sup> The first four phases are numbered zero through three. Chronologically, they are Phase 0-Shape, Phase 1-Deter, Phase 2-Seize the Initiative, and Phase 3-Dominate. The preponderance of major combat operations occurs in Phase 3. Following these is Phase 4-Stabilize and Phase 5-Enable Civil Authority.

## **Purpose**

The primary purpose of this monograph is to offer an alternative perspective for military planning with respect to Phase 4 operations. The author calls attention to the fact that a loss of initiative and momentum gained during Phase 3 essentially marginalizes the victories experienced during that phase. This is dangerous and detrimental to military forces and the nation.

Additionally, the interdependent relationship between lasting stability and economic conditions is emphasized with the military's essential role in creating these conditions. Remember, the author emphasizes the military's role in creating conditions for economic growth rather than the actual creating or building of an economy. Finally, it draws from history and modern expeditionary economic theory to highlight principles that can be applied in the future application of operational plans.

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<sup>4</sup> U.S. Joint Chiefs of Staff, *Joint Operations*, Joint Publication 3-0 (Washington D.C.: Joint Chiefs of Staff, 2011), V-6 - V-9.

## Theoretical Framework

Expeditionary economics is a new concept that offers a theoretical solution for efficiently stabilizing post-conflict environments. Expeditionary economics is a theory that links lasting stability with economic development for fledgling states in conflict. Improvement of the economic conditions of the region in conflict is the overall objective of expeditionary economics. The implication is that this will contribute to the long-term positive impact on governance and security. The theory of expeditionary economics provides a *military-led* solution to generating long-term stability through the economic development of regions or states in conflict. At first glance, the theory appears to counter a more widely accepted view that other government agencies such as the Department of State and the U.S. Agency for International Development must take the lead on any economic development. However, the theory holds the military as the primary role in generating initial momentum for economic development.

This new concept grasped the attention of the U.S. Army enough to invoke a partnership with the proponent of expeditionary economics, the Ewing Marion Kauffman Foundation in Kansas City. This partnership was initiated by the Command and General Staff College Foundation at Fort Leavenworth, Kansas. As a result, a three-day conference held in May 2010 included speakers from academia, government agencies, military departments, and private sector professionals. Lieutenant General Caslen provided closing remarks as the commander of the U.S. Army Combined Arms Center and Commandant of the Command and General Staff College at Fort Leavenworth. He stated "that our Army and our military and our interagencies must absolutely have to have this level of discussion. Not only at the macro level, but also at the micro level."<sup>5</sup> The issue of the military's central role in expeditionary economics theory causes disagreement over the methods of applying the theory's principles. However, the necessity of

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<sup>5</sup> LTG Robert Caslen, "Closing Luncheon Keynote Speech" (speech given at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 27, 2010).



expeditionary economics becomes clear once its principles are understood in the context of previous, current, and future military operations.

## **Research Question**

After introduction, the theory of expeditionary economics received enough attention from the U.S. Army to inspire conferences, lectures, and even courses taught to cadets at West Point. Most of the discussion surrounding expeditionary economics took place during Iraq and Afghanistan which led to the central question of this paper: What is the origin, evolution, related theories, and potential application of expeditionary economics? Furthermore, is expeditionary economics the way to quickly achieve victory in Phase 4?

## **Hypothesis and Findings**

In order to answer the main question several other questions have to be addressed. First, is it possible that there are historical cases that demonstrate the military's ability to apply the principles associated with expeditionary economics? Second, can insights from both historical cases and the modern theory of expeditionary economics be applied to future campaigns/wars? Third, is it possible to identify and pursue Phase 4 objectives with the same vigor and tenacity as Phase 3 objectives?

In answering those questions, this paper concludes that there are three important findings. The first is that there are key principles within expeditionary economics theory that are evident in previous military campaigns. As such, the uniformed military must maintain the lead in stability operations. The second is that there is no need for any overhaul of organization, equipping, and training within the US military to employ the critical principles of expeditionary economics. The third finding is the need to understand the environment so that planning for Phase 4 can occur before Phase 3 begins. Finally, this paper recommends that military planners and practitioners incorporate key principles of expeditionary economics to guide their approach to current military

doctrine. However, there is no recommendation to support any proposal for additional training institutions and organizations related to expeditionary economics.

## **Organization**

This monograph is organized in seven sections. The next section addresses the arguments from critics. The third section discusses origin of expeditionary economics along with its core principles, related theories, and the Marshall Plan as a platform for its evolution. The fourth section considers current national policy and the utility of expeditionary economic theory to achieve strategic aims. The fifth section is a retrospect analysis of historical cases where principles of expeditionary economics are evident. The sixth section highlights future proposals from proponents of expeditionary economic theory. The concluding section provides broad recommendations for military planners. The implication in this section is that the key principles of expeditionary economics need to be applied in a balanced manner.

## **Critics of Expeditionary Economics**

### **The Issue of General Development**

It is rare to find new concepts that are readily embraced especially when they require fundamental changes to accepted norms. As a recently introduced theory, expeditionary economics is no exception. There are two major challenges that expeditionary economics seeks to overcome. The first is an inefficient central-planning mindset of traditional aid and development programs that lead to hollow results. The Department of State and subordinate agencies are implicitly regarded as fostering a culture that perpetuates this mindset through habitual techniques and approach.<sup>6</sup> The second challenge is filling the time gap as combat operations begin to slow in pace and a transition towards stability operations is required.

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<sup>6</sup> This is explained in greater detail when describing the modus operandi of U.S. aid and development programs during the interview with Carl Schramm, "Is DoD the new AID? Tasking Soldiers

Expeditionary economics calls for the military to be a stop gap for this. There is little to no debate over the fact that development of foreign nations and their economies is in the national interest of the United States. Methods and measures of efficiency may be debated, but not the fact that it is necessary. The major point of contention surrounding expeditionary economics is centered on the military being the appropriate instrument for implementing a large-scale economic development effort. This leaves two general schools of thought. The first school of thought believes that development belongs solely to government agencies outside of DoD. The second school of thought believes that the military should play a major role in development in a tandem interagency effort. However, the critics come from both civilian and military sources.

### **Military Views Countering Expeditionary Economics**

The main argument among military circles centers on a decline in the skills required to conduct major combat operations (MCO). MCO involves the use of large formations of ground forces to include infantry and armor while integrating support from ground based artillery as well as air and naval fire support. This also includes the integration of all other ancillary combat and support forces such engineers, air defense, military police, logistics, communications, etc. There is a general concern that the combination of these skills have atrophied to unacceptable levels due to a prolonged focus on stability operations.<sup>7</sup> This does not imply that an optimal level of proficiency has been achieved in planning and conducting stability and counterinsurgency operations either. Both of these are linked to nation-building.

In fact, Admiral Mike Mullen, former Chairman of the Joint Chiefs of Staff, commented that "the military has neither the expertise nor the manpower for the nation building it has been

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with Economic Development," *Ideas in Action*, October 21, 2010, <http://www.ideasinactiontv.com/episodes/2010/10/is-dod-the-new-aid-tasking-soldiers-with-economic-development.html> (accessed January 2, 2011).

<sup>7</sup> LTC William Benson, "Major Combat Operations versus Stability Operations: Getting Army Priorities Correct" (monograph, School of Advanced Military Studies, 2011), 6.

forced to perform.<sup>8</sup> However, the concern over atrophied skills for MCO will likely lead to an immediate reduction in stability/counterinsurgency training. Additionally, there are significant calls for marginalizing counterinsurgency doctrine and the practice of population-centric warfare vs. enemy-centric warfare.<sup>9</sup> The underlying premise behind these concerns is that the military is doing so much already and that any additional requirements such as adding the doctrine and associated training of expeditionary economics would simply be another long step in an inappropriate direction.

### **Arguments for Civilian Instruments**

The civilian side of the argument complements this premise with criticism directly to that point. Responding to the notion in expeditionary economics that the military must be the initial instrument of development, former U.S. Ambassador to Afghanistan said, "The idea that you ought to throw another nonmilitary operation into the military I believe to be fundamentally flawed. It has already led to an excessive militarization of our foreign policy and to conflicting policies for training and equipping armies".<sup>10</sup> This idea nests with the expressed concerns of military members who are hesitant to embrace expeditionary economics due to its distraction from other traditional competencies. While there is recognition that nonmilitary agencies have failed to adequately fulfill their responsibilities toward economic development, there is concern over statutory requirements that separate this responsibility from the military and the need for

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<sup>8</sup> The former Chairman of the Joint Chiefs' comments indicates that he supported development through the military despite the lack of resources to execute in an ideal manner. Resourcing this presents a limitation. For the overall context of his comments see Connie K. Duckworth, "Expeditionary Economics: A New Weapon in our Arsenal," Sustainable Transformation Innovation Reality, <http://www.stirblog.org/2010/06/expeditionary-economics-a-new-weapon-in-our-arsenal/> (accessed December 22, 2011).

<sup>9</sup> Gian P. Gentile, "Our COIN Doctrine Removes the Enemy from the Essence of War," *Armed Forces Journal* (January 2008), <http://www.armedforcesjournal.com/2008/01/3207722> (accessed December 26, 2011).

<sup>10</sup> Greg Hack, "Next Military Mission may be to Promote Free Markets," *Kansas City Star*, January 12, 2010, <http://midwestdemocracyproject.org/articles/next-military-mission-may-be-to-promote-free-markets/> (accessed January 2, 2012).

better interagency coordination with the military.<sup>11</sup> The counter argument expressed by civilian consensus is that the military needs to be good at fighting and that other agencies need to fill the void that expeditionary economics calls the military to fill.

For example, while Ann Marlowe praised the military for their competency in their area of expertise, she responded to the idea of expeditionary economics by downplaying the military's capability to build an economy and said that others agencies need to do this.<sup>12</sup> This aligns with military critics who want the military to focus more on major combat operations. Niall Ferguson also pointed out that military personnel have repeatedly been asked to start an economy without any training.<sup>13</sup> West Point Instructor Colonel Mike Meese attempts to assuage these concerns by pointing out that winning wars involves more from military formations than destruction alone.<sup>14</sup> However, general contempt for military involvement in economic development continues to exist. There is much support expressed for separating development from military tasks. Many believe that military presence sends the message of destruction and negates any development efforts. Additionally, there is support for civilian agencies to control and promote development.<sup>15</sup>

It is still unknown how much traction the theory of expeditionary economics will gain as its advocates push for further support. The originators of the theory set out to solve a problem of quickly generating the capacity for sustained long-term economic growth. The theory may end up accomplishing this in an indirect manner. The debate over the use of the military as a primary

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<sup>11</sup> Kori Schake, "Operationalizing Expeditionary Economics," (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>12</sup> See complete context during the interview/discussion with Ann Marlow by Jim Glassman, "Is DoD the New AID? Tasking Soldiers with Economic Development," *Ideas in Action*, October 21, 2010, <http://www.ideasinactiontv.com/episodes/2010/10/is-dod-the-new-aid-tasking-soldiers-with-economic-development.html> (accessed January 2, 2011).

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> See blog responses that object to military development efforts with Vijaya Ramachandran and Julie Walz, "Improving US Soldiers' Role in Development," *Poverty Matters Blog*, September 6, 2011, <http://www.guardian.co.uk/global-development/poverty-matters/2011/sep/06/afghanistan-us-military-development-conflict> (accessed January 5, 2011).

instrument appears to take hold of civilian agencies and rub their nose in the mess that prompted the creation of the theory. This debate has caused many members of civilian agencies (mainly within the Department of State) to speak out in opposition. In the course of this opposition there is concession that agencies such as the United States Agency for International Development require reform and additional resourcing in order to adequately fulfill their responsibilities. The current Secretary of State, Hillary Clinton, recognized these types of related organizational deficiencies prior to the introduction of expeditionary economics and called upon Congress for additional resources.<sup>16</sup> For now, expeditionary economics is providing common ground for the critics in garnering support for further analysis of appropriations and resource allocation.

Nevertheless, the theoretical problem of military invasion followed by rapid reconstruction and economic development still remains unsolved. There is no unanimous support for expeditionary economics as the solution. However, a gap still exists with the potential to create a host of similarly observed challenges in future conflicts when the military is deployed. Perhaps the need for additional resources and new doctrine related to expeditionary economics isn't quite so urgent. There are existing tools that can be appropriately leveraged within the current capacity of military and civilian agencies to meet the needs of future problems. In order to leverage these appropriately, military planners must begin early vigorous planning for Phase 4 as the decisive phase.

Finally, expeditionary economics calls for the growth of an economy in order to bring lasting stability with democratic or responsible governments. However, the element of governance is vital for the success of expeditionary economics and it cannot be positively employed in its own right. Historical cases provide evidence of the relationship and importance of

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<sup>16</sup> Hillary Clinton, "Remarks by Secretary Clinton on State and USAID's Budget," (address to House Appropriations Subcommittee on Foreign Policy, Washington D.C., April 23, 2009), <http://www.america.gov/st/testtrans-english/2009/April/20090423145655xjsnommis0.7469141.html&distid=ucs> (accessed January 14, 2012).

legitimate government in the initial stages of economic reform. Historical cases also show that incompetent and weak government structures inhibited the initial efforts economic reconstruction. "In pursuing economic objectives, we must not forget the importance of good government."<sup>17</sup> This fact makes it difficult to for the theory of expeditionary economics to be adopted as a mutually exclusive doctrine.

In the absence of responsible government elites in the host-nation will have the potential to mass economic power with their traditional power and generate additional problems.<sup>18</sup>This creates an inherent need for quick effective government in the initial short-term as economic reconstruction endeavors commence. This must be followed by long-term government and rule of law support structures that exercise a hands-off approach to the private sector while protecting and supporting its growth. A situation such as this demonstrates victory in Phase 4 and sets the conditions for rapid transition to Phase 5 where civilian agencies take the lead. This is evident in the case of Japan when the military was proactive in ensuring that government structures were set to support economic growth. This will be discussed later in this paper. First, however, it is necessary to review the inspiration for expeditionary economics and its core principles.

## **Origin of Expeditionary Economics**

### **Inception**

The economy of the United States and many other nations around the world has been in recession since 2008. This led to the Great Recession witnessed in 2009.<sup>19</sup> Since then, the economic conditions in the United States have taken center stage in politics and departments within the government. Strategists began to discuss the subsequent scenarios and ramifications of

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<sup>17</sup> Nicholas H. Riegg, "Implementing Expeditionary and Entrepreneurial Economics: Iraq and Afghanistan", (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>18</sup> Ibid., 174.

<sup>19</sup> David B. Grusky, Bruce Western, and Christopher Wimer, *The Great Recession* (New York: Russel Sage Foundation, 2011).

the recession. As part of this discourse, the Joint Chiefs of Staff sent a delegation to a think tank meeting in April 2009 to take responses to the following question: What will the world look like in terms of geopolitical ranking after the recession is over?<sup>20</sup> As an invited participant and economist, Carl Schramm, took part in the discussion. He noted that an attending Defense Department official announced that he had recently met with one of the most eminent economists in the country as part of related discussions.<sup>21</sup>

Mr. Schramm responded at the end of the meeting with two questions that ended up serving as the impetus for the idea and subsequent development of expeditionary economics. The first question concerned the fact that the economists being asked to respond to the think tank question weren't able see the recession coming. How then will they be able to tell you what the geopolitical fabric will look like at the end of the recession and for that matter when it will end? The second question centered on Schramm's statistics related to a decline in death due to organized violence and war since 1950 while at the same time there has been an increase in per capita world income: Does the Defense Department focus on this at all? Military officials asked him to write a memo expounding on what he was attempting to get at by those questions.<sup>22</sup>

Considering the potential geopolitical fabric of the future is an important factor for strategic context and future strategic planning for the military. However, Schramm's questions take an indirect path at this. Rather than spending futile efforts speculating over the future situation, he proposes a solution for dealing with potential problems once the economic power standing of countries becomes clear. The memo he wrote in response was subsequently edited and published as an article in *Foreign Affairs*. This article defined the theory of expeditionary economics. The associated implication in his theory is that violence associated with Phase 3

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<sup>20</sup> Carl Schramm, "Expeditionary Economics" (lecture given at the Leadership for America Campaign at The Heritage Foundation, Washington D.C., July 18, 2011).

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.



military operations will be followed by Phase 4 operations in failed states. Overall, Phase 4 will become the decisive phase. There appears to be relevance in this considering a bleak geopolitical forecast that calls for appropriate response from a dynamic military force.<sup>23</sup> Considering Schramm's background, it is no coincidence that he developed this idea.

## **Father of Expeditionary Economics**

Dr. Carl Schramm is considered to be the father of Expeditionary Economics.<sup>24</sup> He is a member of the Research, Innovation and Enterprise Council (REIC) for the Prime Minister's Office in the Republic of Singapore.<sup>25</sup> President Obama invited him to participate in the White House forum on jobs and economic growth in December of 2009.<sup>26</sup> Schramm was also present when President Obama announced his "Startup America" plan in January of 2011.<sup>27</sup> On September 8, 2011, the day prior to the President's speech on the American Jobs Act,<sup>28</sup> he made a public statement on the importance of entrepreneurs and starting new businesses related to employment growth.<sup>29</sup> As a current member of the Council on Foreign Relations in the United

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<sup>23</sup> U.S. Joint Forces Command, *Joint Operating Environment 2010* (Suffolk, VA: Joint Forces Command, 2010), 4.

<sup>24</sup> James Jay Carafano, "Expeditionary Economics" (opening comments at Leadership for America Campaign at The Heritage Foundation, Washington D.C., July 18, 2011).

<sup>25</sup> National Research Foundation, "Councils and Boards: Research, Innovation and Enterprise Council," National Research Foundation, <http://www.nrf.gov.sg/nrf/councilBoard.aspx?id=160> (accessed December 20, 2011).

<sup>26</sup> Barbara Pruitt and Kelly Rohrs, "Entrepreneur Expert Carl Schramm to Attend Obama Jobs Summit," *Kauffman Foundation*, December 2, 2009, [http://www.kauffman.org/newsroom/entrepreneur-expert\\_carl-schramm-to-attend-obama-jobs-summit.aspx](http://www.kauffman.org/newsroom/entrepreneur-expert_carl-schramm-to-attend-obama-jobs-summit.aspx) (accessed December 19, 2011).

<sup>27</sup> Richard Wolf, "Obama to Propose Tax Breaks, Loans for Startup Companies," *USA Today*, January 31, 2011, The Oval Section, <http://content.usatoday.com/communities/theoval/post/2011/01/obama-to-propose-tax-breaks-loans-for-startup-companies/1> (accessed December 21, 2011).

<sup>28</sup> President Barack Obama, "Remarks by the President on the American Jobs Act," (speech given at the University of Richmond, Richmond Virginia, September 9, 2011), <http://www.whitehouse.gov/the-press-office/2011/09/09/remarks-president-american-jobs-act> (accessed December 20, 2011).

<sup>29</sup> Kent Bernhard Jr., "Kauffman Boss Pitches Jobs Plan," *Portfolio.com*, September 8, 2011, <http://www.portfolio.com/views/blogs/daily-brief/2011/09/08/kauffman-boss-carl-schramm-pitches-jobs-plan-in-advance-of-obama-speech/> (accessed December 21, 2011).

States,<sup>30</sup> Dr. Schramm provides contributions for the discourse on foreign policy. His membership in this organization is evident of a significant role in understanding and influencing the foreign policy of the United States.

As the President and CEO of the Kauffman Foundation, he provided a brief statement that ties foreign policy to the newly introduced field of expeditionary economics:

Our work with entrepreneurs from many countries has led us to create and champion a new school of thought in foreign policy, called 'expeditionary economics.' It contends that when America sends troops and aid to troubled countries, a key strategic aim must be the building of a growth economy driven by indigenous entrepreneurs. The guiding premise is that a country can only have peace and prosperity when its people truly own the economy. In today's world, maybe the best way of projecting power is to call forth the power of enterprise in others.<sup>31</sup>

This statement is plausible considering the recent backdrop of Iraq and Afghanistan with the tasks the military has attempted to perform. This also suggests that Phase 4 operations will be decisive when influencing the stability in states where the US has interests. In order for military planners to find any lasting value from this statement, it is necessary to identify the core principles of expeditionary economics.

## **The Principles of Expeditionary Economics**

Expeditionary economics has eight key principles with a central mechanism of action. These components are deduced from Schramm's *Foreign Affairs* article which introduced expeditionary economics as a new theoretical framework.

- The first of these eight principles claims that "economic growth is critical to social stability".

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<sup>30</sup> Council on Foreign Relations, "Membership Roster," Council on Foreign Relations, <http://www.cfr.org/about/membership/roster.html?letter=S> (accessed September 10, 2011).

<sup>31</sup> Ewing Marion Kauffman Foundation, "From the President: Creating the Future," Ewing Marion Kauffman Foundation, <http://www.kauffman.org/about-foundation/from-the-president.aspx> (accessed September 10, 2011).

- The second principle states that economies must be restored to levels greater than the original status quo when rebuilding post-conflict and post-disaster countries.
- The third principle states that a troubled country requires economic growth more than economic stability.
- The fourth principle states that "successful development requires a strategy not a plan". This requires a break from traditional metrics associated with economic aid recipients. It requires creativity and a focus on job creation with indigenous inclusion and involvement in economic reconstruction activities. It is not a programmatic solution.
- The fifth principle holds that entrepreneurs are the key to growth. This is supported by claiming that "entrepreneurial activity creates venture capital, not the other way around".
- The sixth principle states that "military planners must consider the effort in three phases: invasion, stabilization or pacification, and economic reconstruction".
- The seventh principle states that real growth occurs when new firms are being founded combined with a rise in the number of jobs in firms younger than five years old. This is compared to older enterprises including those of government owned companies.
- The eighth principle states that "economic activity outside of the government's control should be more than just tolerated: it should be encouraged".<sup>32</sup>

These principles are all connected by the core idea of expeditionary economics: "The people of any given country must own the economy".<sup>33</sup> These eight principles include a

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<sup>32</sup> For a comprehensive review of this new theory to examine where these principles were derived, see Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," *Foreign Affairs*, May/June 2010, 90-98.

requirement from military planners. In fact the central mechanism for the application and employment of expeditionary economics is the military. Therefore, expeditionary economics gets its name from the theory that an expeditionary military force will deploy into a foreign land for combat operations combined with the subsequent actions that will generate momentum for lasting economic growth once military forces are redeployed. An underlying assumption for practical application of this theory includes a national interest in future stability for the region where military deployment occurs. Schramm lays out additional requirements for the military to embrace in order to achieve this. He also points out empirical problems and flaws in previous methods as well.

Schramm describes a three-phased approach for the implementation of expeditionary economics. However these phases are already present in military doctrine. They are simply defined with different yet synonymous terms. For example, Schramm's version of invasion includes current military doctrinal phases such as 0 thru 3 as previously defined. Schramm's version of stabilization includes Phase 4-Stability Operations. Finally, Schramm's version of pacification and reconstruction is synonymous with Phase 5-Enable Civil Authority.

In order for the theory of expeditionary economics to be fully employed, "post-conflict economic reconstruction must become a core competency of the U.S. military".<sup>34</sup> Schramm justifies this with observations from Iraq and Afghanistan noting that the military has made valiant efforts in contributing to economic growth initiatives through relatively isolated efforts by a variety of military units across these countries. Additionally he criticizes the notion of interagency efforts as a mythical concept.<sup>35</sup> Interagency efforts include military doctrinal

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<sup>33</sup> Carl J Schramm, "Institutionalizing Economic Analysis in the U.S. Military," *Joint Force Quarterly issue 61* (2nd quarter 2011): 33.

<sup>34</sup> Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," *Foreign Affairs*, May/June 2010, 90.

<sup>35</sup> Schramm, "Institutionalizing Economic Analysis," 34.

concepts of harmonized efforts between military and other government agencies during stability operations.<sup>36</sup> Despite any of these efforts in Iraq and Afghanistan, a negative trend in per capita GDP growth still exists.<sup>37</sup> Schramm reminds military planners that economic growth must be measured accurately as suggested by one of the fundamental principles of the theory. This is inherent in the principle of expeditionary economics that requires economic growth rather than stability. His admonition reveals the skewing of the truth in measurements such as overall Gross Domestic Product (GDP). Additionally, this warning is linked to traditional methods of economic development which Schramm identifies as centrally planned initiatives. In these initiatives, there is a significant amount of foreign aid poured into a state that skews GDP measures and gets lost before any benefit is seen by the population.

There are two major characteristics that differentiate the theory of expeditionary economics from previous development methods. The first characteristic is the use of the military as the primary means for initial economic intervention in order to set conditions for long term growth. Again, these are conditions that are set. It is not the actual building of the economy. However, it is imperative to recognize that the vision and understanding of the lasting economic conditions must be held by military planners. As the transition occurs from Phase 3 to Phase 4, the military will likely have the largest presence and influence. Any loss in momentum and initiative in this transition is detrimental. The second characteristic is the approach used to generate economic development. In order to fully appreciate the theory of expeditionary economics, it is important to understand previous contributing theories as precursors.

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<sup>36</sup> U.S. Department of the Army, *Stability Operations*, Field Manual 3-07 (Washington D.C.: Department of the Army, 2008), 1-4.

<sup>37</sup> For a review of economic statistics in Iraq and Afghanistan, see data available at from World Bank, "World Development Indicators & Global Development Finance," World dataBank, [http://databank.worldbank.org/ddp/home.do?Step=2&id=4&DisplayAggregation=N&SdmxSupported=Y&CNO=2&SET\\_BRANDING=YES](http://databank.worldbank.org/ddp/home.do?Step=2&id=4&DisplayAggregation=N&SdmxSupported=Y&CNO=2&SET_BRANDING=YES) (accessed March 11, 2012).

## Contributing Theories

There are two common categories of economics that economists generally align themselves with when thinking in terms of government intervention. These categories are Keynesian and Hayekian based on the fundamentally opposed views of renowned economist John Maynard Keynes and Friedrich Hayek. Keynes was an advocate for state-run capitalism while Hayek was a critic.<sup>38</sup> The tenets of Keynesian theory align more with a top-down or planned approach. The Hayekian stance hold firm to the notion that economic growth is achieved through a bottom-up approach that gives the majority of the population the power to drive economic growth through ease of credit access and low interest rates.<sup>39</sup> The doctrine employed by the United States in its development efforts over the past sixty years tends to follow a top-down approach with a focus on infrastructure.<sup>40</sup> The results and outcome of development practices by the United States across the globe since 1950 demonstrate a lack of efficiency and effectiveness in the loose set of associated doctrine.<sup>41</sup> This generally lines up with the Keynesian category. It is naturally obvious that the principles of expeditionary economics tend toward the Hayekian approach. This is also the idea behind Schramm's assertion that a strategy is required rather than a plan.

Contributors to the body of economic development theory are numerous. According to Richard Gill, there are general factors common to economists when crafting economic development theory. These factors include population growth, natural resources, capital accumulation, the scale, specialization, and division of labor. Additional factors include the

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<sup>38</sup> Hunter Lewis, *Where Keynes Went Wrong: And Why Governments Keep Creating Inflation, Bubbles, and Bust* (Mount Jackson: Axios Press, 2011), 61.

<sup>39</sup> Library of Economics, "Friedrich August Hayek," *The Concise Encyclopedia of Economics*, <http://www.econlib.org/library/Enc/bios/Hayek.html> (accessed April 2, 2012).

<sup>40</sup> Carl J. Schramm and COL Robert Ulin (Ret.), (introduction to printing of proceedings from the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010), 6.

<sup>41</sup> Ibid.

efficiency in the use of resources and technological progress.<sup>42</sup> Complimentary to these factors, Farrukh Iqbal adds the World Bank's modern analysis for the Middle East and North Africa. This reasoning finds that prerequisites to economic development include realignments to dominance by the private sector rather than the public sector, open international trade and investment, and a shift from oil reliance to more diversification.<sup>43</sup> A modern proposal such as this appears to offer a departure from the traditional idea of a top-down approach. This makes room for the principles associated with expeditionary economics to be applied in regions that continue to experience instability and transitions of governments. However, these principles can be applied in the absence of military intervention.

Building on economic development, international development theory has evolved into frameworks such as USAID's current outlook. This is codified in the *USAID Policy Framework: 2011-2015*. This document specifically addresses the fact that "international development cooperation is a key component of American power, along with diplomacy and defense" which allows for the pursuit of key national interests in "fragile and conflict-affected countries".<sup>44</sup> The theory of expeditionary economics suggests that it is the nexus for long-term strategic ends associated with national interests in these conflict-affected countries. The major difference is that these actions will be initiated by the Department of Defense through military operations.

In a globalized economy, a state's economy must be able to vigorously interact beyond its borders. This is where economic integration theory plays a role. The body of knowledge related to this theory supports economic growth in new, reconstructed, or fledgling governments. In *The Theory of Economic Integration*, Bela Balassa asserts that total economic integration occurs when

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<sup>42</sup> Fareed Zakaria, *The Post-American World: Release 2.0* (New York: W.W. Norton & Company, 2011), 86.

<sup>43</sup> Farrukh Iqbal, *Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa*, Orientations in Development Series (Washington D.C.: The World Bank, 2006), 73-74.

<sup>44</sup> U.S. Agency for International Development, *USAID Policy Framework: 2011-2015* (Washington, DC: Government Printing Office, 2011), i.

national monetary, fiscal, social, and counter-cyclical policies are first unified and then joined with international economies.<sup>45</sup> The implication is an increasing mutual interdependence with global participants which provides a universal growing self-interest in stability for the emerging state. This is a vitally important concept with respect to U.S. national interests in a particular theatre or region of the world. If U.S. interest and aim is stability for a designated region, then exploiting incentives for a state or states within that region to pursue and maintain their own stability will be based on the state's economic capacity.

Continuing this line of reasoning, Stephan Haggard maintains that technological, social, and cultural changes have combined to reduce the potential for economic gaps between nations.<sup>46</sup> He also states that there is a gradual decline of the United States' hegemonic political and economic superiority.<sup>47</sup> Fareed Zakaria quantifies this with the emerging growth and integration of Japan, China, and India.<sup>48</sup> His comparison of Western and non-Western developing economies find common ground that transcends cultural dimensions. Integration and modernization theoretically relies upon industrialization, urbanization, and rising levels of literacy, education, and wealth.<sup>49</sup> Considering a developing nation's successful exploitation of these factors, one naturally reaches a conclusion that they now have multiple conduits for entry into a globalized economy. Logically, this type of integration leads to a relationship of interdependence between non-Western and Western economies. Therefore, the premium rises on stability in order for the economies within vastly different cultures to continue to flourish.

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<sup>45</sup> Bela Balassa, *The Theory of Economic Integration* (Homewood: Richard D. Irwin, Inc., 1961), 2.

<sup>46</sup> Stephan Haggard, *Developing Nations and the Politics of Global Integration*, (Washington D.C.: The Brookings Institution, 1995), xiv.

<sup>47</sup> Haggard, *Developing Nations and the Politics of Global Integration*, xvi.

<sup>48</sup> Fareed Zakaria, *The Post-American World: Release 2.0* (New York: W.W. Norton & Company, 2011), 86.

<sup>49</sup> *Ibid.*, 87.



Military planners must remember the first principle of expeditionary economics that was previously identified. Again, the first principle holds that economic growth is required for social stability. It is infeasible though to put economic development into its own category for military planning without regard for the interdependence of other variables that will determine its success. The principle of expeditionary economics addressing the dependent relationship between social stability and economic growth is paramount for military planners. This does not imply that the military planner reduce any focus on the enemy. Instead, it implies that the military planner must elevate the level of thought associated with developing military plans to focus instead on the right enemy in the right place at the right time. At this point, it is important to look at a similar concept of military-led endeavors toward economic development employed in the past.

### **A Foundation for Expeditionary Economics**

General of the Army George C. Marshall is well-known for both his military and diplomatic accomplishments. He served as the military's most senior general officer and then continued in civil service as Secretary of State. It is also well-known that he developed the Marshall Plan for the reconstruction of post-World War II Europe which produced development and integration. He also confirmed the link between economic growth with social and political stability when he addressed "possibilities of disturbances arising as a result of the desperation of the people concerned".<sup>50</sup> The Marshall Plan has been vainly cited by those attempting to present modern development plans.<sup>51</sup> However, there is a misapplication of the Marshall Plan in these endeavors as they focus more on foreign aid to governments than restoring the strength of

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<sup>50</sup> George C. Marshall, "Commencement address at Harvard University," Cambridge, Massachusetts, June 5, 1947, <http://www.usaid.gov/multimedia/video/marshall/marshallspeech.html> (accessed March 11, 2012).

<sup>51</sup> For a contrast and comparison between the original Marshall Plan and a modern Marshall-type plan for Africa, see R. Glenn Hubbard and William Duggan, *The Aid Trap* (New York: Columbia University Press, 2009), 89-112.

business.<sup>52</sup> This falls in line with a programmatic approach focused on large scale reconstruction that Schramm criticizes as counterproductive.<sup>53</sup>

Many scholars have studied and published works that identify the dependent relationships between positive governance and economic growth in post-conflict environments. Providing economic aid to incompetent governments has proven to be counterproductive.<sup>54</sup> This method falls in line with Schramm's claim that top-down implemented plans don't work. The implication involved with this requires an entity to initially force and oversee the appropriate use of distributed foreign aid. This is required in order for foreign aid to have an impact on true economic growth that is driven from the bottom-up through job creation. Expeditionary economics provides opportunity for the military to act as a forcing mechanism that channels and directs economic activity as transition to stability operations occurs.

R. Glenn Hubbard reminds brings out four critical distinguishable characteristics of the Marshall Plan. The first were loans to European governments for transfer to private businesses. The second characteristic was ensuring that the European government spent repaid private loans on public infrastructure. The third was follow-through on pro-business policy reform. The fourth was accountability of European governments through a European coordinating element to the U.S.<sup>55</sup>

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<sup>52</sup> R. Glenn Hubbard and William Duggan, "Back to the Future: The Marshall Plan," (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>53</sup> Schramm, "Institutionalizing Economic Analysis," 33.

<sup>54</sup> For a consensus of obstacles to economic growth related to government and other variables, see William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*; R. Glenn Hubbard and William Duggan, *The Aid Trap*; Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time*; Dambisa Moyo, *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa*; Geoff Harris ed., *Recovery from Armed Conflict in Developing Countries: An Economic and Political Analysis*; Amartya Sen, *Development as Freedom*.

<sup>55</sup> Hubbard and Duggan, *Dead Aid*, 90-91.

The emphasis on private sector development in these components provides a link to the entrepreneur aspect of expeditionary economics. This parallel also leads to Hubbard's conclusion regarding the War on Terror: "Former Secretary of State George Marshall famously suggested fighting the spread of Communism in Europe through local business. That strategy could contribute to the battle against Islamic extremism".<sup>56</sup> This is precisely what Schramm was referring to in the principle of expeditionary economics that calls for a strategy rather than a plan. There are relevant clues for military planners within the historical application of the Marshall Plan in the context of expeditionary economics. A retrospect analysis using an overlay of expeditionary economics principles is provided in subsequent sections. A look into the past will provide a roadmap for potential applications of expeditionary economics. However, future application needs to be clarified due to the controversy surrounding expeditionary economics. As such, national policy must be considered when developing a strategy that includes military intervention.

## **National Policy Considerations**

### **Strategy**

In the past, military strategy has generally been concerned with military victory while grand strategy considered winning the peace.<sup>57</sup> Therefore, grand strategy is the harmonious coalescence of multiple strategies from each individual element of national power (i.e. diplomacy, informational, military, and economic) seeking to realize political aims. The very nature of this definition leads one to conclude that this is challenging to define and achieve. Stephen Krasner argues that successful grand strategy must include a variety of components. One of these is "a vision of what that environment might become by: shaping international regimes, altering the opportunity sets facing other states, and influencing domestic authority structures in

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<sup>56</sup> R. Glenn Hubbard and William Duggan, "Back to the Future: The Marshall Plan".

<sup>57</sup> B.H. Liddell Hart, *Strategy* (New York: Praeger, 1954), 349-50.

other states".<sup>58</sup> This is an important consideration for the field of expeditionary economics as its output relates to the capacity of a state in question. Military doctrine complements this by urging the military planner to move past traditional military victory.

Current doctrine emphasizes the need to understand an ill-structured problem, anticipate change in the environment, create opportunities, and manage transitions in the environment.<sup>59</sup> The most critical transition is moving from Phase 3 to Phase 4. The outcome of fighting in Phase 3 will set the conditions for Phase 4. Phase 4 becomes decisive in the overall campaign because its success determines the degree of peace that will exist in the future. Therefore, the initial military operations conducted in the context of expeditionary economics are essential for any continued pursuit of grand strategy.

In discussing grand strategy, Liddell Hart states that "the object in war is to obtain a better peace".<sup>60</sup> He elaborates on this concept with the following insight:

It is essential to conduct war with constant regard to the peace you desire. A State which expends its strength to the point of exhaustion bankrupts its own policy, and future. If you concentrate exclusively on victory, with no thought for the after-effect, you may be too exhausted to profit by the peace, while it is almost certain that the peace will be a bad one, containing the germs of another war. This is a lesson supported by abundant experience.<sup>61</sup>

This idea is most important and applies to military strategy and planning. This speaks directly to preserving and capitalizing on victories obtained in Phase 3 by rigorously planning for the transition to Phase 4 operations. This means that Phase 3 must be planned so that a suitable execution of Phase 4 is possible. The integration of certain aspects of expeditionary economics

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<sup>58</sup> Stephen D. Krasner, "An Orienting Principle for Foreign Policy," *Policy Review* (October & November 2010): 4.

<sup>59</sup> U.S. Department of the Army, *The Operations Process*, Field Manual 5-0 (Washington D.C.: Department of the Army, 2010), 3-3 - 3-4.

<sup>60</sup> B.H. Liddell Hart, *Strategy*, 353.

<sup>61</sup> *Ibid.*

with military strategy provides a feasible fit with emphasis toward improving the conditions of a failed or failing state and establishing a desirable peace.

A failed state falls in line with former Secretary of Defense Robert E. Gates' description as a state that cannot meet the basic needs or aspirations of its people.<sup>62</sup> A failed state is a state that lacks sufficient capacity to maintain a tolerable balance between political, economic, social, and military/law-enforcement factors. This takes into account the factors used by *Foreign Policy* and *The Fund for Peace* in their calculus and publication of the current failed states index.<sup>63</sup> *The National Security Strategy of the United States of America* published in September of 2002 states that the threat of larger conquering states is marginal compared to the threat of failing states.<sup>64</sup> *The National Security Strategy* published in May of 2010 continues to highlight the threat of weak and failing states across the globe.<sup>65</sup> The fact that these documents originate individually from two different political parties demonstrates an agreement on a threat to national security. The implication for military professionals is the requirement to take operational planning to the next level. Expeditionary economics provides a viable platform for problem framing and planning solutions. This can't be done under the assumption that other government agencies will dominate in Phase 4. Instead, military planners must deliberately transition from Phase 3 to Phase 4 in order to generate enough momentum for civilian agencies to flourish.

The agreement in both political parties regarding the national security threat from failing states provides common ground and consensus for achieving desirable conditions. Because of

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<sup>62</sup> Robert Gates (speech to U.S. Global Leadership Campaign, July 15, 2008), <http://www.defense.gov/speeches/speech.aspx?speechid=1262> (accessed January 12, 2012).

<sup>63</sup> For an overview of states in jeopardy and the factors used to calculate their ratings see "The Failed State Index 2011," *Foreign Policy* [http://www.foreignpolicy.com/articles/2011/06/17/2011\\_failed\\_states\\_index\\_interactive\\_map\\_and\\_rankings](http://www.foreignpolicy.com/articles/2011/06/17/2011_failed_states_index_interactive_map_and_rankings) (accessed January 20, 2012).

<sup>64</sup> President George W. Bush, *National Security Strategy of the United States of America*, (September 2002), 7.

<sup>65</sup> President Barack Obama, *National Security Strategy*, (May 2010), 8-13.

political polarization, the approach in dealing with the threat at a political level will always be assaulted in political venues. The paramount cerebration for the military professional is not one that rests in a particular political camp. Rather, the professional military planner at any echelon must remain focused on the threat and articulating the most prudent ways of eliminating the overall threat as a responsible steward of the allocated resources once policy makers decide to intervene. The magnitude of the threat can be shaped and will shift in the transition from Phase 3 to Phase 4 if planned for appropriately. Expeditionary economics provides an option and planning focus for dealing with these transitions in operational environments that include failing states.

As such, the theory of expeditionary economics is bound to failing or failed states. The terms failing states or failed states are used interchangeably with war-torn, disaster-stricken, devastated, or troubled countries. All of these terms are used by proponents of expeditionary economics theory to describe its relevance.<sup>66</sup> The key inference is that expeditionary economics is bound to situations and crises that require regime change and establishment of new governments. In fact, standing up a new government is the optimal situation for expeditionary economics. It is also applicable to circumstances that require influence, coercion, force, or support of existing regimes in order to improve stability and eliminate the propensity for failure. The application of expeditionary economics to failed states is no doubt geared toward a selective process. Any state deemed appropriate for expeditionary economic action must be selected for its relationship to the national interests of the United States.

Selecting a state for intervention based on national interests will always come back to economic considerations. This is true even when the most profound threat emanating from a failed or failing state is a base for launching terrorist attacks. Simply killing the terrorists will not eliminate the conditions or capacity that exists for them to regenerate. Something must be exerted

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<sup>66</sup> Carl J. Schramm, "Expeditionary Economics: Spurring Growth After Conflicts and Disasters," 89-91.

to remove or replace that negative capacity with a positive capacity. Expeditionary economics proposes a possible solution for displacing that negative capacity. It does this by enabling the population to take advantage of better opportunities which will increase their collaboration with security forces.<sup>67</sup> Bearing this in mind, the assertion is that the U.S. will select a troubled state for intervention when the security risk emanating from that state has the propensity to invoke economic peril or hardship for the U.S. as well. This calls for military plans that rapidly exploit the initiative while achieving goals that assist in realizing national aims. If the principles of expeditionary economics are applicable to a given operational environment, military planners must implement them in a responsible manner. These principles are evident in historical campaigns.

## **Historic Elements of Expeditionary Economics**

### **WWII to Present**

The relevance of the Marshall Plan from the perspective of expeditionary economics is demonstrated through a historical examination of strategic objectives and national aims in war. Foreign policy sometimes creates a demand for war and use of military force. Ideally, military force is employed to achieve a set of strategic objectives in a particular theater or theaters of war. In pursuit of these objectives, situations change and the use of military force effects foreign policy as part of the political discourse that ultimately determines any revisions to policy. There is no doubt that the evolution of the Cold War had a significant impact on U.S. foreign policy and the integral employment of military forces. Some may argue that the Cold War was fought over a matter of principle and ideology. A convincing case can be made beyond that to argue that the preservation of economic strength and opportunity was really at the root of the conflict. Indeed,

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<sup>67</sup> Stathis N. Kalyvas, *The Logic of Violence in Civil War* (New York: Cambridge University Press, 2006), 118. His discussion of collaboration and control reveal that control precedes collaboration. This implies that once an acceptable level of control is achieved, security forces must work diligently to pursue collaboration.

that position is easily defensible when looking at the history of wars fought by the United States since the Revolutionary War.

Rather than elaborating on this argument, this section highlights the principles of expeditionary economics with respect to military forces employed prior to, during, and after the Cold War period. Despite the turnover of political parties and associated changes in foreign policy, there has been consistency in the national interest of post-war development. The cases of Japan after World War II, Vietnam during the Cold War, and the Balkan intervention demonstrate this. The Cold War reference is used primarily as a time marker for relative changes in the global environment with interest in economic development and integration remaining constant. The factor that carries the greatest effect in reconstruction efforts is the strategic aim of the occupying power. The extremes involved in these aims range from long term colonization to liberation with multiple possibilities throughout.<sup>68</sup> Selections within this range include Japan, Vietnam, and the Balkans. Elements of expeditionary economics are visible in these conflicts as well.

## **Japan**

The case of Japan at the end of World War II provides an opportunity to see the principles of expeditionary economics in action. The application of these principles was incidental adaptations in the strategic context of political and military endeavors. However, the military was the instrument for implementing and overseeing post-war reconstruction and economic development. Again, this is the central mechanism for putting the theory of expeditionary economics into action. There are four prominent principles of expeditionary economics immediately visible in the case of Japan.

The first evident principle is that which calls for a strategy rather than a plan. General Douglas MacArthur was the Supreme Commander for the Allied Powers in the Pacific region.

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<sup>68</sup> Tyler Cowen and Christopher J. Coyne, "Postwar Reconstruction: Some Insights from Public Choice and Institutional Economics", *Constitutional Political Economy*, Issue 16, (Netherlands: 2005), 31.



The Joint Chiefs of Staff sent *JCS 1380/15* which was a three-part directive for post-surrender actions. Part two focused on economic and civilian supply and part three focused on the financial structures inside of Japan.<sup>69</sup> Although some specifics were included, the commander was given the basic objective to make Japan a long-term responsible and peaceful member of the world by bolstering democracy through governmental, economic, and social institutions.<sup>70</sup> Since Japan surprised the American military with its surrender, the military government section of MacArthur's command was not fully established and the working plans involved military governance rather than an emphasis on economic reconstruction.<sup>71</sup>

This situation required a rapid military adaption to the conditions found on the ground in order to account for objectives in the JCS 1380 Directive. "However, he could never accept the directive's cavalier dismissal of economic recovery as a Japanese responsibility. Without economic recovery, democracy would never last".<sup>72</sup> MacArthur seized the initiative by drafting a new Japanese Constitution in ten days time followed by eight months of negotiations with the Japanese government.<sup>73</sup> By doing this, the military was working through the Japanese government rather than making American decrees to the Japanese people. "He was determined to have his administration under complete control and in full operation and to implement as many reforms in Japan as possible before either of the new Allied bodies began functioning".<sup>74</sup> This also allowed the military to negotiate while simultaneously making direct observations of the

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<sup>69</sup> Joint Chiefs of Staff, *JCS 1380/15: Basic Directive for Post-Surrender Military Government in Japan Proper*, 03 November 1945, (Washington, DC, 1945).

<sup>70</sup> Ibid.

<sup>71</sup> Louis A. DiMarco, "The Occupation and Economic Policy in Japan: 1945-52," (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>72</sup> Theodore Cohen, *Remaking Japan*, ed. Herbert Passin (New York: The Free Press, 1987), 139.

<sup>73</sup> Cowen and Coyne, "Postwar Reconstruction: Some Insights from Public Choice and Institutional Economics," 41.

<sup>74</sup> Kyoko Inoue, *MacArthur's Japanese Constitution* (Chicago: The University of Chicago Press, 1991), 15.

environment. Adjustments to economic conditions were made as the situation developed rather than going in with a template plan for sterile-focused implementation. This method contributed to the success of Japan's reconstruction.

The second key principle from expeditionary economics evidenced in Japan is the requirement to encourage economic activity outside of government control. The U.S. military was directed to democratize the economy "through the wider distribution of ownership of companies and stronger labor unions".<sup>75</sup> This required the U.S. military to identify any entities related to government that held undue influence over the labor force. It also required the task of identifying and eliminating monopolies. The military did this by targeting cartels known as zaibatsu that controlled the economy through a system of nepotism.<sup>76</sup>

The military also removed pro-militarists from positions of business prominence while subsequently squashing Communist-based labor protests through coercive control.<sup>77</sup> The military's actions at the tactical level controlled the spread of nefarious influence while working directly with the government of Japan at the strategic and operational levels of war toward the same objectives. The result was a dispersion of opportunity for economic participation by a wider range of the population without undue influence by a central authority. This is important because the general nature of tactical tasks for tactical formations did not change. The major shifts occurred at the strategic and operational level while commanders subsequently delegated the appropriate tactical tasks to support strategic end states and operational objectives.

The third evident principle of expeditionary economics is that entrepreneurs are the key to growth. The military set conditions for entrepreneurs to be successful by creating opportunity and demand once monopolies were broken and labor protests were thwarted. Entrepreneurs

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<sup>75</sup> Rudolf V.A. Janssens, *What Future for Japan?: U.S. Wartime Planning for the Postwar Era, 1942-1945* (Amsterdam: Rodopi B.V., 1995), 367.

<sup>76</sup> DiMarco, "The Occupation and Economic Policy in Japan: 1945-52".

<sup>77</sup> Ibid.

recognize opportunity and seize it by exploiting demand. As the military made concerted efforts to subdue the negative forces acting upon the economy, the entrepreneurs started many new businesses.<sup>78</sup> The success of these entrepreneurs is present today as companies such as Kamatsu, Canon, Nikon, Sony, and Honda emerged during this period.<sup>79</sup>

## **Vietnam**

After the Second World War, America had successfully "rehabilitated Europe and restored Japan, faced down Communist expansion in Greece, Turkey, Berlin, and Korea, entered into its first peacetime alliances, and launched a program of technical assistance to the developing world".<sup>80</sup> However, there is a fundamental difference between Vietnam and the post-conflict reconstruction of Japan. Japan had remnants of viable and competent administrators in government that the U.S. military government officials were able to work with and through. This provided for a rapid element of governance to take hold as a mutually supporting entity for sustained economic growth.

South Vietnam was run by an ad hoc inexperienced group of incapable administrators faced with a complex problem involving an antagonistic insurgency.<sup>81</sup> Additionally, South Vietnam's economy consumed more than it could produce and had a large dependence on foreign aid.<sup>82</sup> An inept government receiving large amounts of foreign aid set the conditions for slow and unpredictable progress in a volatile environment void of security. In retrospect, employing

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<sup>78</sup> DiMarco, "The Occupation and Economic Policy in Japan: 1945-52".

<sup>79</sup> John Dower, *Embracing Defeat: Japan in the Wake of World War II* (New York: Norton, 2000), 533-534.

<sup>80</sup> Henry Kissinger, *Ending the Vietnam War: A History of America's Involvement In and Extrication from the Vietnam War* (New York: Simon and Schuster, 2003), 13.

<sup>81</sup> Rufus Phillips, "Post-Conflict Economic Planning and Execution in South Vietnam", (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>82</sup> Nhan Tri Vo, *Vietnam's Economic Policy Since 1975* (Singapore: Institute of Southeast Asian Studies, 1990), 58.

principles of expeditionary economics while using the military as the initial instrument of implementation would have allowed the U.S. to seize and exploit the initiative at the strategic level during the height of the Cold War. Additionally, the military was engaged in a search-and-destroy approach under Westmoreland before it clumsily transitioned to a one-war approach under Abrams.<sup>83</sup> There was more military to military interaction than there was military to government interaction as seen in Japan.

Pursuing this further, there is a retrospect application of expeditionary economics by using the military as an initial instrument of implementation. The military is vital in this case because the most persistent problems included lack of effective governance along with a void of security in countryside. This combined with the fact that there was almost no private sector in Vietnam.<sup>84</sup> Logically, the absence of security will prevent economic activity. As such, there are three prominent principles of expeditionary economics that stand out in the case of South Vietnam. The first is the principle regarding economic growth as the critical requirement for social stability. The second is the principle of encouraging economic activity outside of the government. The third is the principle that requires economic growth more than stability.

Furthermore, the military would be essential in establishing security in rural areas where insurgent activity was high. Military planners would need to focus initial security efforts on rural areas that held the most economic potential. Logically, there would be a connection between rural areas with economic potential and insurgent activity because of the logistical needs of insurgent groups. By using the military for security and introducing targeted micro-level development aid in these areas through a local governance apparatus, economic growth would be possible from the bottom-up. But this would require sustained land reform assistance for a larger share of the rural population to take an interest in cultivation and participation. In the case of Vietnam, this started

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<sup>83</sup> William Sorely, *A Better War* (Orlando: Harcourt, 1999), 23.

<sup>84</sup> Phillips, "Post-Conflict Economic Planning and Execution in South Vietnam".

in the 1950s but floundered as it worked through an inept Vietnamese government that became ineffective and set conditions for a Vietcong insurgency to exploit the discontent of the rural population.<sup>85</sup>

The second principle of fostering economic activity outside of the government is a key factor in the case of South Vietnam. There was no overall strategy for Vietnam with political, economic, and military thinking combined for an integrated approach.<sup>86</sup> The military effort was the largest, far-reaching, and most intrusive effort. In retrospect, the implied task for military planners was taking the lead on integration efforts across agencies while pursuing and defeating the enemy. Since the financial and economic aid was introduced into South Vietnam in a top-down manner through an ineffective government, there was a vital need for increasing private sector economic activity if security was established in rural areas. Theoretically, these tasks could have been taken on initially by the military or in a concerted effort by the civilian U.S. Operations Mission Field Service personnel. The key factor involved is maintaining the initiative once security is established by quickly transferring the economic capacity of insurgents to the control and cultivation of the indigenous population. Ideally, this will cause the enemy insurgent forces to capitulate or provide opportunity for their destruction as they expose themselves in resistance. Furthermore, it generates vested interest in the health and security of the marketplace by the population.

The third expeditionary economic principle applicable in the case of Vietnam builds on conditions set by the second principle explained in the previous paragraph. This principle is the one that growth is more important than stability. Although military planners have the potential to integrate and double their efforts with civilian agencies in jump starting private sector economic activity, there must be follow-through efforts to foster growth once stability occurs. This did not

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<sup>85</sup> Phillips, "Post-Conflict Economic Planning and Execution in South Vietnam".

<sup>86</sup> Ibid.

happen in Vietnam and the growing insurgency hampered the efforts of the International Development Center seeking to start businesses around natural resources.<sup>87</sup> This suggests that there were premature efforts to transition from Phase 4 to a civilian-led Phase 5. Any success in this area would make ancillary growth in private sector business a paramount effort to bring increased diversity and opportunity in the rural areas. This fits Schramm's idea that "options beyond the usual public sector sinecures are essential. New opportunities must be created that are more attractive than trading on the black market".<sup>88</sup> Perhaps activity such as this in South Vietnam would have displaced insurgent activity and empowered the population to be contributing participants in their government.<sup>89</sup>

While it is easy to develop counterfactual situations in retrospect, it is much more difficult to employ them in the midst of uncertainty while attempting to bring predictability to ambiguous environments. Vietnam has been analyzed and criticized from multiple angles. This very broad approach from the perspective of expeditionary economics is not an attempt at arguing over the way the war was fought as a whole. Instead, it is simply an approach to highlight the plausible application of principles found in the theory of expeditionary economics. Additionally, it is also of relevant note that after unification occurred in Vietnam there was a centrally planned reform that led to a "highly distorted and inefficient economy".<sup>90</sup> This fact supports the claim in expeditionary economics that top-down approaches to economic growth are counterproductive.

Furthermore, it is important for military planners to look back at the case of Vietnam and find value in the principles that expeditionary economics purports. This naturally suggests that military planning and execution would find benefit in an environment such as Vietnam. If there

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<sup>87</sup> Phillips, "Post-Conflict Economic Planning and Execution in South Vietnam".

<sup>88</sup> Schramm "Expeditionary Economics", 91.

<sup>89</sup> Kalyvaas, *The Logic of Violence in Civil War*, 119.

<sup>90</sup> Graciana del Castillo, "Economic Reconstruction of War Torn Countries: The Role of International Financial Institutions", *Seton Hall Review* 38 (2008), 1282.

are recurring themes of applicability in history despite the changing geopolitical situation and national strategic aims, then it is plausible that military planning consider these principles in future conflicts. The Balkan conflict provides another examination through an expeditionary economic lens in a different world at the aftermath of the Cold War.

## **Balkans**

The conflict in Bosnia and Kosovo led to U.S. and NATO military intervention in the 1990s. The Balkan case is important for the theory of expeditionary economics because it also demonstrates certain principles without necessarily holding true to the military being the main instrument of implementation. As a result of the Dayton Peace Accords in 1994, the U.S. military was deployed to Bosnia in 1996 as part of a peace implementation force (IFOR) led by NATO that subsequently transitioned to a stabilization force (SFOR) in 1998.<sup>91</sup> The military's initial tasks were focused on establishing a demilitarized zone and separating military forces in the country. Once the transition of from IFOR to SFOR occurred, a new set of military tasks was established. One of these tasks was to "contribute to a secure environment for civil organizations to carry out their responsibilities. Ensure force protection and freedom of movement".<sup>92</sup> The military was playing a role in nation building but focused more directly on the security necessary for other nation builders to function effectively.

Because of the unique situation in Bosnia, the military was able to be augmented with the civilian agencies necessary to focus on reconstruction. The Dayton Agreement "carefully laid out the military and civilian responsibilities of the international community, as well as the leading

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<sup>91</sup> Steven R. Bowman, *CRS Issue Brief 93056: Bosnia: U.S. Military Operations*, Library of Congress, Congressional Research Service, December 16, 1996, <http://www.fas.org/man/crs/93-056.htm> (accessed December 29, 2011).

<sup>92</sup> Steven R. Bowman, "Bosnia: U.S. Military Operations", *CRS Issue Brief for Congress*, January 22, 2001, <http://www.policyarchive.org/handle/10207/bitstreams/844.pdf> (accessed December 29, 2011).

international agencies responsible for the implementation of various activities".<sup>93</sup> The separation created by a situation such as this ideally facilitates more coordination between the military and the security needs of civilian organizations. It is clear that the civilian agencies such as USAID were focused on economic and democracy building efforts: "It is imperative that people quickly see the benefits of economic growth and reconstruction and participate actively in democracy building in order to cement the process. This will create the necessary atmosphere and framework to allow U.S. troops to withdraw".<sup>94</sup> With respect to the economic situation, it is clear that there was an important link to governance and economic capacity as security was being maintained.

Furthermore, the principle of expeditionary economics that says that economic activity outside of the government should be encouraged is apparent in the Balkans. USAID reported in 1997 that "a lasting measure of the ultimate success of the IFOR mission will be economic recovery in Bosnia-Herzegovina". Additionally, USAID laid out these four objectives: "Accelerated development and growth of private enterprises and employment, increased transfer of state-owned assets to the private sector, increased soundness of fiscal policies and fiscal management procedures, a more competitive and market-responsive private financial sector".<sup>95</sup> However, pursuit of these objectives still leaves Bosnia ranked 125th in the world in the ease of doing business.<sup>96</sup> Contributing factors to this slow progress are attributed to contradictions in methods used by numerous international government and non-government organizations

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<sup>93</sup> Patrice C. McMahon and Jon Western, "Out of Sight, Out of Mind: Post-Conflict Economic Planning in the Balkans," (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>94</sup> USAID, "Bosnia-Herzegovina", (presentation to Congress, Washington D.C., 1997), <http://www.usaid.gov/pubs/cp97/countries/ba.htm> (accessed 01 January 2011).

<sup>95</sup> USAID, "Bosnia-Herzegovina".

<sup>96</sup> International Finance Corporation and The World Bank, "Doing Business," <http://www.doingbusiness.org/rankings> (accessed January 2, 2012).



combined with insufficient governance and laws that support economic growth and stability.<sup>97</sup> Because of this, Bosnia and Kosovo ended up like many other countries that receive a plethora of aid only to achieve stagnated progress. Elite power holders sitting on top of weak political structures were able to siphon resources and enrich their allies.<sup>98</sup> This also demonstrates the fact that the rule of law is "vital to the proper functioning of private markets".<sup>99</sup>

Military planners reflecting on the Balkans are able to see the argument for keeping military and civilian agencies bound to their traditionally accepted roles. However, the outcome was not as great as expected. The case of Japan allows military planners to see active involvement between military and host nation government officials in establishing rule of law mechanisms that support economic activity. While this is arguably counterproductive in the long-term, it can be very productive in the short-term by using force to quickly establish and enforce a basic structure that civilian agencies can improve upon in the long run. The pristine division of military and civilian efforts appears ideal but proved less effective in the Balkans. Undoubtedly there was unity of effort involved but unity of command with coordination across traditional roles appears to be lacking. Post-conflict environments will always maintain idiosyncratic elements unique to the specific situation but the roles of military and civilian agencies must remain flexible to respond appropriately to these dynamic circumstances. In more recent conflicts, Iraq and Afghanistan are certain examples of this.

## **Iraq and Afghanistan**

There are distinct differences between Iraq and Afghanistan. This presents unique challenges for continued progress toward a definition of ultimate victory in those countries. The

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<sup>97</sup> McMahon and Western, "Out of Sight, Out of Mind, Post-Conflict Economic Planning in the Balkans".

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

challenge common in both of these conflicts involves the transition from major combat operations to stability operations. The role of the military and civilian organizations has been the subject of much debate as a result of these circumstances. Again, it was in the backdrop of both Iraq and Afghanistan that the theory of expeditionary economics developed and began to gain momentum. Military planners can draw from the principles of this theory in the recent experiences of Iraq and Afghanistan.

Regardless of the role and responsibility of the tasks to be accomplished, military planners can see the importance of their applicability in coordination or execution. One author points out that "having the military responsible for winning the kinetic war in what the military has come to term phase 3, the decisive fight, but not responsible for winning the peace in phase four, stability and reconstruction, creates a counterproductive schism in command authority and accountability at the all-important moment when populations assess their new occupiers and form lasting impressions."<sup>100</sup> The implication in this statement is that the military must seek and exploit the initiative in winning the peace in just as violently as it does when going after the decisive fight. Additionally, military planners must also begin to think of Phase 4 as the decisive fight rather than Phase 3.

While the conflicts continued in both Iraq and Afghanistan, the Department of Defense issued Directive 3000.05 in November of 2005. This directive came after a void and lack of civilian presence was realized in the transition from Phase 3 to Phase 4 with fledgling attempts at winning the peace. This directive states the importance of military-civilian team efforts while specifically stating that the military will take the lead. Additionally, the directive lists military stabilization tasks which include: "revive or rebuild the private sector, including encouraging citizen-driven, bottom-up economic activity and constructing necessary infrastructure; and

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<sup>100</sup> Stephen L. Melton, "Conceptualizing Victory Anew: Revisiting U.S. Law, Doctrine, and Policy for War and Its Aftermath", *Joint Force Quarterly* 60, (1st Quarter 2011): 12.

develop representative government institutions".<sup>101</sup> However, the military must ensure that a reasonable balance of the appropriate conditions exist in order to encourage economic expansion. Here, the traditional roles between military and civilian agencies clearly overlap with a legitimate purpose.

There is evidence of this legitimate purpose in a leading Army planner's recount of the planning situation for transition from Phase 3 to Phase 4 in Iraq when he says, "Interagency? I did not see it. I did not even know what a joint interagency control group (JIACG) was until a colonel" who was familiar with it explained it after the fact.<sup>102</sup> This again demonstrates that despite the well-known importance of interagency efforts and coordination, it is difficult to achieve in effective practice. Nevertheless, someone has to do something and the military will be the prime actor present when conflict transitions from Phase 3 to Phase 4.

Military planners must keep this in mind and draw from the principles of the theory of expeditionary economics when attempting to plan for, coordinate, or even execute implied tasks such as rebuilding the private sector and the economy. This must be done before these implied tasks are specified by policy makers as an afterthought while the conditions deteriorate and make security more difficult to maintain. The Third Infantry produced an after action report for their invasion into Iraq which said, "Higher headquarters did not provide the Third Infantry Division (Mechanized) with a plan for Phase IV. As a result, Third Infantry Division transitioned into Phase IV in the absence of guidance".<sup>103</sup> This is important because tactical commanders need to know the priority of security actions to perform in order to support higher echelon commanders at the operational and strategic level in the overall reconstruction strategy. However, in Iraq there is

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<sup>101</sup> Department of Defense, *DoD Directive 3000.05*, [http://www.usaid.gov/km/seminars/2006/sss\\_1\\_080106\\_dod.pdf](http://www.usaid.gov/km/seminars/2006/sss_1_080106_dod.pdf) (accessed January 1, 2012).

<sup>102</sup> COL Kevin Benson, "Operational Leadership in the Global War on Terrorism," (Fort Leavenworth: Combat Studies Institute, 2006) 12.

<sup>103</sup> Michael O'Hanlon, "Iraq Without a Plan", *Policy Review 128*, (December & January 2005): 36.

little evidence of prudent planning to this effect. Any planning that did occur at high echelons is criticized for focusing too much on top-level infrastructure while alienating Iraqi workers and leaving ineffective Iraqi government administrators to their own decisions.<sup>104</sup>

In contrast, Afghanistan differs from Iraq with greater scarcity in infrastructure and natural resources. Vast amounts of mineral resources were recently discovered in Afghanistan and China has taken the development rights. "U.S. troops are still fighting the war, and the Chinese have already moved on to the business of developing the peace".<sup>105</sup> This is the type of initiative that expeditionary economics beckons to seize, retain, and exploit in the transition from Phase 3 to Phase 4 operations.

Expeditionary economics was introduced from empirical observation as conflicts continued in both Iraq and Afghanistan. This requires a different approach when applying the principles in the theory of expeditionary economics. After all, the object of any sound theory is to find broad applicability of principles to unique and differing situations. Expeditionary economics provides military planners with an alternative approach for addressing complex problems with principles that may be applied to achieve desired post-conflict conditions. The approach of expeditionary economics "is not meant to be simply a different rhetorical argument for what is pejoratively called nation-building".<sup>106</sup> However, narrow-minded critics might not see expeditionary economics as an enhancement to planning and executing military operations.

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<sup>104</sup> Michael O'Hanlon, "Post-Invasion Economic Planning for Iraq and Afghanistan," (paper presented at the Summit on Entrepreneurship and Expeditionary Economics, Kansas City, MO, May 25-27, 2010).

<sup>105</sup> Robert E. Love and Steve R. Geary, "Expeditionary Business in the 21st Century", *Joint Force Quarterly* 61, (2nd Quarter 2011): 42.

<sup>106</sup> Carl J. Schramm, "Institutionalizing Economic Analysis," 38.

# Potential Evolution and Application of Expeditionary Economics

## Military Government

There is wide-spread recognition that governments play a vital role in influencing their economies. Although the theory of expeditionary economics focuses on the economy, subsequent research from associates at the Kauffman Foundation identifies the critical need for government structure. Appropriate government structures are required for the principles of expeditionary economics to work. Following the same premise that the U.S. military will be the most ubiquitous government entity following an invasion, the research findings suggest that the military should also take the initial lead in establishing government structures as well.<sup>107</sup> This is based on historical practices of World War II reconstruction efforts by the military and the associated institutional training that was implemented to support these efforts.

The military institutionalized the School of Military Government in 1942 in Charlottesville, VA in order to train Army officers for military government and civil affairs functions.<sup>108</sup> The purpose was to fill the need of large scale reconstruction efforts in multiple theatres of war. This allowed competent military personnel to play a pervasive role in forming government structures in the aftermath of conflict. The success of the program and significant contribution of its graduates suggests that there may be utility in a modern institutional program of similar sort.<sup>109</sup> Considering recent conflicts and interagency attempts to establish governance and economic reform, the following observation also lends support for institutionalizing military government skill sets:

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<sup>107</sup> Rebecca Patterson, "Revisiting a School of Military Government: How Reanimating a World War II-Era Institution Could Professionalize Military Nation Building", *Kauffman Foundation Research Series: Expeditionary Economics*, (Kansas City: Kauffman Foundation, 2011), 5.

<sup>108</sup> *Ibid*, 7.

<sup>109</sup> Rebecca Patterson, "Revisiting a School of Military Government: How Reanimating a World War II-Era Institution Could Professionalize Military Nation Building", 10-15.

"When military governance and reconstruction responsibility is abdicated, or transitioned too quickly to civilians, the effects are likely to be disastrous for several reasons. First, despite any knowledge advantage they might possess, US civilian government agencies such as the Department of State do not have either the staff or resources in sufficient quantity to conduct either broad or prolonged large-scale governance operations. Second, for any successful governance and reconstruction operation, in both the short and long term the ability to provide and sustain area security is a must."<sup>110</sup>

This line of reasoning demands competence from military personnel interacting with post-conflict government officials. It also implies that military planners possess a shared vision and understanding for forging the future environment. This common understanding assists with the complexities involved in interfacing with foreign government structures during the rapid transition to stability operations. Either creating or making effective use of existing government structure is imperative for subsequent economic reconstruction. The case of postwar Japan suggests this.

### **Military Economic Analysis Institute**

In the same way that institutionalizing military governance provides a platform for expeditionary economics, Schramm also proposes an institution for military planners focused on launching economic reconstruction. This would be an organization "devoted to speculative economics in the realm of geopolitical power relationships independent of the Pentagon but existing solely to support U.S. military thinking".<sup>111</sup> He also lays out five criteria necessary for an organization called The Armed Forces Institute on the Economics of Security and Strategy: Independence in financing and operations, an asset to inform rather than report to the Secretary of Defense or Joint Chiefs of Staff, maintain the ability to develop its own ways of thinking and

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<sup>110</sup> Brent C. Bankus and James O. Kievet, "Reopen a Joint School of Military Government and Administration?", *Small Wars and Insurgencies* 19, (Issue 1 2008): 141.

<sup>111</sup> Schramm, "Institutionalizing Economic Analysis", 36.

vocabulary, staffed by scholars who can work differently than they would in a university or think tank, and it must be located on neutral ground away from Washington D.C.<sup>112</sup>

An institute such as this would certainly provide military planners with the context and perspective to tailor the principles of expeditionary economics and apply them to unique environments. It is important to note that Schramm's proposal for this institute is geared toward the operational and strategic level of war planning rather than the tactical. This implication involved with grafting expeditionary economics into military education and training does not necessarily mean that all soldiers in all formations would need to understand the intricacies of applying expeditionary economic principles. However, a proposal for either this institution or a revival of the School of Military Government does not seem feasible in light of pending budget cuts and potential military drawdowns. It does seem that some variant of these organizations is necessary for successful application of expeditionary economics considering Schramm's remarks on both of them: "Taken together, these institutions would develop and test economic development theory, provide ongoing critical support to military planners, and equip a professional cadre of development experts with the skill set to build capacity in a fragile state and put into place the conditions to allow for entrepreneurial growth".<sup>113</sup>

## **Theory to Doctrine**

The principle researchers of expeditionary economics at the Kauffman Foundation identify a problem for military forces that will potentially plan for post-conflict operations: "When the military does engage in economic development following conflict, it finds little theory

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<sup>112</sup> Schramm, "Institutionalizing Economic Analysis", 37.

<sup>113</sup> Carl J. Schramm, "Expeditionary Economics and Countering Violent Extremism", *The Ripon Forum*, Volume 45, No.3, Summer 2011, <http://www.riponsoc.org/forum113cs.htm> (accessed January 4, 2012).

or practice at hand on which it can draw".<sup>114</sup> This is why the U.S. military uses doctrine as a guide. *Field Manual 1-02, Operational Terms and Graphics*, defines doctrine as "fundamental principles by which the military forces or elements thereof guide their actions in support of national objectives. It is authoritative but requires judgment in application".<sup>115</sup>

There is no formally recognized military doctrine that serves as a guide for applying the principles of expeditionary economics. However, expeditionary economics has found its way into the U.S. Military Academy at West Point. COL Jeffery Peterson teaches economics at West Point and is developing curriculum to help non-economists learn how to make economic decisions by teaching them the appropriate questions to ask and how to approach issues in the proper context.<sup>116</sup> The Kauffman Foundation is currently developing a civilian-authored Field Manual for the U.S. Army.<sup>117</sup> If the Army adopts this Field Manual, military planners and soldiers will have a guide for implementing the principles of expeditionary economics in future conflicts.

### **Future Considerations for Expeditionary Economics**

Any expeditionary doctrine published in the future will likely include details on the rule of law considering some of the latest Kauffman Foundation research. In the vein of governance, the rule of law plays a vital role in the ability for indigenous entrepreneurs to start and maintain business ventures. Recent Kauffman research shows that transition gaps created in immediate

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<sup>114</sup> Carl J. Schramm, "Expeditionary Economics: Economic Growth, Security, and Stability in Conflict and Disaster Areas", Kauffman Foundation, (interview with Carl Schramm, Robert Litan and Dane Stangler) <http://www.kauffman.org/researchandpolicy/expeditionary-economics.aspx> (accessed January 14, 2012).

<sup>115</sup> Department of the Army, *Operational Terms and Graphics*, Field Manual 1-02 (Washington D.C.: Department of the Army, 2004), 1-65.

<sup>116</sup> Jeffrey D. Peterson, "The Economic Framework for a More Prosperous and Safer World", *Kauffman Thoughtbook 2011*, (2011), under "Leading New Frontiers of Growth," <http://www.kauffman.org/researchandpolicy/a-more-prosperous-and-safer-world.aspx> (accessed January 14, 2012).

<sup>117</sup> Carl J. Schramm and COL Robert R. Ulin, *Special Report: Summary on the Summit Conducted at the Ewing Marion Kauffman Foundation May 25-27, 2010*, (Kansas City: Kauffman Foundation, 2010), 1.



post-conflict environments prevent the adequate enforcement of laws and allow criminal activity and illicit business to grow while displacing legitimate business.<sup>118</sup> This research concerning the rule of law covers a multitude of issues ranging from law enforcement to protection of property rights. It calls for the military to take swift action in enforcing laws in the immediate opening of stabilization operations.<sup>119</sup>

The issue of property rights is important for economic development because property rights contribute to capital generation and access. States and nations experiencing conflict may have displaced persons who were forced from their property. Compounding this problem is the lack of formal property documentation common in non-Western societies. When property is not documented, it cannot be converted to capital and used toward investments or business ventures.<sup>120</sup> Additionally, forced evictions violate property rights and are destructive to the individual rights of citizens.<sup>121</sup> The implication of this requires military planners to anticipate methods for resolving these problems while simultaneously forcing the establishment of a formal legal system that registers property. This will also contribute to the long-term benefits of positive interaction between government and economic growth. However, this also adds to the considerations and burden of military planners. Nevertheless, the characteristics of future operational environments may create this demand. If so, the military planner must work arduously for the appropriate understanding necessary to cause the environment to emerge into a lasting and acceptable condition.

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<sup>118</sup> Brock Dahl, "Closing the Transition Gap: The Rule of Law Imperative in Stabilization Environments", *Kauffman Foundation Research Series: Expeditionary Economics*, (Kansas City: Kauffman Foundation, 2011), 7.

<sup>119</sup> *Ibid.*, 8.

<sup>120</sup> Hernando De Soto, 2000, *The Mystery of Capital* (New York: Basic Books), 6.

<sup>121</sup> Dahl, "Closing the Transition Gap", 22.

## Conclusion and Recommendation

### Conclusion

The military's role for stability operations continues to be debated even with congressional oversight and directives for stability education in the curriculum of professional military education. The House Armed Services Committee tasked DoD to implement stability education in the service academies, the War College, and at joint operational levels combined with the possible creation of fellowships with USAID.<sup>122</sup> Education at these levels involves field grade officers and this is something critics of the military's role in stability operations must consider. Emphasis at these levels is not a call to turn large formations of the military into stability or economic experts. There is minimal risk to proficiency in major combat operations by including this education. This type of education simply enhances the military professional who develops broad military plans. These plans generate tactical tasks associated with operational objectives that pursue strategic aims. The set of tactical tasks for tactical formations remains unchanged. The main effort of the supported operational objectives will be carried out at higher echelons. These are the echelons that interact with political figures in the host-nation government.

The interdependent relationship between political and economic spheres is well recognized and apparent in historical cases such as Japan. Expeditionary economics theory also recognizes this strong mutual dependence. The complexity of post-conflict environments demands decisive action that is swift and sure for success in operational transition to Phase 4. The importance of decisive military to political interaction is apparent in the case studies of Japan, Vietnam, and the Balkans. MacArthur's actions in Japan are exemplary. He was originally directed to establish stable democracy while leaving economic affairs largely to the Japanese. "However, he could never accept the directive's cavalier dismissal of economic recovery as a

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<sup>122</sup> Nina M. Serafino, "Peacekeeping and Related Stability Operations: Issues of U.S. Military Involvement," *CRS Issue Brief for Congress*, (Washington D.C.: Government Printing Office), 8.

Japanese responsibility. Without economic recovery, democracy would never last".<sup>123</sup> Violent and rigorous pursuit of political and economic objectives put him on the short path to enduring success rather than managing a long protracted conflict by exception. Practitioners of operational art must remember that his forces were not caught up in the minutia of economic development. However, they understood it and they set the conditions for growth and momentum.

Expeditionary economics provides useful aspects that operational planners can draw from since the theory's goal is the strategic achievement of stability. It is unlikely that stability will be neglected in future conflicts. It is too great of a risk for the military to forsake stability training and education. The theory of interagency partnership is ideal for transitions from Phase 4 to Phase 5. However, who will fill the void on the ground for political and economic vacuums in the transition from Phase 3 to Phase 4? This must be planned for prior to or during Phase 0 while considering the military end states associated with Phase 3. The military may be the only willing entity on the ground that is able to take action.<sup>124</sup> This why operational military planners must push beyond traditional decisive military action and develop the competence to anticipate change and create opportunities in post-conflict environments.

Expeditionary economics provides the operational planner with another tool or framework to consider as an alternative for developing a range of military options that will inevitably include interagency partnership. There is utility in the core principles of expeditionary economics. All of the principles directly or indirectly address economic expansion rather than simple growth. Expansion produces growth and reaches larger segments of society. Better opportunity for the indigenous society will support their political stability. Operational planners must not lose sight of economic parameters. Przeworski and Limongi support this with their study that suggests a requirement of at least \$6000 per capita income for a democracy to build

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<sup>123</sup> Theodore Cohen, *Remaking Japan*, ed. Herbert Passin (New York: The Free Press, 1987), 139.

<sup>124</sup> Nina M. Serafino, "Peacekeeping and Related Stability Operations: Issues of U.S. Military Involvement," *CRS Issue Brief for Congress*, (Washington D.C.: Government Printing Office), 7.

resiliency and survive.<sup>125</sup> If an operational or tactical commander fails to understand this concept, he is more likely to resort to search and destroy operations that are either not linked or loosely linked to a larger purpose. The operational planner mitigates this by nesting tactical actions with operational plans that are tied to explicit strategic aims anchored in producing long term economic growth. In turn, this limits the duration of military operations and quickly establishes the conditions for follow-on civil developments by the appropriate agencies who can exploit the initiative created by military action.

### **Recommendation**

U.S. Army doctrine currently addresses post-conflict problems without the need to spend lavishly and implement any new program or doctrine. It is simply a matter of prudence and judgment when applying the existing doctrine and encountering future problems with the right approach. In other words, enhancing the planning process associated with Phase 4. The principles of expeditionary economics create this opportunity. This requires a shift in military thinking. Echevarria introduces the related concept of the second grammar of war.<sup>126</sup> The second grammar of war is a transition from thinking in terms of conventional war to irregular war which includes employment of coercive force. This means realizing that any success in Phase 3 contributes directly to overall victory in terms of Phase 4 with the appropriate employment of coercive force. Ultimate military victory is realized in successful transition to Phase 5.

U.S. Army Doctrine adapted to the situations in Afghanistan and Iraq with the publications of *Field Manual 3-24 Counterinsurgency* in December of 2006 and *Field Manual 3-07 Stability Operations* in October of 2008. Both of these manuals address economic

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<sup>125</sup> Fernando Limongi and Adam Przeworski, "Modernization: Theories and Facts," *World Politics Vol 49 No 2* (January 1997): 165.

<sup>126</sup> Antulio J. Echevarria II, *The Evolution of Operational Art*, ed. John Andreas Olsen and Martin Van Crevald (Oxford: Oxford University Press, 2011), 137.

development. The existing doctrine agrees with expeditionary economics theory. The counterinsurgency manual describes a sister theory that is often misinterpreted. Expeditionary economics calls for development of doctrine specifically focused on stability operations toward economic improvement. Joint military doctrine also addresses stability operations and interagency actions in economic development. U.S. Army doctrine is being revised to include the terms Combined Arms Maneuver (CAM) and Wide Area Security (WAS).<sup>127</sup> The implication is that stability operations will tend toward WAS. The Department of State is also addressing the need for additional competence and capacity related to stability operations or nation-building.<sup>128</sup> All of this is taking place within the current backdrop of impending budget cuts in an attempt to safeguard our own economy and reduce our national deficit. Conservative military thinking calls for falling back on core competencies of traditional warfighting skills which would tend more toward CAM and likely focus solely on the security efforts of WAS tasks. These situations certainly make it difficult to embrace any fundamentally new military practices. However, any new practices are unnecessary.

FM 3-24 provides a useful model for military operations that must be retained while refining the application of violence associated with it. Expeditionary economics actually addresses a central purpose for approaching this often misunderstood model. This purpose is establishing the conditions for economic resilience necessary for democracy or responsible governance to survive through the application of security. The application of security to the appropriate objectives must be the main point of consideration for military planning with an understanding of economic conditions. Population segments are an objective that must be controlled rather than wooed as the current model in FM 3-24 is oft interpreted.

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<sup>127</sup> U.S. Department of the Army, *The United States Army Operating Concept: 2016-2028*, TRADOC Pamphlet 525-3-1 (Washington D.C.: Department of the Army, 2010), 21.

<sup>128</sup> U.S. Department of State, *Quadrennial Diplomacy and Development Review* (Washington D.C.: Government Printing Office, 2010), 108.

Also consider the model provided in *FM 3-07 Stability Operations*:

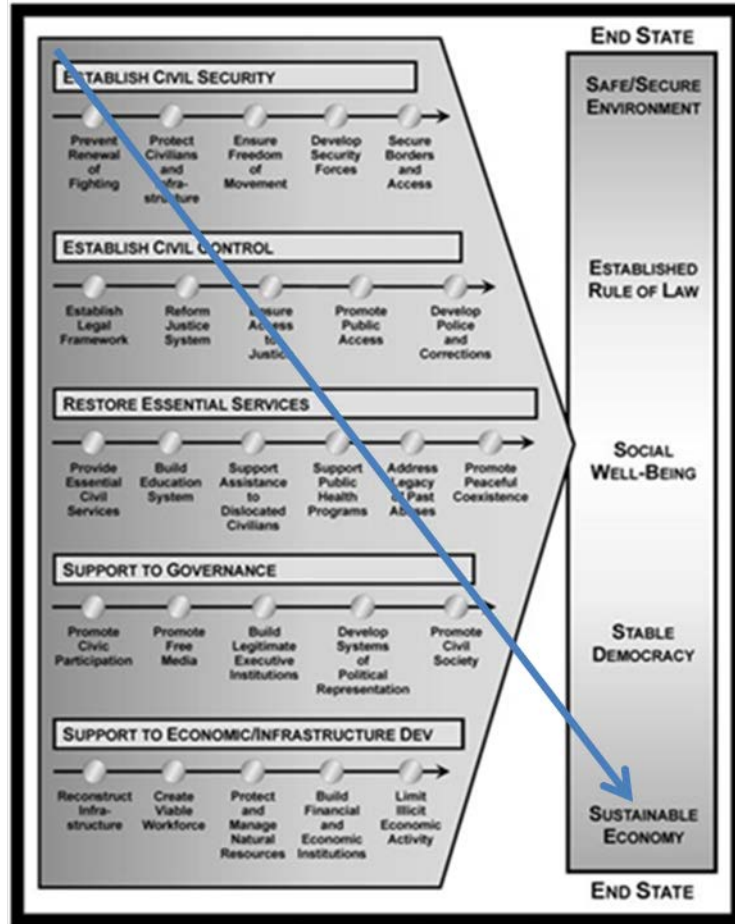


Figure 1: *FM 3-07, Stability Operations* model with arrow overlay added by author.<sup>129</sup>

By working toward a sustainable economy, a diagonal planning approach across this model requires operational planners to sequence and synchronize actions across these lines of effort while realizing that they are interdependent. This means that the military planner must continue to push the bounds of comfort zones and familiarity in order to attain decisive and lasting victory. The theory of expeditionary economics provides useful principles to add to the operational planner's arsenal without discarding what is already familiar.

<sup>129</sup> U.S. Department of the Army, *Stability Operations*, Field Manual 3-07 (Washington D.C.: Department of the Army, 2008), 4-10.

Isolating and controlling the population must be done in a methodical manner that lends itself to future economic preservation and development. As Kalyvas explains, individuals in populations exist within the spectrum of collaboration to non-collaboration.<sup>130</sup> They choose their position in this spectrum based on the need for survival which is naturally linked to some degree of economic benefit. The population will increase its collaboration when control is increased over them.<sup>131</sup> The cascading requirements of this control include violent physical destruction of enemy forces. This control also includes degrees of the enemy's moral destruction by forcefully displacing voids of leadership, services, and host nation security assets. As such, this requires a systematic process for implementation. Determining this systematic process must be the military planner's most essential purpose. It will form the definition of the aim reflected in coherent planning of the entire operation.<sup>132</sup> This is necessary in order to synthesize the strategic, operational, and tactical levels of war while including the civil components of interagency efforts necessary to set the conditions for achieving strategic aims.<sup>133</sup>

In closing, expeditionary economics is not a replacement for extant military doctrine. Instead, it complements military doctrine. The theory of expeditionary economics offers a refined perspective for understanding and applying the doctrine. Expeditionary economics elucidates the important role that military forces must fulfill following major combat operations. This is a balancing act as this role is played in absence, concert, or in conjunction with civilian agencies. Nevertheless, expeditionary economics is a valuable resource for military planners to increase their proficiency and success in future endeavors.

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<sup>130</sup> Kalyvas, *The Logic of Violence in Civil War*, 104.

<sup>131</sup> *Ibid.*, 132.

<sup>132</sup> Simon Naveh, *In Pursuit of Military Excellence: The Evolution of Operational Theory* (London: Bookcraft (Bath) Ltd., 1997), 14.

<sup>133</sup> U.S. Department of the Army, *The Operations Process*, 2-1 - 2-2.

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