

## **Expeditionary Economics: Making the World a Safer Place through Economic Growth**

In the decade since the terrorist attacks of September 11, 2001, few would argue that the world is a more stable place. The prospects for the next decade though are potentially and unprecedentedly stronger. Western military engagement in Iraq, Afghanistan and Libya is drawing to a close and the Arab Spring has brought the prospect of democratisation to a number of countries shrouded in decades of dictatorship rule. The challenge is how to rebuild these tattered economies, leaving them strong and competitive enough to thrive in the global economy.

Western development aid will play its part in rebuilding and stabilisation programmes within these war torn nations. Such aid has generally been successful in alleviating initial post-war poverty and establishing a secure environment for resettlement. The longer term success of Western aid programmes has a rather less glowing resume. The Achilles heel of development aid is its ability to produce strong foundations for economic growth.

The legacy in the Balkans, despite vast amounts of aid for reconstruction and stabilisation, is a case in point. Bosnia has received close to \$10 billion of aid since 1995 and yet poverty and unemployment are both around 25%. Kosovo has received in excess of \$3 billion and yet maintains a poverty and unemployment rate close to 50% of the working population. Further afield in Iraq, unemployment remains virtually unchanged since 2004 and stands at around 18%. In Afghanistan, the opium trade accounts still for about one-third of the country's GDP and unemployment and poverty still stand at 35%.

There are some real challenges here. There are many ways in which a country's per capita GDP can be increased without there being any real benefit perceived by the citizens of that country; a substantial foreign aid injection is just one example. So whilst large-scale infrastructure and major state-run projects are often essential post military intervention or natural disaster, the benefits of this to the man in the street are often seen at best as marginal.

On the other side of the same coin, public opinion in the aid donor countries will be just as easily swayed when states receiving billions of their tax money retain such huge rates of poverty and unemployment. Development aid becomes seen as little more than a way to instigate a culture of dependency within undemocratic but politically expedient regimes. An expectation of corruption and waste, backed-up by unsustainable economic policies, further sours the palettes of the citizens of donor nations.

To encourage economic stability, development aid has to facilitate and support national economies at the international level. It has also to instil within the national government appropriate institutional and economic policy reforms. But stability easily turns to stagnation if the economic environment does not provide for the emergence and life-cycle of dynamic and innovative businesses. Time and again it is shown that economically stagnant nations tend to instability and extremism. Economic growth is the key but it is at this point that policymakers seem to struggle.

There is general recognition within the main development aid donor countries that the private sector drives dynamism and growth within economies. Within those same countries there is a desire to increase economic churn, especially since the financial meltdown of 2008 and subsequent global recession. But just what should be done by governments to

encourage greater business start-up and economic churn remains a moot point. In the UK, for example, there are issues around taxation and employment law (amongst other things) that could be usefully addressed by government policy but in general the message is to leave the private sector alone to do what it does best. There is always a fine line between helping and interfering.

Within the context of rebuilding countries struck down by natural or man-made disaster, there is a case for foreign policy interventions to support and prioritise private sector growth. In the United States there is increasing discussion on this “expeditionary economics” (a phrase coined by Carl Schramm of the Kauffman Foundation) and its scope for changing the fortunes of such nations. Schramm argues that there is “a proven model for just such economic growth right in front of US policymakers’ eyes: the entrepreneurial model practiced in the United States and elsewhere”.

Even with the right model, however, the challenges in each nation will be very different. Take the case of Afghanistan. In the World Bank’s ease of doing business ranking, it ranks 167 (perhaps unsurprisingly, the most difficult country in which to do business of those mentioned earlier in this article). Any interventions to make it easier for Afghans to operate effectively within the global market place and create economic growth must prioritise the issues affecting that rating. It is not difficult to start a business in Afghanistan, in fact it is more difficult (by the same World Bank measures) to start a business in Denmark. But when it comes to trading across borders for example, Afghanistan sits at the bottom of the league. The success of an intervention in encouraging economic growth will be determined by the soundness of understanding of the national business environment concerned.

Schramm argues that the military “is well placed to execute a mandate for fostering economic growth in fragile states”. By its nature innovative, results driven and well aware of the underlying problems within theatres of operation, the military could well have a significant role to play in building an environment able to nurture economic growth. All that is required is the mandate and the right economic skill-sets. By leading the debate in the US, Schramm is looking to address the question of mandate and through proposing an ‘Institute for Military Economic Analysis’ and the revival of ‘The School of Military Government’ the skill-sets question could be addressed.

It would be an error of judgement to conclude that “expeditionary economics” is purely a quirky American concept and fail to engage in that discussion at an international level. Politicians should be able to recognise the potential of this discussion to lead to operations that are more effective in both economic and humanitarian terms. Rarely are military interventions unilateral, they are NATO or UN engagements with each member nation looking for the same swift, effective and long-lasting resolution. And whilst the US entrepreneurial model may be seen by many as the gold-standard, there is much that other enterprising nations could bring to the table. With Global Entrepreneurship Week on the horizon (14 – 20 November) and the Kauffman Foundation’s lead role in that initiative, it would be good to see “expeditionary economics” featuring in key policy debates during the week.