



Preparing for Economics in Stability Operations

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PHOTO: SPC Joseph Lomas and PFC Michael Moran view battle damage caused by a missile strike during Operation Iraqi Freedom in Tikrit, Iraq, 2 June 2003. (U.S. Army, SSG Klaus Baesu)

STABILITY OPERATIONS have played a significant role in U.S. foreign policy since the 1800s, and the 2006 National Security Strategy (NSS) reiterated their importance to current U.S. global interests. During such operations, actions to spur economic development are as important as military actions. The U.S., however, despite history and the NSS, still has no formal political or military structure tasked with facilitating the planning and execution of economic-development programs in stability operations. Instead, it has tried to make do with ad hoc arrangements planned and executed by the military.

Lessons learned from current stability operations point to the benefits of using a broad strategy that structurally integrates planning for governance, economics, and security. In testimony to Congress about the inadequate planning for stability operations in Iraq, Air Force Chief of Staff General John Jumper said the solution “calls for an *interagency, deliberate planning process* much like the deliberate planning process we have in the military, where formal assignments are made within the interagency to get upfront commitment to what the post-major combat operations requirements will be.”¹ Past stability operations, too, suggest that a coordinated interagency effort and a deliberate process would have produced faster progress in Iraq. By examining some of those operations, we can discern the significance that economics has for post-kinetic operations, as well as its implications for cooperative interagency processes in general.

Historical Examples

The 1948-1960 British campaign in Malaysia underscored the importance of economics to counterinsurgency (COIN) as well as the need for a coordinated economic plan within stability operations. In writing about the campaign, British COIN expert Sir Robert Thompson identified three forces influencing the Malaysian population: nationalism, religion and culture, and economic well-being.² Of the three, he gave primacy to economic well-being, stating that “however powerful nationalist or religious forces may be, that of

material well-being is as strong if not stronger.”³ Thompson also claimed that an insurgency needs an issue it can exploit to open up a seam between the people and the government, and economic inequality, either perceived or real, is one such issue. To combat an insurgency seeking to exploit economic inequality, then, requires a broad strategy that incorporates the various elements of civilian society equipped to address the problem and thereby influence the population.⁴

We can glean additional information about the role of economics in stability operations by looking at two U.S.-led missions generally considered successes: the reconstruction efforts in Japan and Germany after World War II. In both cases, the United States clearly understood how important economic development was to the recovery and democratization of its former enemies. Leaders even went beyond executive authority, the doctrinal norm prior to World War II, to establish economic policy. These cases represent successes in overcoming institutional structural deficiencies.

In Japan, State War Navy Coordinating Committee memorandum 150/4, *Politico-Military Problems in the Far East: United States Initial Post-Defeat Policy Relating to Japan*, gave General Douglas MacArthur this guidance:

Those forms of economic activity, organization and leadership shall be favored that are deemed likely to strengthen the peaceful disposition of the Japanese people, and to make it difficult to command or direct economic activity in support of military ends. To this end it shall be the policy of the Supreme Commander: (a) To prohibit the retention in or selection for places of importance in the economic field of individuals who do not direct future Japanese economic effort solely towards peaceful ends; and (b) To favor a program for the dissolution of the large industrial and banking combinations which have exercised control of a great part of Japan’s trade and industry.⁵

The U.S. employed economic measures to demilitarize Japan; however, economic policies and actions were not limited to military affairs. MacArthur understood the vital relationship between politics, economics, security, and stability. Concerned that the Japanese would not accept his democratic reforms because of desperate economic conditions



Lieutenant General Lucius Clay (right), deputy military governor of Germany after World War II, talks with General Dwight D. Eisenhower during the Potsdam Conference, 20 July 1945.

at the time, he dispensed surplus military rations to the people and sent a telegram to Congress, urging it to “send me food or send me bullets.” Congress chose food, appropriating \$250 million worth of subsistence products to aid the Japanese, many of whom were without adequate housing and approaching starvation.⁶ This economic aid played a major role in establishing an environment favorable to MacArthur’s democratization program.

In Germany, conflicting policies complicated economic recovery. General Lucius Clay, deputy military governor of Germany after World War II, complained that JCS-1067, *Directive to Commander-in-Chief of United States Forces of Occupation Regarding the Military Government of Germany*, was “extremely difficult to operate under.”⁷ Clay explained that “if you followed [the directive] literally you couldn’t have done anything to restore the German economy . . . When we were ordered to put in a currency reform, this was in direct contravention of a provision of JCS-1067 that prohibited us from doing anything to improve the German economy.”⁸ Realizing that economic revitalization would play a significant role in Germany’s peaceful rehabilitation, Clay worked in a piecemeal fashion to circumvent JCS-1067’s strict provisions.

Even as Clay labored to overcome JCS-1067, Germany’s recovery was hampered by the fact that multiple nations had a hand in determining its economic policy, and they did not agree on how to proceed. France and the Soviet Union worked at cross-purposes with America and Britain, demanding reparations while the latter two were trying

to build a self-sustaining German economy. In *America's Role in Nation-building from Germany to Iraq*, James Dobbins describes the situation:

The U.S. government forced German mines to deliver coal to France and other nearby states for free. In return, the U.S. zonal authorities provided miners with food and wages. In addition, the Soviet Union dismantled German plants in both the British and U.S. zones and shipped the equipment back to the Soviet Union as part of reparations. Thus, some of what was given was taken away by other governments.⁹

In short, Germany's case highlights many of the difficulties inherent in economic reconstruction. The absence of established doctrine and standing institutions designed specifically for planning, coordinating, and executing economic actions created confusion and inefficiencies that unnecessarily hindered the nation-building effort.

While individual initiative eventually overcame systemic problems in Germany and Japan, U.S. stability operations in Haiti (1915 to 1934, 1994 to 1996, and 2004) have consistently failed, revealing the ultimate costs of not having a well-integrated economic plan. Although the 1994 Haiti mission achieved some of its goals, such as restoration of the Aristide government, it did not address long-term economic and governance problems; consequently, Haiti is still in turmoil today.¹⁰

The examples of Japan, Germany, and Haiti validate Thompson's claim about the importance of a "systems approach" in stability operations. Institutions planning and executing economic operations within a stability operation should view an unstable nation as a system wherein failing to act in one area will cause ripples in other areas. Intervening forces cannot reform governance, economics, and security independently of one another. These functions are interdependent.

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Iraq: Economics and the "Golden Hour"

The relationship between economics and stability has not been lost on U.S. commanders in Iraq. In 2004, when Task Force Baghdad analyzed attacks in its area of operations, it found "a direct correlation existed [among] the level of local infrastructure status, unemployment figures, and attacks on U.S. soldiers."¹¹ Putting this analysis into practice, the task force consolidated funding in economic development projects where they believed the payoff would be greatest. After doing so, it confirmed "a direct correlation emerged between funding, when it became available to employ Sadr City residents . . . and a steep decline in the number of terrorist incidents occurring in the same area."¹²

As events in Iraq have also shown, it's not just the money that matters, but the speed with which it is disbursed. A victorious invading nation—assuming its mission is benevolent—has a "golden hour," a limited amount of time in which it enjoys host-nation



A U.S. Marine with Task Force Tarawa surveys some of the damage done to the city of An Nasiriyah, Iraq, 31 March 2003.

DOD

popular support and international legitimacy.¹³ If it fails to provide immediate and sufficient economic support to begin stabilizing and rebuilding the host nation within that time, people will turn against it and the conflict will go on. Any delay in stabilizing the situation beyond the golden hour will threaten the quality of eventual success and may even make progress in stability operations impossible.

Rajiv Chandrasekaran, the *Washington Post's* former Baghdad bureau chief and author of *Imperial Life in the Emerald City*, has observed that in Iraq it took too long to mobilize the resources required to demonstrate the U.S.'s commitment to reconstruction. Failure to move speedily led to disenchantment and frustration, hindering progress and setting the stage for insurgency. As has often been the case in interventions, during the golden hour in Baghdad the military was the only government agency with significant resources in-country. It had to act swiftly to gain the populace's confidence and secure the economic initiative; history shows that it did not. The military, however, should not be expected to go it alone during the golden hour. The best way to achieve stability quickly is to have and employ a formal, institutionalized structure with built-in interagency capacity and cooperation.

The Way Ahead

The United States should establish and maintain a standing institution that focuses on economic development during stability operations, one capable of taking immediate action during the golden hour of future contingencies. Such a capability should be permanent, functioning in peace as well as war. Senior staff must develop training and doctrine and integrate this capability into doctrinal stability operations. U.S. government institutions, however, do not appear to be building a sufficient, let alone robust, capability to do this. For example, the State Department's Active Response Corps (ARC), first responders who support U.S. missions, engage with host-nation governments, coordinate with international partners, and assess stabilization and reconstruction efforts, employ only 30 personnel worldwide. Given the nations, coalition partners, and international organizations (e.g., the World Bank Group; International Development Association, International Bank for Reconstruction and Development, International Finance Corporation;

United Nations agencies; and the World Trade Organization) with which the State Department will have to coordinate, ARC's personnel requirements are closer to 1,500 than 30.

Start-up funding. President Bush's 2005 emergency supplemental funding request included \$17 million for the State Department Office of the Coordinator for Reconstruction and Stabilization (S/CRS). Congress approved \$7 million.¹⁴ Unfortunately, S/CRS fared no better in 2006. The president requested \$24 million for S/CRS operating expenses and \$100 million for a conflict response fund. He received nothing.¹⁵ Congress did, however, approve an amendment to the Defense Appropriation Bill allowing the Department of Defense (DOD) to transfer up to \$200 million to the State Department for S/CRS.¹⁶

Unity of command. For economic-development activities in stability operations, unity of command is as important as unity of effort. Unity of command should not threaten any government agency's independence: only a dedicated portion of each agency in direct support of stability operations should ever come under the authority of a unified commander. Under these circumstances, an enforcement mechanism would probably be necessary to compel agencies to attach competent people to centralized commanders or directors. While National Security Policy Directive-44 (NSPD-44) recognizes the need for interagency integration, it does not enforce unity of command. The executive branch should follow-up NSPD-44 with a presidential-level document requiring unity of command in areas undergoing stability operations. In doing so, it should dictate the various government agencies' roles and responsibilities as well as the conditions under which any particular agency should assume overall direction.

Planning for economic operations. Prior to the onset of a stability operation, the primary players ought to be able to plan economic operations in an integrated fashion. USAID has realized the need to engage in deliberate and crisis-action planning and to send representatives to the military's unified commands to do so. Since the military is currently the primary organization developing these types of detailed plans, USAID's efforts are right on target. NSPD-44 directs the State Department to coordinate planning for stability operations. As such, S/CRS should aggregate the personnel requirements for

such planning and secure funding through Congress as a single program. In addition, S/CRS should organize and lead civilian planning cells within military commands engaged in building deliberate and crisis-action plans.

While economic planning should involve both Soldiers and civilians, there will be times during execution, especially in the golden hour, when civilian agencies will likely not be part of stability operations. Since the military may be the only organization in-country, it must understand economic development. The military should therefore retain reserve personnel with specialties in economics and commerce and increase the number of active-duty personnel capable of planning and executing economic operations. While this enhanced military capability would duplicate that found in civilian agencies, it would also ensure that economic development could begin before the civilian agencies arrived in-country. The Army civil affairs career field should retain economic and commerce capabilities at brigade and higher with enough force strength to supplement subordinate units when necessary. (Unfortunately, the civil affairs proponent has recently proposed reducing this specialty as part of an overall restructuring.) The civil affairs community should also assign active-duty personnel to act as advocates for economic development. These personnel would be able to—

- Facilitate continuity of purpose in developing and executing economic-development policy within the military.
- Coordinate active-duty and reserve personnel and assets for economic development.
- Liaise with other government agencies to ensure greater unity of effort in ongoing interagency doctrine development and training.

Training military personnel. DOD should expand the military financial career fields' training and duties to include economic development. By training financial personnel to be economic

developers and by rotating them to government agencies (like USAID) with expertise in economic development, the Army can create a corps of professionals to assume the reins during the golden hour. This expansion of duties would give commanders more—and more convenient—resources with which to solve economic development challenges. Military economic-development specialists could help units prepare for stability operations by injecting relevant experience into exercises and unique insights into the decision-making process.

Personnel whose duties have economic consequences, such as engineers and contracting officers, should also receive some training in economic development. Such training could help them anticipate the economic consequences their decisions might have during stability operations.

Interagency cooperation. In addition to making their personnel available during the golden hour, civilian agencies should have organic, deployable staffs to provide a capable and persistent presence during post-conflict stability operations. S/CRS estimates that it needs 3,000 additional personnel to meet such a requirement.¹⁷ That's not a lot when you consider that DOD's end-strength is close to three million.

Civilians tasked to work with the military have to be capable of working with service personnel. They should therefore receive some form of professional military education. In 2006, the State Department sent three personnel to the U.S. Army Command and General Staff College, where students learn how the Army operates in the joint-interagency world. More should follow. Other interagency personnel could attend shorter courses designed to familiarize them with the military and such topics as its problem-solving methods. One educational venue might involve participation in a U.S. military joint and combined exercise.

Flexible funds. Commanders should have access to a variety of monetary instruments during stability operations, so they can spend money where it needs to be spent. For instance, they should be allowed to spend appropriated funds for stipulated purposes that directly contribute to reconstruction and development; that is to say, there should be no "funding fences" that restrict a leader's ability to respond to the evolving environment in his area of responsibility. This level of fiscal freedom would not mean that commanders could dispense funds

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U.S. Air Force, TSGT William Greer

U.S. Army engineers from the 1st Brigade Combat Team, 1st Cavalry Division, construct a guard shack and repair a bridge to allow foot and vehicle traffic with the hope of increasing commerce in Al Raoud, Iraq, 27 December 2007.

without constraint: as for every other appropriation it makes, Congress would set criteria that specifically address how funds could and could not be spent in stability operations. Furthermore, funding strictly tied to the in-theater ground portion of a stability operation should flow through the unified leader to the sub-organizations or units responsible for executing reconstruction and development. That will ensure at least some accountability.

Intelligence gathering. During the initial stages of an operation, units should look for economic intelligence that might assist in initiating and executing needed development. For Iraq, there are currently several sources from which to gather information on a local economy in a given area. One is the Department of Commerce website, which includes such things as the *Business Guide to Iraq*, the *Overview of Key Industries in Iraq*, and country commercial guides. Another source is USAID, which has economic intelligence about many of the 100 nations in which it maintains a presence. We should collect these points of contact and other economic intelligence resources at a centralized repository we can quickly access, so that govern-

ment agencies engaged in economic development can share information quickly and efficiently.

Center for economic education. America should establish a center responsible for formulating and promulgating training and doctrine related to economic development and reconstruction. The two missions ought to comprise a well-defined subset of a larger stability operations curriculum. This center could—

- Develop a common terminology and format for communication.
- Offer a broad series of training opportunities that would enhance the capabilities of all government agencies involved in economic development and reconstruction.
- Offer a certification program keyed to levels of training. (Each agency would aim to have a certain number of personnel certified at each level.)
- Formulate doctrine that gives authoritative (but not restrictive) guidance, so that agencies performing economic development have a common foundation from which to proceed. Some critical issues to sort out in doctrine are common procedures, roles and responsibilities, resources and skill sets needed, and

authorities required (such as warrants for personnel contracting on behalf of the U.S. government).

This center might be located at the National Defense University, the Naval Postgraduate School, or a similar school site. One of these institutions could become a hub of activity interfacing with other institutions, both government and non-government, to ensure economic training, doctrine, and research is as advanced as possible.

Conclusion

America should develop formal economic capabilities now to improve support to future stability operations. It needs to create a well-staffed and

funded organization that can act in concert with interagency efforts to develop and pursue economic objectives in support of a given operation's overall objectives. Absent such coordinated support, the execution of economic missions during the initial stages of stability operations will remain ad hoc, and any positive outcomes will be short-lived. In developing an appropriate institutional structure to address economic development issues, the U.S. government must particularly consider the needs of a stability operation at its most critical time, during the golden hour. Taken today, in the early hours of the War on Terror, such steps could set the stage for long-term success tomorrow. **MR**

NOTES

3. Ibid., 65.

4. Ibid., 21.

5. State, War, and Navy Coordinating Committee, *United States initial post-surrender policy relating to Japan*, 1945, 48-59, <www.ndl.go.jp/constitution/shiryu/01/022/022tx.html>. This document provided general objectives and policies related to Japan after its surrender.

6. James Dobbins, John G. McGinn, Keith Crane, et al., *America's Role in Nation Building from Germany to Iraq* (Santa Monica, CA: RAND Publishing, 2003), 37.

7. Richard D. McKinzie, Oral history interview with Lucius D. Clay, 1974, <www.trumanlibrary.org/oralhist/clay1.htm>, 5. General Clay was the deputy military governor of Germany under General Eisenhower following World War II. Clay then became the military governor two years later. (*Encyclopedia Britannica online*, 20 February 2006).

8. McKinzie.

9. Dobbins, et al., 18.

10. Ibid., 83.

11. Peter W. Chiarelli, Major General and Patrick R. Michaelis, Major, U.S. Army, "Winning the Peace: The Requirement for Full-spectrum Operations," *Military Review* 85, no. 4 (July-August 2005): 6, 10.

12. Ibid., 6, 12.

13. Martin Hoffman, executive director of the Afghanistan Reachback Office at the Department of Defense, has stressed that "the golden hour is a very real phenomenon, and the speed of implementation counts." United States Institute of Peace, *Post-conflict stabilization and reconstruction: What have we learned from Iraq and Afghanistan?* USI Peace Briefing, Washington, DC, 22 April 2005. For more discussion of this phenomenon, see Seth G. Jones, Jeremy M. Wilson, Andrew Rathmell, and K. Jack Riley, *Establishing Law and Order after Conflict* (Santa Monica, CA: RAND Publishing, 2005), xii.

14. Partnership for Effective Peacekeeping, *Funding for the Office of the Coordinator for Reconstruction & Stabilization*, 2005, <www.effectivepeacekeeping.org>, 1.

15. Ibid., 3.

16. Ibid., 1.

17. Kara McDonald, *Interagency Planning for Conflict Transformation*, briefing to Command and General Staff College students, Fort Leavenworth, KS, 2006.