

Counter-Insurgency Operations and Economic Decision-Making: The Case of Afghanistan

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The Problem: How Do We Measure Progress in Stabilizing War-Torn Countries?

- Example: ISAF (Unclassified) Metrics :
- Number of Insurgent Attacks
- Number of Civilian and Military Casualties
- Anti-Insurgent Activity
- Counter-Narcotics Efforts
- Public Opinion Polls

But how accurately do these “metrics” reflect progress towards the outcomes we are trying to achieve? What’s the causal theory that links these metrics to outcomes?

A “New” Generation of Economics Research is Examining the Effectiveness of Counter-Insurgency Campaigns

- Much of this literature is built on research in the political economy of development, notably efforts to explain differences in economic performance.
- More narrowly, it builds on work by North (1981) on the role of institutions, and specifically property rights, in inducing investment.
- Svensson (1998) and Collier (1999) find that political instability and violent conflict reduce property rights.
- This may influence both aggregate amount and type of investment (e.g. lower capital investment).
- Example: precipitous drop in residential construction in Vietnam between 1966-1974 (USAID 1974).

Some Examples of Recent Literature

- Fielding (2003) finds that aggregate Israeli investment falls during Intifada of 1987-1993 and is particularly sensitive to both Israeli and Palestinian civilian casualties. Construction falls more sharply than other forms of I.
- Gonzalez and Lopez (2007) find that political violence in Colombia reduces efficiency of farming as it disrupts rural labor markets (displacement of the rural population).
- Chaney (2007) and Greenstone (2007) examine how violence in Iraq influence prices of publicly traded government bonds.
- Berman, Felter and Shapiro (2009) assess relationship between CERP spending and violence in Iraq.
- Coyne, Dempster, and Isaacs (nd) examine relationship between equity index prices and violence in Sri Lanka to reveal sustainability of peace agreements.

Financial Markets and Political Information

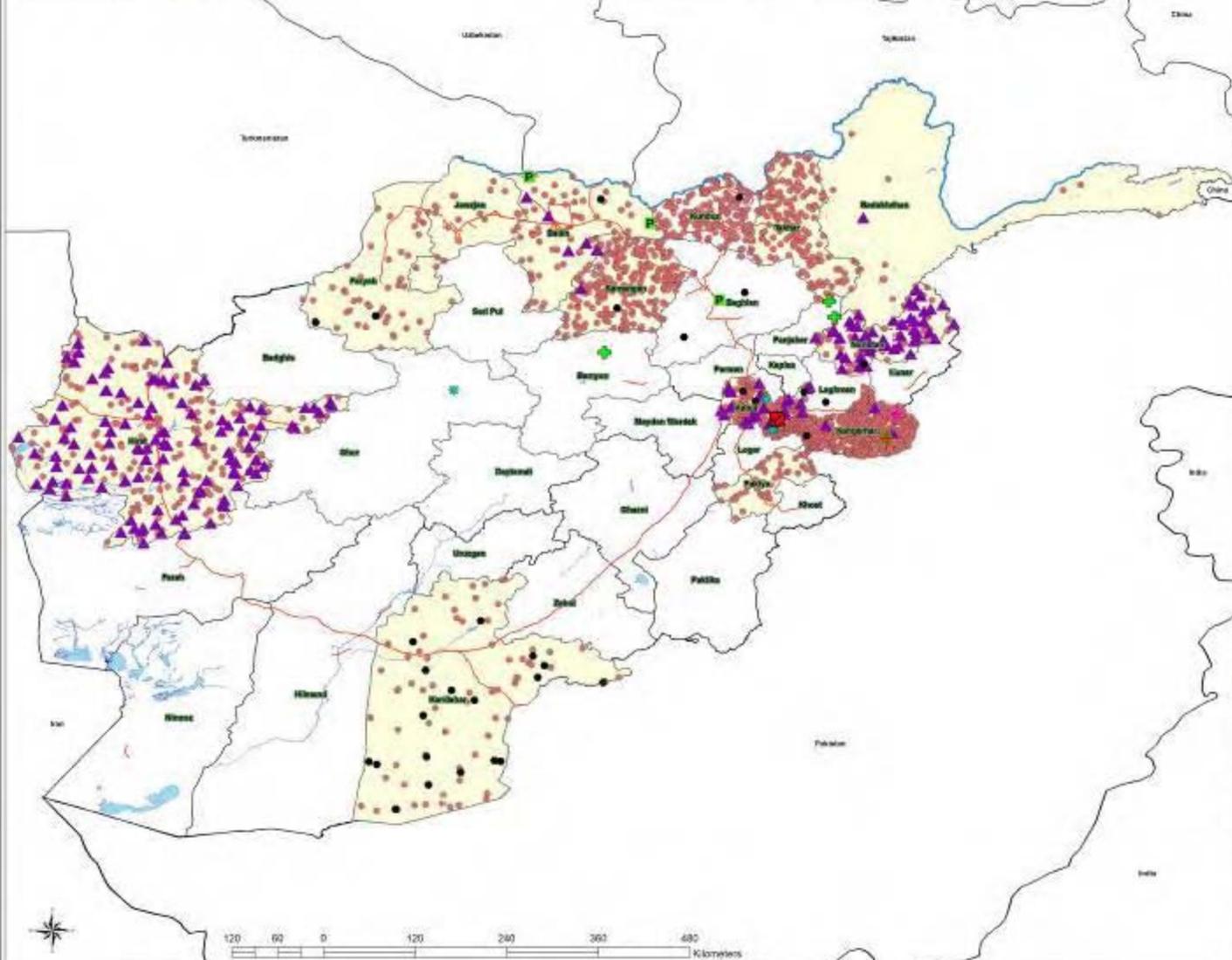
- The market price of Iraq bonds reveals information about the survival probability of the current Iraqi regime.
- Bond prices respond to news events or nonevents that affect assessments of the prospects for regime survival.
- These price responses can be studied to draw inferences about how particular developments affect regime survival prospects.

Source: Steven Davis, Comments on Chaney (2007)

My (Proposed) Research: What is the Relationship Between COIN Operations and Investment Activity in Afghanistan?

- Economic modeling of COIN “success” in AFG hampered by absence of financial markets, thus hard to replicate approach taken by economists in Iraq, Sri Lanka, and elsewhere.
- Long time-series data on investment at the district or provincial level is lacking.
- Thus, reliance on household (NRVA) and enterprise (World Bank and GoA) surveys and, if available, USAID data → map COIN proxies vs. I

ASMED Activities 3rd Quarter 2009



Legend

- Provincial boundaries
- Areas of ASMED activities
- Roads
- Arah river
- Lakes/River regions

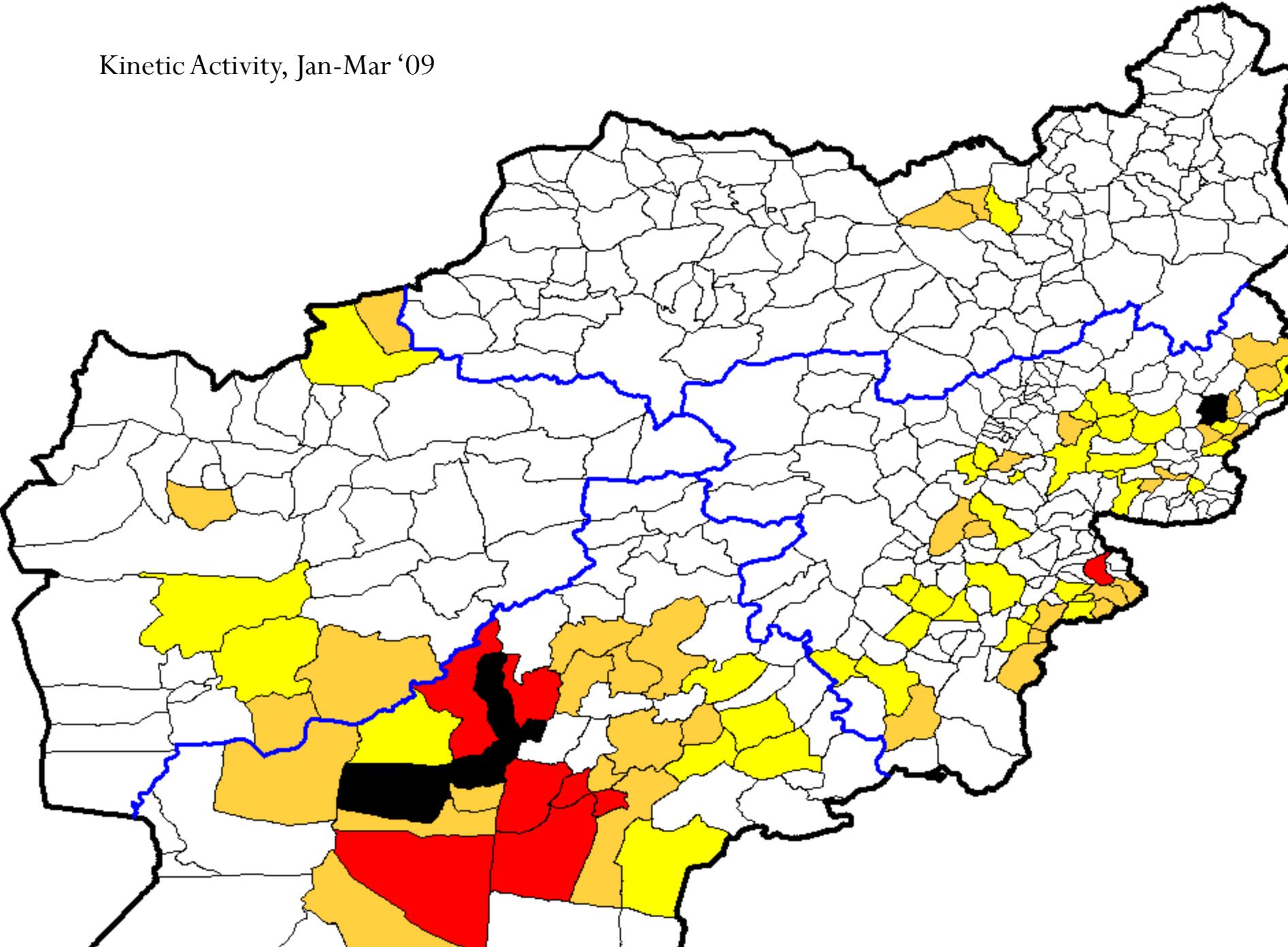
ASMED's activities

- Internship
- Public/Private partnership
- Trainings
- Association Grants
- Marketplace Development Grants (MDGs)
- Supported Associations
- New Associations
- New SMEs Established
- Supported Businesses



DISCLAIMER:
 Location of ASMED activities are randomly positioned.
 The boundaries and names are collected from best available sources and do not imply official endorsement or acceptance by USAID or the United States Government.
 Each checkmark symbol represents one class of professional internship and mentorship program.
 DAVASMED GIS Unit, October 2009

Kinetic Activity, Jan-Mar '09



Next Steps

- Secure funding
- Gather data in DC and Kabul
- Perform statistical analysis
- (Hopefully) publish some *policy-relevant* research
- But going further:
- Build deeper *causal* understanding of how COIN operations influence economic behavior and decision-making by examining a number of war-torn countries...thus build data sets for several countries if possible.
- **THANK YOU FOR YOUR COMMENTS AND SUGGESTIONS!**