

# SPECIAL REPORT

A SUMMARY OF THE SUMMIT CONDUCTED AT THE EWING MARION KAUFFMAN FOUNDATION, MAY 25-27, 2010

Summit on

## ENTREPRENEURSHIP and EXPEDITIONARY ECONOMICS

Toward a New Approach to Economic  
Growth Following Conflict or Disaster

May 25–27, 2010  
Ewing Marion Kauffman  
Foundation  
Kansas City, Mo.

KAUFFMAN  
The Foundation of Entrepreneurship



Command and General  
Staff College Foundation, Inc.

# KAUFFMAN

## The Foundation of Entrepreneurship

### About the Kauffman Foundation

The Ewing Marion Kauffman Foundation is a private nonpartisan foundation that works to harness the power of entrepreneurship and innovation to grow economies and improve human welfare. Through its research and other initiatives, the Kauffman Foundation aims to open young people's eyes to the possibility of entrepreneurship, promote entrepreneurship education, raise awareness of entrepreneurship-friendly policies, and find alternative pathways for the commercialization of new knowledge and technologies. In addition, the Foundation focuses on initiatives in the Kansas City region to advance students' math and science skills, and improve the educational achievement of urban students, including the Ewing Marion Kauffman School, a college preparatory charter school for middle and high school students set to open in 2011. Founded by late entrepreneur and philanthropist Ewing Marion Kauffman, the Foundation is based in Kansas City, Mo. and has approximately \$2 billion in assets. For more information, visit [www.kauffman.org](http://www.kauffman.org), and follow the Foundation on [www.twitter.com/kauffmanfdn](http://www.twitter.com/kauffmanfdn) and [www.facebook.com/kauffmanfdn](http://www.facebook.com/kauffmanfdn).



### About the Command and General Staff College Foundation, Inc.

The Command and General Staff College Foundation, Inc., was established on December 28, 2005 as a tax-exempt, non-profit educational foundation that provides resources and support to the U.S. Army Command and General Staff College (CGSC) in the development of tomorrow's military leaders. The CGSC Foundation helps to advance the profession of military art and science by promoting the welfare and enhancing the prestigious educational programs of the CGSC. The CGSC Foundation supports the College's many areas of focus by providing financial and research support for symposia, conferences, and lectures, as well as funding and organizing community outreach activities that help connect the American public to their Army. To learn more about the CGSC Foundation and its mission to support the education of leaders for the 21st Century, visit [www.cgscfoundation.org](http://www.cgscfoundation.org).

Dear Readers,

In this special report, you will read about the compelling discussions that took place at the first-ever Summit on Entrepreneurship and Expeditionary Economics convened by our organizations in Kansas City, Missouri, this past May. The conference introduced a provocative concept, Expeditionary Economics, to an audience of leaders who are experts at working in post-conflict nations. The summit far exceeded our expectations in terms of participation, discussion, and ideas. In many ways, however, it marked only the beginning of a long road of intellectual development and concrete application. Expeditionary Economics is still an emerging field of study and inquiry, and its future progress will depend largely on working with those inside the military and civilian communities who are on the ground in post-conflict areas. Because the concept of Expeditionary Economics was well-received, the conference created follow-up work for everyone involved, particularly along three fronts.

First, the Kauffman Foundation continues to work on developing the intellectual and theoretical backbone of Expeditionary Economics. A famous saying in sociology, articulated by pioneer psychologist Kurt Lewin several decades ago, is that "there is nothing so practical as a good theory." Part of the original impetus behind Expeditionary Economics was the fact that anything resembling practical theory appeared absent from much work in international development and, consequently, the efforts of soldiers and aid workers in Afghanistan and Iraq were occurring in a vacuum, with negative consequences. To that end, then, the Kauffman Foundation not only is writing an Expeditionary Economics Field Manual (civilian-authored) but also planning to publish a series of papers addressing discrete topics under the auspices of Expeditionary Economics.

Second, we continue to establish further contacts in the military and civilian communities with those who might make us smarter and who, after all, will be the ones who actually practice Expeditionary Economics on the ground. Indeed, the past few months have been marked by an increasing number of new introductions and fruitful discussions. The interest in Expeditionary Economics, particularly among military officers, is proving to be quite intense.

Finally, the United States Military Academy will be organizing its 2011 research conference around Expeditionary Economics, and we are collaborating with the Academy on the topics to be covered and the papers to be commissioned. We are excited about the prospects for this next conference and what it means for the development of a doctrine of Expeditionary Economics.

The real work of developing an intellectually informed and theoretically sound doctrine has only just begun. We hope that the following summary of the work that came out of this conference gives you some sense of where we are headed, and we also hope it is an invitation to join us in developing this new field, which is critically important to American and global security.

Sincerely,



Carl J. Schramm  
President and CEO  
Ewing Marion Kauffman Foundation



Col. Robert R. Ulin, U.S. Army, Ret.  
Chief Executive Officer  
Command and General Staff College Foundation, Inc.

In recent years the United States has been consumed with two wars in the Middle East and terrorist threats from elsewhere around the world. In these conflicts, the U.S. military has been the lead for our government, but it has become imperative that we re-evaluate this approach. Asking some fundamental questions about our military and foreign policy is long overdue. When we intervene, do we seek solely to stop immediate threats?...to promote democracy and security?...ensure stability?...or some other objective? Normally, the military takes the lead while other government agencies and organizations take a backseat for lack of manpower and other resources. While a whole-of-government approach may offer the best possibility of success in the future, no centralized department or agency exists to coordinate or direct such an effort. In the meantime, the full weight of coordinating and organizing our overseas contingencies falls on the military.



**Kauffman Foundation President and CEO Carl Schramm delivers opening remarks at the Summit.**

Many believe that boosting or rebuilding a country's economy in a post-conflict or post-disaster effort is critical to establishing the security and stability needed to get a country back on its proverbial feet. In an effort to better appreciate the need for economic development and generate more ideas and discussion on the issues, the Ewing Marion Kauffman Foundation, Kansas City, Missouri, and the Command and General Staff College Foundation, Fort Leavenworth, Kansas, convened in Kansas City, May 25-27, a Summit on Entrepreneurship and Expeditionary Economics (EE).

EE is a new field, and its focus includes efforts by the United States government (and to some extent allied governments) to help build functioning economies in countries recovering from conflict or disaster. It is "expeditionary" because the effort takes place overseas, is meant to be finite in duration and intent, and tends to be led by (or at least a large portion of the work is done by) the military. But the first word in the conference title – "entrepreneurship" – indicates a focus on the formation of new businesses, the rapid expansion of employment, and sustained economic growth.

Throughout American history, efforts to help create dynamic, modern economies in other countries have sometimes been celebrated as great successes and boons to American interests – examples include the Marshall Plan and the reconstruction of Japan after the Second World War. But some development efforts also have been derided as "nation building" in which resources have been devoted to regions peripheral to American interests with populations unable to seize the opportunities created by U.S. intervention.

This ongoing and unresolved tension between successes and failures is emblematic of why America has yet to develop a coherent approach to economy building, or the capability and resources to do it right. Nonetheless, the United States consistently finds itself compelled to pursue economic development without doctrinal or institutional support. Thus to the extent that expeditionary economics is practiced, it is done on an ad hoc basis, underfunded and underappreciated. Few personnel and little institutional memory carry over from one situation to the next. When a new contingency arises, we have to start all over.

In his essay in the May/June 2010 issue of *Foreign Affairs*, Kauffman Foundation President and CEO Carl Schramm described the emerging idea of expeditionary economics and highlighted many of EE's key principles:

- A proven model for economic growth is the entrepreneurship found in the United States and elsewhere. The principles underpinning an entrepreneur-driven economy should be applied to war-torn or disaster-stricken countries.
- Post-conflict economic reconstruction must become a core competence of the U.S. military. It must establish a new field of inquiry that treats economic reconstruction as part of any successful three-legged strategy of invasion, stabilization or pacification, and economic reconstruction.
- Economic growth must be an integral goal of U.S. post-conflict and post-disaster strategy.
- U.S. military planners should look beyond international development organizations, which are prone to self-reinforcing thought patterns, and consult people with practical experience, such as entrepreneurs who have launched successful firms.

The article provided a baseline for much of what was discussed at the EE conference, which brought together a wide variety of senior and mid-ranking military officers, former officers, civilian employees in defense and foreign policy related fields, economists, academics, and think-tank scholars.

Niall Ferguson, of Harvard, delivered a provocative keynote address to launch the conference, by questioning whether the military should be in the business of promoting free-market economics: "If you had to pick one group of Americans who knew nothing about the free-market economy, you would pick the military, who are sheltered from it throughout their lives."

But regardless of who does the work to promote economic development, Ferguson said the fundamental challenge for expeditionary economics is improving the incentives for potential entrepreneurs who are living in unstable countries – places like Somalia, Sudan, Afghanistan, or Iraq. Getting the incentives right, said Ferguson, is critical because "we know from the success stories of western economies and . . . Asian economies what gets you out of poverty. It's entrepreneurs and innovation. It's startup companies." He highlighted the regulatory obstacles to entrepreneurship found in countless developing countries – in Venezuela, for example, the World Bank has found that it takes 141 days to start a business.

While expeditionary economics is a new idea, Ferguson pointed out that "there is already an expedition out there and it's . . . operating in some of the most unstable and impoverished countries." Leading the expedition, he said, though based on a model that's very different from what's been advanced by the Kauffman Foundation's Carl Schramm, are Chinese monopoly companies that deal with local dictators by providing them infrastructure in return for control of commodities.



**Niall Ferguson, noted author and Harvard professor, provides Summit attendees with a provocative keynote address.**

In the end, said Ferguson, when the United States intervenes in a country, it can't afford to ignore the economic component. "If we can't get the economics right, then our experiments with democratizing these countries are hardly likely to succeed."

Another keynote speaker at the conference was General William E. Ward, who serves as Commander of the U.S. Africa Command. He highlighted the challenges across the continent, while emphasizing its strategic importance. One of the keys to Africa's future, he said, is to "enable entrepreneurship to take hold." He drew a comparison to President Eisenhower's decision to build the interstate highway system, which was carried out in the name of advancing the nation's security. But it also helped to facilitate commerce, and the benefits are still felt today.



**General William E. Ward, Commander of U.S. Africa Command, speaks about the challenges of working with developing nations all across the African continent.**

In Africa, said Gen. Ward, "nothing like that happens." The infrastructure is severely lacking, and that stifles economic activity. But with better infrastructure, businesses would find it significantly easier to operate. He pointed to something as basic as clean water. Once that exists, "health becomes less of an issue so that a small business person has a business and hires one person, and that person is healthy and shows up for work every day." The same applies to reliable access to energy. Infrastructure "will spur, promote, and facilitate the economic development that will be the engine for stability on that continent."

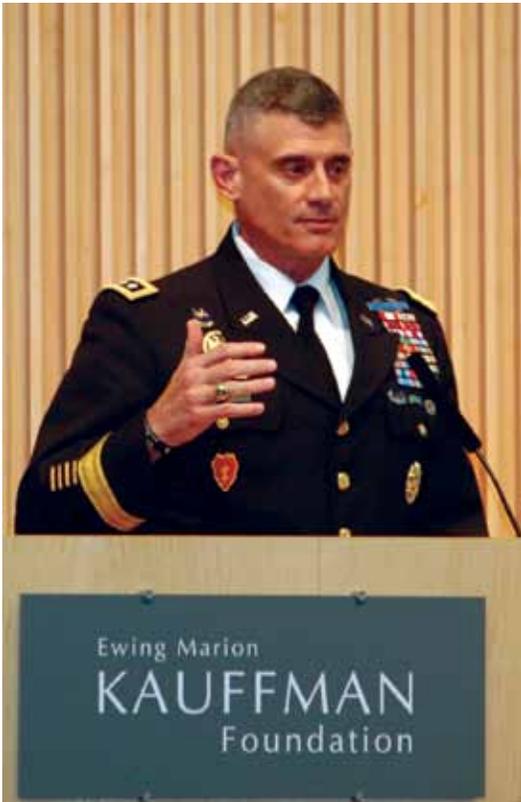
In an expansive keynote address delivered on the second evening of the conference, Richard Haass, president of the Council on Foreign Relations, reflected on the war in Iraq. Having worked in the State Department as the war was being planned, he conveyed how he and his colleagues tried to highlight the risks of going to war – albeit with no apparent success. As for the war's aftermath, he highlighted the nexus between security and economic development: "You can't have reconstruction absent security. Investors will not invest. Local businesses cannot function. Reconstruction . . . projects will get destroyed. The security concerns . . . will essentially divert all the funds that would otherwise go into an economic activity." He cited Iraq's oil as a potentially valuable resource that could not be exploited. "What didn't matter is whether [the Iraqis] had the oil in the ground or what the price of oil was. What mattered was whether the conditions existed to get the oil out of the ground, and quite honestly, the conditions didn't exist. Companies couldn't drill and couldn't pump. Others couldn't explore or wouldn't explore given the deteriorating security situation."



**Richard Haass, president of the Council on Foreign Relations, delivers remarks during the dinner on the second night of the Summit.**

He also said there could be merit in simple projects that would provide some basic infrastructure quickly rather than grand plans that would take years to implement. As an example, he pointed to the plans to build energy stations. "The problem with building large power stations is it costs a lot of money, it was all done at the top, it took a long time, and they made wonderful targets for terrorists. I really think we would have done a lot better early on if we'd gone into a couple of Wal-Marts and bought as many generators as we could and brought them over. We could have had something that could have been quickly dispersed, much less expensive, and it wouldn't have provided a target for terrorists."

Lieutenant General Robert L. Caslen, Jr. provided a candid account of his experience in Iraq, which involved a comprehensive effort to help rebuild the country's economy. At the beginning of this effort, he acknowledges asking, "How do we go about doing this? We had no idea. We had nowhere to turn."



**Lt. Gen. Robert L. Caslen, current Fort Leavenworth commander and commandant of the U.S. Army Command and General Staff College, recounts his efforts as the 25th Infantry Division commander in Iraq to use economic principles as a component of his mission.**

He described meeting with a range of U.S. government officials in Washington, the World Bank, and a group of Iraqi dissidents at the University of Hawaii. "We tried to educate ourselves on how to build an Iraqi economy because there were no ways to help a Division Commander who had a key responsibility to help build the Iraqi economy. It just didn't exist in the United States Army or the military...We didn't have the people, didn't have the experience, we didn't know where to turn, but we were going to have to make it up because that was one of our missions."

What Caslen and his colleagues quickly learned was that even before trying to rebuild the economy, they needed to understand the power dynamics of the environment in which they were operating. Said Caslen, "When you do something in the Iraqi system and network, it can have fourth, fifth, and sixth order effects. It's critical to understand the history of the tribes and the history of the relationships between the tribes."

A next step, said Caslen, was to focus on the country's infrastructure. "Understanding the infrastructure turned out to be a key component in building the economy, because the principle was if the infrastructure was in place, then you had something that the flow of goods and services could go across and that would allow the economy to take off."

Caslen also spoke about the challenges associated with trying to rebuild an economy while battling insurgents. He described how U.S. troops would clear neighborhoods, work to hold on to the gains that had been achieved, and then determine what needed to be rebuilt. To illustrate the progress, he referenced the governor in Najaf, who had been elected with a strong majority on an anti-Coalition platform. Caslen and his colleagues developed a relationship with the governor, partly on the basis of reconstruction efforts. At a press conference a few months after the election, the governor put his arm around Caslen and said, "This is my friend, General Caslen. We used to see him as the occupier. Now we see him as the one who is going to rebuild our province."

Amid progress, there were challenges, of course. And one of them came from his colleagues in the U.S. government. He described how many of the national programs being coordinated out of the U.S.

embassy were focused on getting formerly state-run industries up and running. “We tried to work very closely to try to get them into our area as much as we could, but I think the coordination could have been done better. We were trying to build the economy from the bottom up, while the embassy was trying to build the economy from the top down. The coordination and the integration of those efforts is something we really needed to work on. We didn’t know how to do that.”

## Panel Summaries

The summit featured three discussion panels that explored past efforts at economy building, present work in Iraq and Afghanistan, and prospects and recommendations for the future. They sought to identify lessons learned from past and present efforts and to apply those lessons to future missions.

### **PANEL 1: POST-CONFLICT PLANNING AND EXECUTION IN PREVIOUS WARS**

The subject of the first panel was, “Post-Conflict Planning and Execution in Previous Wars,” and panelists were asked to address the following question: “What do the post-conflict scenarios of the past sixty years teach us about better execution and planning for those of the future?”

Kauffman Foundation Vice President for Research and Policy Robert E. Litan moderated this first panel. The panelists were Glenn Hubbard, the dean of Columbia Business School; Louis DiMarco, a professor at the U.S. Army Command and General Staff College; Marcus Noland, a senior fellow at the Peterson Institute of International Economics; Rufus Phillips, a former official with the CIA and U.S. Agency for International Development; Patrice McMahon, a professor at the University of Nebraska; and, Jon Western, a professor at Mount Holyoke College.

The panelists discussed the mixed record of the United States in navigating post-conflict situations over the past 60 years, with results that vary greatly by degree of civilian-military engagement, and unique country characteristics.

A compelling portion of this panel was Glenn Hubbard’s presentation on the Marshall Plan – explaining both how it worked (which is often misunderstood today) and whether some version of it could be applied today.

Hubbard pointed out that the core idea behind the Marshall Plan was to stimulate the private sector through direct financial support of businesses rather than distribution through local government institutions. It helped to revitalize the economies of Europe following the devastation of World War II and spurred the highest economic growth in modern European history – higher even than pre-war levels. It often has been held up as a roadmap for development, with its admirers proposing reinvented Marshall Plans for Africa and more recent post-conflict regions.

Hubbard pointed out that some have failed to appreciate the Marshall Plan’s focus on fostering entrepreneurship – indeed, it dealt directly with the private sector, in contrast to what is more prevalent today, which is a government-centered, top-down approach that seeks to build infrastructure in preference to everything else.

Could the Marshall Plan be adapted to current post-conflict regions (with particular focus on sub-Saharan Africa)? According to Hubbard, a real Marshall Plan would seek to fortify the private sector, and a primary target for aid would be mid-size businesses, as opposed to government development plans with their lackluster success. Hubbard remarked that, “It is important to develop institutional reforms



**Glenn Hubbard, second from left, dean of Columbia Business School, explains the Marshall Plan during the first panel. From left to right: Bob Litan, Hubbard, Marcus Noland, Rufus Phillips, Louis DiMarco, Jon Western and Patrice McMahon.**

at the same time you're encouraging economic growth, but you can't simply build the hardware of prosperity and assume the software will come," which is the thinking behind many aid efforts of the present day.

In contrast to the success of the Marshall Plan, in Vietnam the United States had more difficulty implementing measures to promote the country's economic growth. Rufus Phillips, who lived and worked in Vietnam in the 1950s and 60s spoke to the risks in offering assistance to a country when there is not a comprehensive understanding of that country.

In Vietnam, there were inherent limitations of an economic aid program based on an unclear understanding of the basic problems of the country and the mentality of its leaders. What seemed constant throughout the Vietnam conflict was American difficulty in dealing with post-conflict or active insurgent situations in failing states.

The U.S. agency coordinating economic aid deployed its usual technical divisions of agriculture and other specialties, but with the exception of the field service personnel working directly with refugee settlement, all of the assistance was top down, bottom up. And with U.S. aid accounting for over 50 percent of the Vietnamese national budget, U.S. officials introduced a commodity import program in an attempt to prevent inflation. But this only introduced more distortions into the economy. As Phillips pointed out, "The import licenses were bought at the official rate and that furnished local currency, which was then used to pay for the Vietnamese army and other local programs. Unfortunately, the free

market rate was about twice that of the official rate. So this contributed to corruption, and because the imports from the United States grew from practically zero to almost 30 percent, the impression was that we were involved in Vietnam for our own economic benefit, just like the French.”

Philips identified one of the fundamental problems with U.S. efforts: “We had a habit of sending out very high-ranking people whose experience has been in an entirely different field, and they never sufficiently talked to the locals to get a sense of what the real local problems were.” He pointed out that the technical division’s sole “expert” for four years was a mining specialist. “What was missing was any real attempt by U.S. officials to address systematically the political, economic, and security vacuum which existed in the rural areas of Vietnam where 80 percent of the population lived.”

Throughout the panel discussion, a number of other noteworthy ideas were discussed:

- When non-governmental organizations (NGOs) come in and tell local residents what to do without taking time to fully appreciate and understand the context and landscape, it results in serious frustration. A common refrain from locals is, “We waste your money, and they waste our time.”
- We must resist thinking that human capital cannot be grown in places such as Sub-Saharan Africa. As outsiders, we do not have to build human capital in these places. Entrepreneurial energy is already abundant in such places and can, itself, help grow human capital.
- Occupations fail if you leave too soon because you haven’t developed the population’s skills in a way that can sustain entrepreneurial capitalism and democracy. Development efforts must have the patience to build projects for long-term endurance and maximum impact rather than more immediate but potentially only cosmetic success.

## **PANEL 2: CURRENT POST-CONFLICT PLANNING AND EXECUTION**

The subject of the second panel was, “Current Post-Conflict Planning and Execution,” and panelists were asked to address the following question: What are the core challenges we currently face, and what principles should be in place as we continue our objective of establishing stable economies, both now and in the future?

Leif Rosenberger, the economic advisor to General David Petraeus, moderated this second panel. The panelists were Michael O’Hanlon, a senior fellow at the Brookings Institution; David Anderson, a professor from the Department of Joint Interagency and Multinational Operations at the U.S. Army Command and General Staff College; James Stephenson, a senior advisor at Creative Associates International; Ronald Neumann, president of the American Academy of Diplomacy and a former U.S. ambassador to Afghanistan; and, Nicholas Riegg, a professor from the Department of Joint Interagency and Multinational Operations at the U.S. Army Command and General Staff College.

One of the key themes that emerged from this panel was the importance of cultural understanding when making decisions about allocating economic development resources at the local level. Without knowledge of motivators and cultural dynamics, the work can be counterproductive. Imposing American solutions to perceived problems will not lead to successful post-conflict economic development. Solutions must be based on local community and cultural perceptions and priorities.

In Iraq, the United States squandered the opportunity to demonstrate a real concern for the welfare of



Nicholas Riegg, second from left, professor from the U.S. Army Command and General Staff College, makes a point about planning in Iraq during the second panel discussion. From left to right: Leif Rosenberger, Riegg, Ronald Neumann, James Stephenson, David Anderson and Michael O’Hanlon.

the Iraqi people in the months after the invasion because it failed to adequately plan for stabilization and reconstruction activities.

“The Office of Reconstruction and Humanitarian Assistance was the concept that Secretary Rumsfeld barely tolerated,” said Michael O’Hanlon, “because his real hope was to preserve as much of the Iraqi security forces, judicial system, civil structures, administrative structures, and Iraqi economic as possible, and hope that this would allow the rapid departure of U.S. forces and the rapid ability of Iraq to repair whatever war damage occurred through its own oil revenue. That was basically the strategy.”

O’Hanlon added that “this was not a terrible idea to aspire to, but it was a terrible idea to count on and we have to make that distinction.” The hope was that Saddam’s regime could be overthrown, but that the rest of the Iraqi state would survive. But when Iraq’s institutions collapsed, there was no Plan B.

“In the absence of any alternative plans,” said O’Hanlon, “we then proceeded with a certain paradigm of economic reconstruction which was not very well thought through, which was highly ideological, and which was largely reversed in the next one to three years as people recognized that taking actions like shutting down all the state-owned enterprises was not smart in a place where jobs were needed.” He added that about the only tool that worked reasonably well throughout this process was the Commander’s Emergency Response Program, “where job creation and rapid results were seen as priorities as they correctly should have been.”

James Stephenson noted that the United States needs to “stop trying to remake countries in our own

image.” He commented that Afghanistan has never had a strong central government, and it doesn’t want one, nor does it want Western-style institutions. “It’s questionable whether it will ever develop an independent judiciary,” said Stephenson, adding that while it has strong traditions of local government, they’re not strong traditions of formal local government.

Stephenson also said that in Iraq and Afghanistan it is critically important to devote more attention to figuring out precisely what kind of country the people want to live in. Failing to do so can lead good intentions awry. He shared a story of American personnel building a bridge to connect two Afghan villages that were separated by a river. The day after the bridge was finished, villagers from both towns burned it down. It turns out they had a feud that reached back centuries, and they didn’t want anything to do with one another.

Other noteworthy ideas raised during the discussion included:

- Appropriate expertise is difficult to come by in an environment such as Afghanistan. Recruiting and training is a challenge, but much of this experience exists already in the private sector, and incentives can be created to broaden private sector involvement.
- The U.S. government has built police forces all over the world, and over long periods of time, from the 1920s up through today, but there is no model for success. Likewise, we lack an effective blueprint for establishing a justice system and quickly creating jobs as part of a stabilization operation.
- Export-oriented growth in countries requires U.S. support. If countries in the developing world are ready to begin exporting, the developed world should not resort to protectionist measures to block their imports.
- The United States has a mandate to anticipate state failure and avoid it whenever possible. Rising debt-to-GDP ratios in many nations is going to be a problem in the future, and we should keep a watchful eye on countries like Zimbabwe, Haiti, and Burma.

### **PANEL 3: POST-CONFLICT PLANNING AND EXECUTION IN THE FUTURE**

The subject of the third panel was, “Post-Conflict Planning and Execution in the Future,” and the panelists were asked to address the following question: What doctrine is needed, how can it be achieved, and more importantly, how can we translate “expeditionary economics” into concrete, ground-level actions?

This panel was moderated by Robert E. Litan of the Kauffman Foundation, and the panelists were retired Colonel Clinton Ancker, director of the Combined Arms Doctrine Directorate, Fort Leavenworth; Ginger Cruz, the Deputy Special Inspector General for Iraq Reconstruction; Fred Kagan, from the American Enterprise Institute; Clare Lockhart, from the Institute for State Effectiveness; Col. Jeffrey Peterson, from the U.S. Military Academy; and, Kori Schake, from the Hoover Institution.

Most of the panelists agreed that the concept of “expeditionary economics” needs to play a greater role and be incorporated into doctrine in future stabilization and reconstruction efforts in post-conflict situations. There was a general consensus that the United States is not adequately nurturing economic development in places where security and engagement requires it, and that we are not adequately



**Ginger Cruz, third from left, deputy special investigator for Iraq Reconstruction, relays some of her experiences in Iraq. From left to right: Bob Litan, Clare Lockhart, (not in photo- John Sullivan), Cruz, Col. Jeffrey Peterson, Col. (Ret.) Clinton Ancker and Fred Kagan.**

stimulating the entrepreneurial dynamism that has produced global economic prosperity. But there was audible disagreement over whether these responsibilities should fall to the military.

Col. Peterson spelled out the conditions under which the expeditionary economics model can be applied. First, he said, the military must be committed to intervene in a specific setting. Second, the security environment must be non-permissive, meaning civilians do not have freedom of movement and need protection. Third, it must be possible to use economics to win the support of the people – giving them an alternative to insurgent forces. Peterson also challenged those who contend that the military isn't capable of conducting expeditionary economics.

"You cannot say that it's the military's job to do security and it's the civilian's job to do economics," he said. "They have to be done simultaneously, and during that golden hour, it's the military that has to execute it."

Peterson elaborated on the idea later in his remarks. "Given the way war is conducted today, given the complexity of the situation, economic development is required in order to win. It's a soldier's job to win...to accomplish the mission, and if that requires expertise in economics, then that's what it requires, and that's what we'll do. So the question is not really should we do it, or is it our responsibility. I think the issue is we have no other choice, so let's be as good at it as we possibly can and develop a doctrine that will make us successful."

Peterson also offered a rejoinder to the comment from Niall Ferguson that members of the military are

sheltered from the market economy and, thus, know nothing about free-market economics.

"It's important to remember that members of the military are also Americans," Peterson said. "They grew up in a free-market society. There are lots of entrepreneurs in the Army, and it's amazing how creative you can be when the stakes are high, when your life is on the line, and you have a mission that you want to accomplish so you can get home. So don't underestimate the ability of the U.S. Army to be entrepreneurial and to find creative ways to establish security using economic resources and economic development."

Clare Lockhart illustrated the way in which economic development has sometimes been downplayed by describing discussions she had with a number of the UN Secretary-General's Special Representatives (these are individuals who had been tasked with facilitating and implementing peace agreements). She asked them to identify their single biggest mistake or regret, or what they would change if they could go back and repeat their experience.



**John Sullivan from the Center for International Private Enterprise participates in the third panel discussion on post-conflict planning and execution.**

"With startling uniformity," said Lockhart, "they all said that their single largest regret was that they forgot about the economy, that they thought they could leave it for ten years and it would come later, and they said that in every case, what happened instead was the formation of an illicit economy, the entrenchment of criminal elites, which ticked the politics back into instability and saw the re-emergence of conflict and instability."

For the United States, Lockhart pointed to the role that non-military organizations can play in development efforts, such as the Overseas Private Investment Corporation (OPIC). She said it played a significant role in Afghanistan post-2001 during a period of stability, and illustrated the idea with a story:

"The UN agencies came to the government and said, 'Well, you need telephones. The government will have to pay a telephone company \$100 million, and they will provide the phones. You can give free phones to all the Ambassadors, and they can make free calls.' This was not the approach taken. The Afghan government said instead, 'That's not the right model. We're going to license out the telecom system.'

This approach has now resulted in over \$1 billion of investment in 12 million phones in the country. It wouldn't have happened but for the provision of a \$20 million risk guarantee from OPIC. Initially, the company said, 'We're not going to come. It's too risky.' The approach was taken to bring in the telecom companies and say, 'Please quantify and specify your risk.' OPIC was then able to create the risk guarantee which underwrote the risk enabling the investment to take place."

Fred Kagan also spoke to the importance of supporting entrepreneurship, but added that in order for it to flourish, "the legal framework of the countries within which you are operating is absolutely critical, and it is something to which we tend to pay zero attention on the whole." He added that "one of the more spectacular failures of the international effort in Afghanistan" was the lack of focus on rule of law. The reason for the lack of focus, he said, is "because no one cares, no one knows. The international community has no institutional, organizational, intellectual, or doctrinal basis for thinking about helping other countries set up their rule of law structures."

Other noteworthy ideas raised during the discussion included:

- In war, just as there are human casualties, there also are financial casualties, and we need to accept this reality. Some dollars will be misappropriated, and some will go to the enemy, to criminal networks, to ineffective local leaders, and to bad projects. This doesn't make it okay, but we need a productive dialogue to determine what is a reasonable level of these financial casualties.
- The Foreign Assistance Act of 1961 defined foreign aid as a State Department function because it was a tool of public diplomacy geared toward poverty alleviation and moral good. But the problem with public diplomacy as an imperative is there's a need to take credit and ensure people know about it. In Iraq and Afghanistan, however, we've learned this can generate ill will and be counterproductive. We need to sacrifice public diplomacy to be more effective at counterinsurgency and long-lasting and effective development.
- One idea is to create a FEMA-like agency with a very modest staff, 100-150 people, which would spring into work when there's a stability operation. The office would report jointly to the Secretary of Defense and Secretary of State and would have a limited, circumscribed role. It would coordinate with the chief of mission on the embassy side and the commanding general on the military side.
- USAID and the State Department staff are not properly trained – there is little investment in level- and role-specific training and education, and senior leaders should be selected for their qualifications in economic development and entrepreneurship.

Retired Colonel Bob Ulin, the CEO of the CGSC Foundation and a cosponsor of the conference, reinforced what Colonel Peterson said about the military's ability to conduct economic development. Ulin noted that the Guard and Reserve forces of the U.S. military are drawn from all sectors of the American economy. They are business owners, homebuilders, pipefitters, merchants, public works officials, and a vast array of trades. They also include public officials, lawyers, and entrepreneurs. Currently, they are deployed in various military units that invariably perform a combat function or combat support function. If economic development is determined to be one of the commander's lines of operation, then he should task organize his human capital to accomplish that mission element.



**Left, Lt. Gen. (Ret.) Robert Arter, chairman of the CGSC Foundation, makes an award presentation from the foundation to Carl Schramm for his efforts in expeditionary economics. From left, Arter; Brig. Gen. Edward Cardon, deputy commandant of the U.S. Army Command and General Staff College (CGSC); Schramm; Lt. Gen. Robert Caslen, commandant of CGSC; and Bob Ulin, chief executive officer of the CGSC Foundation.**

Carl Schramm closed the proceedings by saying, "We had a big ambition for this conference," and he proceeded to draw a parallel with other historically significant gatherings, such as the Cold Harbor conference, following the Soviet launch of Sputnik, which helped to set out an economic agenda for fighting the Cold War.

Only time will tell whether expeditionary economics becomes part of the U.S. military's arsenal, but if it does, this conference will deserve credit for having provided a valuable reservoir of intellectual ammunition.

**For more information, news, and videos from the Summit on Entrepreneurship and Expeditionary Economics, visit the website at <http://sites.kauffman.org/eee/index.cfm>**

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