

# **The Fatal Conceit of Foreign Intervention: Evidence from the Afghanistan Papers**

Karras J. Lambert\*

## **Abstract**

The fatal conceit of foreign intervention refers to the belief that the prevailing formal and informal institutions within a foreign country can be reconstructed by effort of rational constructivism, despite the significant constraints facing those who wish to intervene abroad. In light of the late-2019 release of the so-called “Afghanistan Papers” by the Washington Post and following the work of Coyne and Mathers (2010), we explore how the US intervention in Afghanistan exhibits the key characteristics that comprise the fatal conceit of foreign intervention. These include operating through bureaucracy rather than markets, engaging in top-down planning and the substitution of collectivist goals in place of individual goals, and the realization that results do not necessarily follow from intentions. We draw from the Afghanistan papers and make specific reference to quotations made by senior government officials to show how a number of negative consequences followed from the occupation and attempted reconstruction of Afghanistan, including corruption, waste, and the creation of perverse and destructive incentives structures.

JEL Codes: B53, O1, P00

Keywords: Afghanistan papers, fatal conceit, foreign intervention

\*George Mason University. Graduate Research Fellow, F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics, Mercatus Center, Buchanan Hall, Mason Pond Dr., Fairfax, VA 22030. [klamber7@gmu.edu](mailto:klamber7@gmu.edu).

This paper is part of a project in collaboration with Dr. Christopher J. Coyne, F.A. Harper Professor of Economics at George Mason University and Associate Director of the F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics, Mercatus Center, and Nathan P. Goodman, Graduate Research Fellow, F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics, Mercatus Center.

# **The Fatal Conceit of Foreign Intervention: Evidence from the Afghanistan Papers**

“We had all good intentions, [a] reasonable level of ignorance, but we had plenty of hubris.” — Richard Kraemer, former Afghanistan Staff Member of the Center for International Private Enterprise<sup>1</sup>

## **1. Introduction**

The War in Afghanistan began with the invasion of US and allied forces on October 7, 2001. Eighteen years later, after incurring a cost of over 2,000 American lives and nearly \$1 trillion from the US side alone, the Washington Post released online a trove of US government documents dubbed the “Afghanistan Papers.” The documents contained within the release largely comprise of lessons learned interviews conducted by the Special Inspector General for Afghanistan Reconstruction (SIGAR) as well as over two hundred of Donald Rumsfeld’s personal “snowflake” memos.<sup>2</sup> Contained within the thousands of pages spread over 600 documents are statements made by high-ranking government and military officials detailing rampant corruption, waste, and dishonesty in how the longest war in US history has been portrayed to the public in the years since it began.

Just over thirty years earlier, in his final published work, F.A. Hayek (1988) explored the failure of central planners to possess the knowledge, both formal and tacit, necessary to rationally construct rules and institutions that will lead to the desired outcome. He dubbed as the

---

<sup>1</sup> In conversation with SIGAR Team Lead Paul Fishstein. Interview recorded on February 9, 2016 in Washington, D.C. Afghanistan Papers document kraemer\_richard\_11\_05\_e8\_02092016.pdf

<sup>2</sup> All “Afghanistan Papers” documents can be accessed at the following link: <https://www.washingtonpost.com/graphics/2019/investigations/afghanistan-papers/documents-database/> .

“fatal conceit” the presumption “man is able to shape the world around him according to his wishes” (p. 27).

More recently, George Mason University professor Christopher J. Coyne has, along with collaborators, applied Hayek’s work on the fatal conceit of central planning to foreign intervention.<sup>3</sup> This work includes comprehensive categorization of different types of foreign intervention and extended discussion of the knowledge constraints facing those seeking to intervene abroad. In the present paper, we take this theoretical apparatus and, in light of the release of the Afghanistan Papers, apply it to the concrete example of sustained US intervention in Afghanistan.

The paper is structured as follows. Section two draws from existing literature to outline the theoretical underpinnings of the foreign conceit of intervention, with special reference to the situation in Afghanistan. Section three describes evidence from the Afghanistan Papers along three overarching dimensions, which support the notion that the US government suffered from a fatal conceit in pursuing nation building in Afghanistan. Section four concludes.

## **2. The Fatal Conceit of Foreign Intervention**

Coyne and Mathers (2010) apply the logic of the fatal conceit to the dynamics of foreign intervention writ large. Defining foreign intervention as “the use of the discretionary power of one government to address perceived problems in foreign societies,” the authors explore the reasons why “interventions tend to fail when they extend beyond the limits of what can be rationally constructed” (pp. 226-227). The logic of the fatal conceit applies to foreign interventions insofar as those staging the intervention act as if they can rationally construct

---

<sup>3</sup> See Coyne and Mathers (2010) and Duncan and Coyne (2015)

outcomes according to their desires. While rationally designed rules and institutions play vital roles in the operation of all societies, there are limits to what can be rationally constructed or imposed through a centralized plan.

Rational constructivism pursued through foreign intervention ignores the largely tacit, emergent rules that facilitate cooperation within a society outside the grand designs of social planners. In engaging in foreign intervention, the intervening country must believe that it can create a state of the world preferable to the one that would exist absent the intervention. However, it is important to note that the desired post-intervention state is preferable “from the standpoint of those *intervening*” (Duncan and Coyne, 2015, p. 681, emphasis in original). The interventionists not only substitute their goals for those of autonomous individuals, but they, like central planners under socialism, face substantial barriers as a result of lacking the knowledge tacitly embedded in the formal and informal institutions that prevail in the foreign culture.

Informal institutions include values, norms, and beliefs, which underpin formal institutions. Therefore, the attempt to impose a different formal institutional structure from the outside is bound to conflict with the prevailing state, which emerged from a complex mix of informal institutions. To establish functioning and self-sustaining formal institutions, a planner must set about constructing meta-rules that enable the norms, values, and beliefs that comprise pre-existing informal institutions to align with the desired end state following the intervention (Coyne 2008).

Furthermore, following the work of Nye (2004), foreign interventions can be considered to involve some degree of both “soft” and “hard” power. The difference between “soft” and “hard” power can be conceptualized as a continuum with persuasion and coercion on each end respectively. Military occupation and wholesale construction of a country’s institutions, as is the



case with the US military occupation of Afghanistan, falls on the “hard” end of this spectrum. Complexity increases with scale, while rational constructivism increases with complexity. State differently, the more complex and comprehensive an intervention, the more likely it is to exhibit the fatal conceit. Elsewhere, Easterly (2006) argues that large-scale attempts to construct formal institutional structures where they do not exist are more prone to fail.

Coyne and Mathers (2010) characterize the fatal conceit of foreign intervention by five broad categories. These categories include “(1) the realization that intentions do not equal results, (2) a reliance on top-down planning, (3) the view of development as a technological issue, (4) a reliance on bureaucracy over markets, and (5) the primacy of collectivism over individualism” (p. 225).

To briefly paraphrase and restate the descriptive content of each category:

(1) Good intentions, no matter how benevolent, do not necessarily translate into desired results.

Pervasive uncertainty limits the ability of any individual or group of individuals to rationally construct social outcomes. Furthermore, unintended consequences inevitably arise, some of which might be counter-productive or downright harmful.

(2) A small group of supposed international development experts seek to impose their plans on a foreign populace despite facing severe knowledge constraints and lacking formal and tacit localized knowledge. Emergent institutions and norms are ignored in favor of technocratic management at the behest of self-identified experts.

(3) Economic development is seen as a clearly defined technological problem to be solved by specific direction on the part enlightened central planners. Complications are usually met by simply dedicating more resources in an attempt to fix the problem or by resorting to a different strategic intervention.

(4) Foreign intervention often requires a large bureaucratic apparatus in order to implement the plans of the policy elite, rather than relying upon the market process to integrate diffused local knowledge into planning decisions.

(5) Social goals, as conceived by a small group of elite, are substituted for the autonomous goals of individuals. Individual self-determination and the learning processes embedded in localized experimentation are ignored or obstructed in pursuit of a grand global mission.

For the purpose of this paper, these five categories have been condensed into three. We nominally maintain categories (1), (2), and (4). However, Category (5) has been included under the umbrella of (2), as top-down planning and the substitution of collective goals for individual goals are closely connected in the case of Afghanistan. The view that development is merely a technological issue is also evident throughout the Afghanistan papers, but, being more implicit and ubiquitous than the other categories, does not lend itself to selective excerpting.

Nevertheless, we believe the evidence provided strongly supports the notion that the United States government faced a fatal conceit in believing it could reshape Afghanistan's institutions from the ground up through a combination of military intervention and foreign aid.

### **3. Evidence from the Afghanistan Papers**

On December 9, 2019, the Washington Post released a cover story entitled "At War With the Truth" along with 612 internal documents, dubbed the "Afghanistan Papers," obtained from SIGAR as a result of a years-long Freedom of Information Act Request process.<sup>4</sup> 188 of these documents consist of "snowflake" memos drafted by then-Secretary of Defense Donald Rumsfeld and corresponding replies, while the rest usually take the form of interviews

---

<sup>4</sup> The original story can be accessed online at <https://www.washingtonpost.com/graphics/2019/investigations/afghanistan-papers/afghanistan-war-confidential-documents/>

conducted by SIGAR members with individuals who played some role in military or foreign aid efforts in Afghanistan. As many as 357 of these interviews were made confidential, with names of interviewees blacked out, before being handed over to the Washington Post, along with numerous line-by-line redactions throughout the documents.

The evidence from the Afghanistan Papers provided throughout this section is, with the exception of some minor spelling or punctuation fixes, quoted exactly as written. Nearly all information referred to in this paper concerning the conflict in Afghanistan is drawn directly from the documents contained within the Afghanistan Papers release. Whenever a specific document is cited, a footnote is attached referring the reader to the relevant file, with the file name maintained exactly as it appears when downloaded from the Washington Post website.

### **3.1 Bureaucracy**

Mises (1929 & 1944) shows that in the absence of private property, market prices, and the ability to earn profit or loss, a bureaucracy cannot direct resources to their most highest valued ends. Instead, bureaucrats arbitrarily direct resources towards the ends most highly valued by those working in the bureaucracy. While Mises focused his attention on the dynamics of bureaucracy within a single country, the inability for non-market actors to engage in economic calculation in the absence of market prices and clear profit and loss signals is also relevant in an international context.

Hayek (1935 & 1945) later stressed the idea that prices convey knowledge that cannot be aggregated across all individuals in a society for use by a central planner. Prices serve to coordinate the buying and selling activities of disparate individuals in the market, outside intervention by any central planner. Indeed, the diffuse nature of localized knowledge largely

prevents a central planner from being able to even conceive of what outcomes might result in the market if individuals were left free to pursue their own ends.

When the US government engages in foreign intervention, every agency from the Department of State to the United States Agency for International Development (USAID) acts through a bureaucratic process that lacks the feedback mechanisms inherent in a free market system, which in turn offers the clear metrics profit or loss. Lacking obvious proxies for profit and loss to utilize in order to measure allocative effectiveness outside a market context, bureaucrats must then pursue arbitrary metrics of success, which make the misallocation of resources and waste more likely to occur. This is certainly the case in Afghanistan, where one anonymous interviewee, referring to federal government agencies, noted, “With them, it is all about numbers; numbers equal success.”<sup>5</sup> “We didn’t spend money effectively and didn’t consider the implications, had no red lines [or] stopping points” said another.<sup>6</sup>

There are also dynamics at work in the administrations of the intervening nation, as agencies face an incentive to expand and suck in more resources. This creates conflict between bureaucratic agencies, despite the ostensible need for coordination to tackle the specific development goals undertaken in a given intervention. There is thus an incentive to spend the entire budget, regardless of the necessary outlay to achieve a particular task. One interviewee colorfully explained how one agency manipulated data to manufacture the appearance of effectiveness:

Every data point was altered to present the best picture possible. Surveys, for instance, were totally unreliable but reinforced that everything we were doing was right and we became a self-

---

<sup>5</sup> background\_II\_01\_xx\_arlington\_10082014.pdf

<sup>6</sup> background\_II\_03\_dc\_06172015.pdf

licking ice cream cone. This continued after all the surge troops were in, so it wasn't to justify more troops.<sup>7</sup>

Without relying on conventional market profit and loss to direct resource allocation, the only financial discipline bureaucrats face in foreign intervention comes in the form of hard budget constraints. However, in the case of Afghanistan, this was rarely a problem. "We were pumping a lot of money in because we use the amount we appropriate through our budgetary system as a proxy for our level of political commitment" said one interviewee.<sup>8</sup> Another recalled, "OMB [Office of Management and Budget] consistently came up with budget that were smaller than those provided by agencies. However, the push to signal political commitment resulted in favoring outsized and impractical budgets."<sup>9</sup> Elsewhere in the same document, the interviewee recounted, "The refrain that drove the budgeting process was 'We can't shortchange Afghanistan. It has to be as big as Iraq.'"

David Marsden, assigned as Economic Regional Officer for the United States Agency for International Development (USAID) in 2009, along with his duties as Trade Team Leader in Kabul and Deputy Director for Technical Services, had this to say when looking back at his time in Afghanistan in a 2015 interview with SIGAR:

During the surge there were massive amounts of people and money going into Afghanistan. It's like pouring a lot water into a funnel; if you pour it too fast, the water overflows the funnel onto the ground. We were flooding the ground.<sup>10</sup>

Absent a market test and the discipline of profit and loss, bureaucrats, acting in the capacity of planners over the development of Afghanistan, directed resources according to their whims,

---

<sup>7</sup> background\_ll\_07\_xx\_woodbridge\_08032016.pdf

<sup>8</sup> background\_ll\_03\_xx\_dc\_12112015.pdf

<sup>9</sup> background\_ll\_01\_xx\_dc\_04242015.pdf

<sup>10</sup> marsden\_david\_ll\_05\_a2\_12032015.pdf

which in turn were shaped by the institutional incentives they faced. Combined with the politically motivated desire to spend freely in order to signal commitment towards the mission, the lack of market feedback and the incentives for bureaucratic bloating further enabled the wasteful spending to spiral out of control. “What did we get for this \$1 trillion effort? Was it worth \$1 trillion? These conversations are only happening in private,” stated one interviewee.<sup>11</sup>

Despite the fact that, according to Douglas Lute, Assistant to the President and Deputy National Security Advisor for Iraq and Afghanistan under President George W. Bush and later Special Assistant and Senior Coordinator for Afghanistan and Pakistan under President Barack Obama, USAID was “under-executing by more than half of its appropriations,” there was no reason for the agency to limit its spending.<sup>12</sup> Instead, it faced an incentive to spend unnecessarily in order to justify its own existence and bolster its case to receive additional funds. “The thought is that if we don’t spend, ... committees on the Hill will stop us from getting more funding. This leads to spend, spend, spend.”

One foreign interviewee recounted his impression of the US military’s approach to spending:

The American military seemed to have very little respect for public money. CERP [Commander’s Emergency Response Program] was a dark pit of endless money for anything with no accountability. It was really strange to observe. They would bend the rules in any way they wanted. Millions of dollars were committed with such callousness.<sup>13</sup>

The failure of the US military to build functioning and sustainable roads served as perhaps the most emblematic example of the failure of the US bureaucracy to limit waste or achieve clearly

---

<sup>11</sup> background\_ll\_01\_xx\_dc\_08252015.pdf

<sup>12</sup> lute\_doug\_ll\_01\_d5\_02202015.pdf

<sup>13</sup> background\_ll\_01\_xx\_brussels\_02242015.pdf

defined goals in its intervention in Afghanistan. According to one interviewee, Ashraf Ghani, then Minister of Finance and now President of Afghanistan, pointed out how the US approach to road building was “flawed and will have unintended consequences.”<sup>14</sup> More specifically, he told the US that it would be far more effective to simply give the money to Afghans to build the roads themselves, likely for as little as one-tenth the cost. However, “USAID and [the Department of] State said that we can’t do it Ghani’s way ... we are not comfortable just writing a check and saying, go forth, do it.”

At least one American interviewee largely concurred with Ghani:

The US wanted roads, which were cleared so Afghans can bring their goods to market, but I don’t understand why we used concrete and all that stuff - that were going to crack and become useless. We should have just kept simple dirt roads.”<sup>15</sup>

In an August 2002 email to Donald Rumsfeld, Newt Gingrich pulled no punches in describing the bureaucratic nature of US foreign aid agencies:

Today’s Washington Post story on the absolute failure of road building in Afghanistan is a disgrace and an invitation to failure. This slow, laborious bureaucratic red tape ridden pace is typical of the self-serving self-destructive habits of the modern international aid community. The defensive explanations of the story ... are the antithesis of the American pragmatic, entrepreneurial, can do spirit. USAID is as bad as its overseas counterparts.<sup>16</sup>

Paralyzed by bureaucracy and unable to make use of the information embodied in normal market prices to direct the allocation of resources, US agencies engaged in nation building by substituting their preferences and methods for those of local Afghans. Waste and ineffectiveness followed.

### **3.2 Top-Down Planning and Collectivism**

---

<sup>14</sup> background\_ll\_01\_xx\_dc\_08252015.pdf

<sup>15</sup> background\_ll\_05\_xx\_phone\_01092015.pdf

<sup>16</sup> snowflake\_gingrich\_roads\_nsarchive\_09302002.pdf

Under collectivism, outcomes are pursued on behalf of a larger group. However, collectivism cannot side-step the reality that even in bureaucratic organizations, only individuals act. As a result, the goals pursued on behalf of a larger group are conceived *from the point of view* of those doing the planning. In addition to any agency problems this may introduce, there are also serious incentive and knowledge problems facing a planner that have been described by Hayek (1944 & 1945).

Top-down planners cannot possibly possess the tacit local knowledge embedded in informal institutions, which reflect the preferences of the individuals living in a region. Not only is this tacit knowledge dispersed amongst the countless individuals who make up a given society, but is embedded in the lineage of both the society's formal and informal institutions. Attempts to direct planning from above face the fatal conceit of foreign intervention in believing that large-scale institutional transformations can be engineered outside a market environment and despite lacking the local knowledge reflected by the activities of individuals in the recipient country.

### **3.2.1 Whose Plan Is It?**

A central question implicit in the fatal conceit of foreign intervention regards who is engaging in planning decisions. Is planning directed from above in the name of obscure collectivistic goals, or is it directed by autonomous individuals possessing localized knowledge and pursuing their own ends?

The approach the US government took in pursuing a course of top-down direction and framing goals in collectivistic terms created an atmosphere of conflict and shifting priorities. One SIGAR interviewee acknowledged the problem the US faced by assuming top-down control over development yet seeking to pursue broad social goals, stating that the objectives of the mission



became blurred. “What are our objectives? Nation building? Women’s rights?” he told SIGAR in February 2015.<sup>17</sup>

Elsewhere in the Afghanistan Papers, interviewees describe the paralyzing conflicts that resulted from top-down planning. “The priorities shift constantly based on the person in charge,” one stated.<sup>18</sup> Another describes the approach of Richard Holbrooke, US Special Envoy for Afghanistan and Pakistan from January 2009 until his death in December 2010, as follows:

Holbrook set certain aspects of the policy with brute force. Holbrooke had never visited Afghanistan. He thought that we should give money directly to Afghans and not the beltway bandits. He also had a lot of big ideas. Some of them made sense and some did not.<sup>19</sup>

Meanwhile, multiple interviewees blamed the failure to meet development goals on the constant staff turnover and the military’s short time horizons. “Development objectives take on short-term time horizons to fit the military’s short time horizons when development really needs long-term horizons,” said Douglas Lute.<sup>20</sup> “There were too many people, with too many agendas, and they were not talking to each other,” another anonymous interviewee stated.<sup>21</sup>

David Marsden summed up the problem in the following way:

If you take away one thing, the one year rotation for USAID, DOS and DOD personnel is the biggest obstacle to success and the biggest single factor in our failure. Even administrative forms change every time a new team comes in. Everyone wants to do something new and conduct operations ‘their way.’ This hampers effectiveness. Security is also the overwhelming priority over development. Many cannot go out of the compound.<sup>22</sup>

---

<sup>17</sup> background\_ll\_01\_xx\_dc\_02102015.pdf

<sup>18</sup> background\_ll\_01\_xx\_dc\_11132014.pdf

<sup>19</sup> background\_ll\_01\_xx2\_nyc\_10202015.pdf

<sup>20</sup> lute\_doug\_ll\_01\_d5\_02202015.pdf

<sup>21</sup> background\_ll\_01\_xx\_dc\_08042015.pdf

<sup>22</sup> marsden\_david\_ll\_05\_a2\_12032015.pdf

### 3.2.2 Knowledge

As previously mentioned, top-down planning denies individuals in the country being intervened upon the opportunity to direct resources towards their own most highly valued ends.

Furthermore, top-down planning operates without the tacit knowledge embedded in the informal institutions and voluntary actions of individuals. Engaging in top-down planning in the face of such knowledge constraints proved problematic in Afghanistan.

“There were very few people who understood how the Afghan mind works,” one interviewee recalled.<sup>23</sup> “Americans have a very binary view; Afghans see things in shades of gray. There are not many people who’ve really understood Afghanistan or speak Dari well enough to carry themselves.”

Dr. Thomas Johnson, a faculty member of the National Security Affairs Department at the Naval Postgraduate School, believes the number one lesson of the failures of US intervention in Afghanistan can be reduced to simply, “we just did not understand the environment.”<sup>24</sup> Another interviewee describes the attitude that the US military should have expected to gradually receive from many local Afghans, stating “we project our power into a sovereign country by using its governments help to control the war. You pretty much lose right away. It’s a foreign culture and a foreign force going in that will be hated by the population over time.”<sup>25</sup>

Douglas Lute put the situation in dire terms:

We were devoid of a fundamental understanding of Afghanistan - we didn’t know what we were doing. What are the demographics of the country? The economic drivers? ... What are we trying to do here? We didn’t have the foggiest notion of what we were

---

<sup>23</sup> background\_ll\_01\_xx\_dc\_05052015.pdf

<sup>24</sup> johnson\_thomas\_ll\_01072016.pdf

<sup>25</sup> background\_ll\_01\_xx2\_dc\_02102015.pdf

undertaking. We never would have tolerated rosy goal statements if we understood this ... It's really much worse than you think. There is a fundamental gap of understanding on the front end, overstated objectives, an over-reliance on the military, and a lack of understanding of the resources necessary.”<sup>26</sup>

Engaging in top-down planning despite this lack of localized knowledge can lead to outcomes divergent from the actual needs of the recipient community, as is illustrated by a story recounted by Retired US Army Lt. General Michael Flynn, concerning the construction of wells in Afghanistan:

I went around Afghanistan and would sit down with tribal leaders and individuals. I sat down one time and they were describing where we built wells. It was like, why do you guys continue to put these wells in? You are putting them in the wrong places. There were some SOF units that would work with their counterparts and would actually figure out where to put them in. To say that an Afghan can't dig a hole or know where to put a well is amazing. They know where their wells are and where the water is at, yet we have engineers saying we have to put a well here. [We would place wells] between two tribes to try and bring the tribes together. Insane. Totally insane. It is not a model that works for them.<sup>27</sup>

This sentiment was shared by others interviewed by SIGAR. One interviewee's responses were summarized by noting “Afghanistan has never had a tradition of governance by democracy” and that the US “should have built our assistance and government based on tribal structures.”<sup>28</sup> Later in the same document appears a statement that a country “cannot export democracy” through foreign intervention.

### **3.2.3 Incentives**

Duncan and Coyne (2015) describe the dynamic of political competition in foreign intervention. With an influx of funds from donor countries, factions within the recipient government will be

---

<sup>26</sup> lute\_doug\_ll\_01\_d5\_02202015.pdf

<sup>27</sup> flynn\_michael\_ll\_11102015.pdf

<sup>28</sup> background\_ll\_01\_xx\_carlisle\_10292015.pdf

incentivized to vie for the newly introduced resources. Perverse incentives such as rent-seeking and corruption are likely to follow, along with the erosion of formal and informal institutions both in the recipient country *and* the intervening country. Judging by evidence from the Afghanistan Papers, this has certainly been the case in Afghanistan.

One interviewee recognized that there were institutionally contingent constraints facing the US intervention in Afghanistan. He notes that the US “attempted to apply our notions onto a country that doesn’t or didn’t have the capacity to do it. Money we poured in [sic] - so desperate to have the alcoholics at the table, we kept pouring drinks, not knowing [or] considering we were killing them.”<sup>29</sup>

Another explained how incentives operating within Afghanistan shifted in response to US intervention:

When you push large amounts of money through and there’s no way to pull it back, it creates an incentive for corruption. The environment in which you are operating shifts and corrupt actors create ways to bleed the system for all it is worth, because they know the money will keep flowing no matter what they do, and they can make more by being corrupt than non-corrupt.<sup>30</sup>

Then, echoing Knight (1938) and Hayek (1944), the same interviewee recognized:

The people who are most ruthless and least moral will be the people most able to take advantage of the system. You had good people who wanted to do the right thing and try to compete in this space, but how could they compete with the ruthless ones, without being corrupt themselves? The good ones said, even if we somehow get a contract, they’ll shut us down.

The perverse incentives generated by the political competition inherent in top-down, bureaucratic interventions can also have very real effects on the condition of the recipient country. The same anonymous interviewee comprehensively ties together the destructive effects that might follow

---

<sup>29</sup> background\_1l\_03\_dc\_06172015.pdf

<sup>30</sup> background\_1l\_03\_xx\_dc\_12112015.pdf

from a country engaging in foreign intervention through a top-down, bureaucratic process operating outside market price signals or profit and loss:

The money flows from appropriations to USAID to Mission Director to divisions, and now they have to spend that money. They can't do a lot of small projects because these take as much time as big projects. So then big contracts go to Chemonics, DAI, etc. They subcontract to smaller companies, who subcontract to Afghan NGOs, who subcontract to local contractors. 20% is taken out for overhead at every step. The local engineer hired to implement the project knows his incentives. Everyone is under pressure to spend money, so he can inflate his budget. He can get second-rate materials because no one will check the work (or he can likely pay off inspectors). He will hire family to do the work. He and every other contractor is graded not on quality but on how many schools he builds, because ultimately this is the metric demanded in Washington. Therefore, he has little incentive to coordinate with local communities, other donors, or the local government. Just get the schools built so he can get the next contract. In addition, he doesn't know how long the money will continue to flow, and he has many people in his family and community depending on him and telling him that it is his responsibility to make money now to support the rest of them when things go bad again. So, even for honest contractors, the incentives are for expensive, shoddy, uncoordinated, quickly built schools. And that is often what we got.<sup>31</sup>

In response to the inflow of US money into Afghanistan, some local Afghans adjusted to the situation by discovering a new way of earning a living. Dr. Thomas Johnson states that the US “just let the Afghan’s rip us off.”<sup>32</sup> Locals Afghans “in the South especially” adopted the mindset “the Americans are here basically to feed our pockets.”

In addition, incentives facing agencies in the intervening government also drives behavior irrelevant to the stated goals of the foreign intervention that also negatively impacts the intervening country. “Remember there is an inherent bias in the intel community because they want to get money, they want to exist, and they want to grow,” warned Michel Flynn in his interviewee with SIGAR.<sup>33</sup> As these agencies find reasons to justify their existence and growth,

---

<sup>31</sup> background\_ll\_03\_xx\_dc\_12112015.pdf

<sup>32</sup> johnson\_thomas\_ll\_01072016.pdf

<sup>33</sup> flynn\_michael\_ll\_11102015.pdf

they pull in more resources from the federal government, which in turn receives money either through direct taxation or the issuance of debt. The money funneled abroad does little to nothing to help residents in the intervening country and serves to draw resources from the private sector and gradually impoverish the nation. In that way, the actions undertaken by government agencies in response to incentives generated from foreign intervention effectively boomerang and negatively affect the economic health of the intervening country.

### **3.3 Unintended Consequences**

As should be clear from preceding section, the distortions created through foreign intervention create incentives that then lead to negative consequences far removed from the initial intentions of the intervener. With that said, there are two particularly concrete examples of highly negative unintended consequences mentioned repeatedly throughout the Afghanistan Papers documents. The first is the creation of a kleptocracy profiting off of the infusion of foreign money and the second is the explosion of the domestic opium industry.

#### **3.3.1 Kleptocracy**

“We were giving contracts out to pretty nasty people, empowering people we shouldn’t have empowered, in order to achieve our own goals,” one anonymous interviewee stated.<sup>34</sup> Another, while admitting that the US did succeed in building some degree of civil society in Afghanistan, notes, “they got so much money [that] they stopped working. ... even USAID, they gave contracts to particular people - warlords, who got rich.”<sup>35</sup> Yet another concluded, “It was through

---

<sup>34</sup> background\_ll\_03\_xx\_dc\_12112015.pdf

<sup>35</sup> background\_ll\_03\_xx\_kabul3\_10202015.pdf

sheer naïveté, and maybe carelessness, that we helped to create the system [of kleptocracy].”<sup>36</sup>

“The ends had to justify the means,” an interviewee recalled. “I’m not going to say who said it.

So if we had to work with the bad guys to get things accomplished then so be it.”<sup>37</sup>

One story, recounted by Michael Flynn, illustrates the startling way in which foreign intervention can create perverse incentives and generate highly wasteful and distortionary outcomes.<sup>38</sup> According to Flynn, a young Afghan man in his early twenties found work as an interpreter for a US commander. The commander would seek to purchase an item from an Afghan and ask for the price. Although the price was only in the low hundreds of dollars, the interpreter would tell the commander a highly inflated number. The commander, ignorant of the true price and armed with money to spare and motivation to spend it, agrees and passes the interpreter the inflated amount. The interpreter could then pocket the difference and use it to gain local influence. This interpreter eventually became rich enough by doing this to hire his own security and come to own an SUV rental company.

“How many others of him are there?” Flynn asks. He does not know, but offered a guess: “There are probably hundreds of those types of individuals who benefitted because, frankly, we didn’t know what we were doing.”

### **3.3.2 Narcotics**

A direct connection can be drawn between the US support of local warlords and the explosion of the poppy industry in Afghanistan.

---

<sup>36</sup> background\_1l\_03\_xx\_dc\_04052016.pdf

<sup>37</sup> background\_1l\_03\_xx\_xx3\_08242015.pdf

<sup>38</sup> flynn\_michael\_1l\_11102015.pdf . Another similar story can be found in johnson\_thomas\_1l\_01072016.pdf regarding brothers who became multi-millionaires in Kandahar by controlling the cement business, although redactions make it more difficult to follow.

Ashraf Ghani, now President of Afghanistan, apparently recognized that US intervention directly led to the drug problem by virtue of the US “being in bed with warlords and [giving] them space [to] perpetuate this kind of behavior.”<sup>39</sup> This led to a situation where poppy cultivation in Afghanistan was perceived to be “ten times worse” than a year before.

Furthermore, one interviewee recounts how an early effort to fix irrigation systems in Afghanistan “ended up enabling poppy growing.”<sup>40</sup> According to another interviewee, limited knowledge about the growth of narcotics production began circulating amongst agencies, yet this information has purposefully quashed due to political competition. “There was indication of growth, smuggling, and terrorism. Agencies that raised those concerns had their tongues stepped on,” the interviewee told SIGAR.<sup>41</sup> “It became clear that we didn’t have optimum collaboration between the military, intelligence, political and aid. ... Drugs became a multi-billion dollar industry and no one put up to stop it.”

#### **4. Concluding Remarks**

The fatal conceit of foreign intervention refers to the belief that the prevailing formal and informal institutions within a foreign country can be reconstructed by effort of rational constructivism, despite the significant constraints facing those who wish to intervene abroad. In light of the late-2019 release of the so-called “Afghanistan Papers” by the Washington Post and following the work of Coyne and Mathers (2010), we explore how the US intervention in Afghanistan exhibits key characteristics that comprise the fatal conceit of foreign intervention. These include operating through bureaucracy rather than markets, engaging in top-down

---

<sup>39</sup> background\_ll\_01\_xx\_phone\_09142015.pdf

<sup>40</sup> background\_ll\_01\_xx\_dc\_09232014.pdf

<sup>41</sup> background\_ll\_03\_xx\_xx3\_08242015.pdf



planning and the substitution of collectivist goals in place of individual goals, and the realization that results do not necessarily follow from intentions.

We make specific reference to quotations from senior officials from the Afghanistan Papers to show that a number of negative consequences followed in the occupation and attempted reconstruction of Afghanistan, including corruption, waste, and the creation of perverse and destructive incentives structures.

We hope this paper will prove to be only a small part of a growing literature applying the ideas of Mises and Hayek to the failures of governments and any other large top-down organization to successfully engage in nation building abroad. After all, the US experience in Afghanistan is only one example of how foreign interventions can fail to achieve their stated goals and arguably cause significant negative consequences for both the recipient and intervening nations.

## References

- Coyne, Christopher J. (2008). *The Politics of Bureaucracy and the Failure of Post-war Reconstruction*. *Public Choice*, 135 (1-2), pp. 11-22.
- Coyne, Christopher J. and Mathers, Rachel L. (2010). The Fatal Conceit of Foreign Intervention. *Advances in Austrian Economics*, 14, pp. 225-250.
- Duncan, Thomas K. and Coyne, Christopher J. (2015). The Political Economy of Foreign Intervention. *The Oxford Handbook of Austrian Economics*, ed, Boettke, Peter J. & Coyne, Christopher J., pp. 678-697.
- Easterly, William. (2006). *The White Man's Burden*. New York: Penguin Press.
- Hayek, F.A. (1935 [2009]). *Collectivist Economic Planning*. Auburn: Ludwig von Mises Institute.
- — — — —. (1944). *The Road to Serfdom*. Chicago: University of Chicago Press.
- — — — —. (1945). The Use of Knowledge in Society. *The American Economic Review*, 35 (4), pp. 519-530.
- — — — —. (1988). *The Fatal Conceit: The Errors of Socialism*. Chicago: The University of Chicago Press.
- Knight, Frank H. (1938). Lippmann's The Good Society. *Journal of Political Economy*, 46 (6), pp. 864-872.
- Mises, Ludwig von. (1929 [1977]). *A Critique of Interventionism*, translated by Hans Sennholz, New York: Arlington House.
- — — — —. (1944 [2007]). *Bureaucracy*. Indianapolis: Liberty Fund.
- Nye, Joseph S. (2004). *Soft Power: The Means to Success in World Politics*. New York: Public Affairs.