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THE POLITICAL ECONOMY OF INTERVENTION IN THE  
CONFLICT AGAINST ISIS

by David Wille



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## **Abstract**

Western elites and the general public agree that foreign intervention is needed to halt the dramatic rise of the Islamic State of Iraq and Syria (ISIS). Policymakers hope to militarily defeat ISIS while also resolving the civil crises in Iraq and Syria that allowed the group to flourish. In the economics literature on foreign intervention there is an ongoing debate about whether the approaches suggested for combating ISIS will be successful. The purpose of this paper is to contribute to the conversation about Western intervention against ISIS by considering some of the major challenges to achieving this objective from an economic perspective. Adapting a framework used by economist Christopher Coyne and his coauthors for examining the constraints on foreign intervention, I identify three “problems” that policymakers face: (a) the knowledge problem, (b) the coordination problem, and (c) the problem of unintended consequences. Cases of recent foreign interventions in the Middle East provide evidence for why these problems should be taken seriously when formulating policy toward ISIS. I also explore alternative policy options to foreign intervention.

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## **1. Introduction**

This paper investigates which of the United States' anti-ISIS goals are most achievable. Since emerging during the Syrian civil war, the Islamic State of Iraq and Syria (ISIS) stunned the US public and policymakers with its gruesome videos of public beheadings and its unapologetically severe version of Islam. But since ISIS-linked gunmen killed hundreds of civilians in Paris, France; Brussels, Belgium; and San Bernardino, California, policymakers have increasingly seen ISIS as an existential threat. Shortly after the November 2015 Paris attacks, Central Intelligence Agency (CIA) director John Brennan said that ISIS “has developed an external operations agenda that it is now implementing with lethal effect” and that “it is inevitable that [ISIS] and other terrorist groups are going to continue to try to attempt and carry out these attacks” (Brennan 2015; Blanchard and Humud 2016, 22). Similarly, the National Counterterrorism Center director Nicholas Rasmussen told a Senate Select Committee on Intelligence that, “if left unchecked, over time we can expect [ISIS’s] capabilities to mature and the threat to the United States homeland ultimately to increase” (Rasmussen 2014; Blanchard and Humud 2016, 8).

The perceived threat of ISIS has led to a broad consensus around policy toward the group. Policymakers generally agree that the US military should intensify its role in combating ISIS in Iraq and Syria, and that the United States should also use its military and diplomatic influence to encourage reconciliation in Syria and Iraq, facilitated by broad economic and political reforms. The purpose of this paper is to contribute to the conversation about US intervention by considering some of the major challenges to achieving these policy objectives from an economic perspective. Adapting the framework used by Coyne and Pellillo (2011), this paper uses the tools of economic analysis to investigate three “problems” for achieving US policy goals: (a) local knowledge problems, meaning that centrally led efforts at foreign

intervention often lack important, context-specific information which is needed to identify, implement, and correct the policies in a way that will achieve their objectives; (b) coordination problems, meaning that actors in the conflict would be better off cooperating but they lack a credible commitment mechanism that enables coordination around the preferred outcomes; and (c) unintended consequences, meaning that intervening in a complex system may result in outcomes that negate or even outweigh the benefits of achieving policymakers' objectives. It is my hope that this paper will force policymakers to confront these problems when deciding how to deal with ISIS so that they can more realistically weigh the costs and benefits of intervention.

First, I review the history of ISIS and go into detail about US policy prescriptions for combating the group. Part 2 summarizes the economic debate about foreign intervention by contrasting two competing approaches: what I call the "lessons learned" and "nirvana fallacy" perspectives. Parts 3 through 5 discuss each of the three problems of foreign intervention specified previously and present evidence for why policymakers should take them into account in the context of planning further interventions into the conflicts in Iraq and Syria. The final section concludes with a discussion of alternative policy prescriptions that, although not ideal, have the potential to better accomplish policymakers' stated objectives.

#### *A. Historical Background*

ISIS originated with al-Qaeda in Iraq (AQI), an offshoot of the global terrorist network led by Osama bin Laden (Glenn 2015). Abu Musab al-Zarqawi, a Jordanian militant, founded AQI in 2004 in Iraq's western Anbar Province. The province is home to the majority of Iraq's Sunni Muslims, who constitute a minority of Muslims in Iraq. As such, Anbar Province was the organizing area for the Sunni insurgency against the US occupation of Iraq and the government of the Shia Muslim prime minister, Nuri al-Maliki. Zarqawi brought a new level of brutality to

the insurgency, pioneering the practice of public beheadings and posting the videos to jihadi websites. He soon provoked a backlash from the other Sunni militant groups, who united against AQI in the “Anbar Awakening” that coincided with a US troop surge in 2007.

Following the Anbar Awakening, AQI changed its name to the Islamic State of Iraq (ISI) (Hashim 2014). By then, Zarqawi had been killed in a US airstrike and ISI was being pushed out of its strongholds in Anbar Province by Sunni militant groups supported by US forces. The surge having been an apparent military success, US soldiers began withdrawing from Iraq, with the last troops leaving in August 2010. But the 2011 Arab uprisings against the dictatorial regimes in Tunisia, Egypt, Libya, Bahrain, and then Syria offered ISI new sanctuary. The civil war that followed in Syria was waged along largely sectarian lines: Alawite Muslims allied with the regime of President Bashar al-Assad, along with Shia militias supported by Hezbollah and Iran, fought a hodgepodge of Sunni militants and secular rebels.

ISI agents in Syria launched the al-Nusra Front in 2011. Consisting of veterans of the Sunni-Shia civil war in Iraq, the militant group quickly became one of the most effective fighting forces in Syria. By 2013, ISI leader Abu Bakr al-Baghdadi changed the organization’s name to the Islamic State of Iraq and Syria (ISIS) to reflect the group’s gains in both countries. This attempt at unification led to a rift with the al-Nusra Front, which declared its allegiance with al-Qaeda; but many fighters left the al-Nusra Front to join ISIS after its success fighting the Iraqi military.

In January 2014, ISIS took control of Fallujah and Ramadi, two towns only 100 kilometers from the Iraqi capital of Baghdad (al-Salhy and Arango 2014). Then, in June 2014, Iraq’s military suffered a stunning defeat and ISIS captured Mosul, Iraq’s second-largest city and home to nearly 2 million people. Although there are conflicting reports about the strength of

Iraqi forces stationed in Mosul, about 1,500 ISIS fighters forced an army 10 times its size into retreat. ISIS seized millions of dollars' worth of US-supplied weapons left behind by the Iraqi army in the confusion. And ISIS now controls Mosul's oil fields, capable of producing 400,000 barrels a day (Hawramy, Mohammed, and Harding 2014). It was a decisive victory for ISIS, which by then controlled territory from northeastern Syria to northwestern Iraq. Following the capture of Mosul in 2014, ISIS leader al-Baghdadi embarked on a program to establish a formal government by declaring the creation of the Islamic State (caliphate).

ISIS adheres to an uncompromising version of Salafism, which is a conservative strain of Sunni Islam whose members follow "the prophecy and example of Muhammad in punctilious detail" (Wood 2015, 6). Members of ISIS view less orthodox Sunnis with contempt and consider Shia Muslims and other religious minorities to be heretics deserving of death or enslavement. Thousands of foreign fighters flocked to Syria following the founding of the caliphate, for a variety of reasons (see Khouri 2015). ISIS also expanded its influence by allying itself with militant Islamists beyond Iraq and Syria (Blanchard and Humud 2016). Since 2014, armed groups in Yemen, Algeria, Saudi Arabia, Libya, Afghanistan, and Nigeria pledged loyalty to the Islamic State and al-Baghdadi.

The official United States' policy is to "degrade and ultimately destroy" ISIS (Obama 2014). In mid-2014 the United States and a coalition of other nations began conducting airstrikes against ISIS in Iraq and Syria. At first, the objective was to halt the advance of ISIS forces that appeared ready to massacre religious minorities on Mount Sinjar in northern Iraq (Blanchard and Humud 2016). By 2015, US-led coalition airstrikes were aimed at supporting Iraqi and Kurdish engagements against ISIS and at disrupting the group's operations, for example, targeting its illicit oil production. These military interventions appear to have had some effect. By July 2015,

ISIS oil production was dramatically lower than July 2012 (see Hansen-Lewis and Shapiro 2015). Supported by coalition airstrikes, Iraqi security forces retook the city of Ramadi from ISIS in January 2016, and more broadly the group has lost more than 30 percent of its territory in Iraq and Syria (Hubbard 2016).

### *B. Growing Support for Intervention*

Despite these modest successes (or perhaps because of them) and motivated by the ISIS-linked massacres in Paris, Brussels, and San Bernardino, something similar to a bipartisan consensus emerged over how to deal with ISIS moving forward. That policy contains two broad prescriptions: one is military, the other is political.

The first prescription involves accelerating US military intervention, although there is a debate about its nature and intensity. President Barack Obama insists that the United States can accomplish its goals through airstrikes and local support alone. Brett McGurk, the special presidential envoy for the anti-ISIS coalition, summarized US strategy toward the group during a House Foreign Affairs Committee hearing: “In Syria we will work with Coalition and Syrian partners to seal the last remaining stretch of [ISIS]-controlled border with Turkey, and further isolate [ISIS’s] de-facto capital of Raqqa. In Iraq, we will help Iraqi forces clear and stabilize the Euphrates River Valley; suffocate [ISIS] inside Mosul; grow the size of local forces in the fight; and work to stabilize newly liberated areas” (McGurk 2016). Critics of the Obama administration’s approach call it a strategy of “containment” (see Padgett, Rainis, and Satlof 2015).

At the other end of the spectrum are policymakers who believe that the capabilities of US partners are so limited that only American ground forces can successfully defeat ISIS. Senators John McCain and Lindsey Graham wrote in the *Wall Street Journal* that “the U.S. should lead an

effort to assemble a multinational force, including up to 10,000 American troops, to clear and hold Raqqa and destroy ISIS in Syria” (McCain and Graham 2015). Robert Ford (2015), an influential former US ambassador to Syria, calls for dramatically increasing the amount of military support to the Syrian opposition, including imposing a no-fly zone and creating a unified opposition force to combat ISIS and counter Russia’s support for the Assad regime. Even US Defense Secretary Ashton Carter admitted to the potential need for US troops: “We’re looking for opportunities to do more, and there will be boots on the ground—I want to be clear about that—but it’s a strategic question, whether you are enabling local forces to take and hold, rather than trying to substitute for them” (DiChristopher 2016).

American public opinion has also been gradually accumulating in favor of greater military intervention. For instance, an October 2014 survey conducted by the Pew Research Center found that 39 percent of adults favored sending US ground troops to Syria and Iraq to combat Islamic militants, while 55 percent said they opposed such a move (Doherty and Weisel 2014). A November 2014 survey conducted by the Brookings Institution found similar results: 41 percent of adults surveyed said they favored sending US forces to fight Islamic State, while 57 percent opposed doing so (Telhami 2015). By 2015, public opinion had shifted. A follow-up survey by Pew Research in February 2015 found that 47 percent of US adults favored sending ground forces to fight Islamic militants, while 49 opposed such a move (Doherty and Weisel 2015). And a November 2015 survey by Gallup found similar results: 47 percent of those surveyed said they favored sending US ground troops, while only 46 percent disapproved (Saad 2015).

The second common policy prescription heard from the foreign policy establishment is the need to secure a political solution to the Syrian civil war that results in an inclusive, liberal

democratic order. President Obama told reporters that “the only way to deal with [ISIS] in a way that defeats them in a lasting way is to end the chaos and the civil war that has engulfed Syria,” and “there’s no alternative to a managed transition away from Assad. It’s the only way to end the civil war and unite the Syrian people against terrorists” (Obama 2016). UK Prime Minister David Cameron wrote in a 2015 letter to Parliament that the goal should be “to secure a transition to an inclusive Government in Syria that responds to the needs of all the Syrian people” (Cameron 2015). French President François Hollande told Parliament shortly after the Paris attacks that “we are resolutely and tirelessly seeking a political solution, one that does not include Bashar al-Assad” (Hollande 2015). And shortly after announcing increased support to the Assad regime, Russian President Vladimir Putin told the United Nations that the solution was “to restore [Syrian] statehood where it has been destroyed, to strengthen the government institutions where they still exist or are being reestablished, and to provide comprehensive assistance” (Putin 2015).

## **2. Competing Economic Perspectives on Foreign Intervention**

This section reviews the scholarly debate on foreign intervention from an economic perspective. For the purposes of this study, I adopt Coyne and Hall’s definition of foreign intervention as the “use of the discretionary power held by members of one government to achieve some desired end in another society” (Coyne and Hall-Blanco 2015, 4). This umbrella term includes military intervention, which consists of activities such as peacekeeping (as in Bosnia), preventing humanitarian crises (as on Mount Sinjar in Iraq), and regime change (e.g., the invasions of Iraq and Afghanistan). Intervention also includes longer-term reconstruction and nation-building, also known as “peace economics” to distinguish these activities from traditional international development (see del Castillo 2008). Prompted by the US military’s experience in Iraq and

Afghanistan, more recent scholarship on postconflict reconstruction further subdivided the field into so-called “expeditionary economics” to more clearly delineate the military’s role in both maintaining peace and contributing to development efforts (see del Castillo 2011).

In general, economic analysis of foreign intervention and reconstruction falls into one of two opposing perspectives, depending on what role the analyst believes intervention can and should play, if any, and confidence in the ability of policymakers to plan and implement a successful intervention. Note that the perspectives discussed subsequently are concerned with the economic analysis of foreign intervention in general, and not specifically with intervention in the conflict against ISIS. Analysts can be said to have either a “lessons learned” perspective or a “nirvana fallacy” perspective on foreign intervention.

Proponents of the lessons-learned approach emphasize the role of the international community in supplying humanitarian relief and public goods to conflict-affected states. By analyzing past interventions, these researchers believe they can identify best practices that improve future intervention efforts. In contrast, the nirvana-fallacy perspective rejects policymakers’ ability to design a one-size-fits-all template that can be usefully applied to future interventions. Instead, these researchers emphasize the knowledge and incentive challenges that constrain policymakers’ ability to successfully provide public goods to war-torn societies. The tendency for interventions to fail, and to produce negative unintended consequences, should make policymakers skeptical of their ability to successfully intervene. This section is not meant to be a comprehensive review of all the scholarship on this topic but rather to capture the main elements of the debate.

### *A. The “Lessons Learned” Perspective*

This approach typically involves examining past interventions, both successes and failures, and distilling those experiences into case studies or best practices that can be generalized to inform future interventions. By accumulating more and more experiences with interventions, researchers believe they can refine their approach and improve upon each successive intervention with new lessons about what does and does not work.

The lessons-learned approach can be generalized as seeing a role for foreign intervention in providing two public goods: security and accountability. In *Wars, Guns, and Votes*, economist Paul Collier (2009) identifies the absence of a strong central government to provide these public goods as one of the drivers of conflict in weak and failed states. Normal economic activity cannot resume unless there is adequate stability, and normal development cannot take off when the state has no legitimacy. Collier argues that if these societies cannot provide security and accountability themselves, “then it is better supplied internationally than not at all” (2009, 199). In an earlier book, Collier (2007) specifies that military intervention should be restricted to four tasks: expelling an aggressor, restoring order, maintaining postconflict peace, and preventing coups. He clarifies that these goods should be provided only if the country asks for assistance, and that the international community should structure incentives in such a way that local leaders see themselves as better off accepting them.

The need for a foreign power to provide postconflict societies with public goods, especially security, is reinforced by del Castillo (2011), who writes that previous experiences established “a number of rules or guidelines” associated with effective interventions (5). Her most important guideline is that expeditionary economics is fundamentally different from traditional development economics. She argues that an emphasis on free markets and low levels

of government intervention is unhelpful or even harmful in the postconflict setting. According to del Castillo, the main objective should be to maintain peace, which should take precedence over any economic policy concern. This means that extensive short-term government interventions in the economy—such as rebuilding physical infrastructure, providing jobs to former militants, and favoring some crisis-affected groups over others—are justified for the purposes of maintaining the peace. Similarly, sharp increases in international aid are warranted to relieve immediate humanitarian crises, although such interventions should be finite to avoid distortions and dependency on aid.

For providing accountability, del Castillo argues that foreign interveners should focus on reforming a state's economic and political institutions to generate inclusive growth that legitimizes the government. One of the failures of previous international interventions, she argues, was their failure “in supporting these countries to create sustainable jobs in the private sector through the promotion of local entrepreneurship and new startups” (2011, 12). Future interventions should focus on “the modernization of a basic macro and microeconomic institutional and policy framework” to encourage investment and broad-based economic growth (9). But del Castillo warns that such policies should not be imposed by the foreign power or by unrepresentative elites within the government; rather, they should be locally led to ensure “national ownership” (13).

In *Can Intervention Work?* (Stewart and Knaus 2011), Gerald Knaus of the International Crisis Group lends his support to the role for intervention discussed so far. Knaus advocates for “principled incrementalism,” a policy that admits the limitations of previous interventions but also maintains that intervention plays an important role in alleviating humanitarian crises and encouraging good governance. Using the 1990s conflict in Bosnia as a case study, Knaus argues

that the foreign intervention was ultimately successful because it avoided what he calls “open-ended utopian social engineering” and instead took a more limited, trial-and-error approach to institution building that allowed the interveners to discover which of their objectives were ultimately achievable (188). Knaus also argues that interventions that are meant to uphold a peace agreement are more likely to succeed than those seeking regime change.

In the proceedings for a 2011 summit on entrepreneurship and expeditionary economics hosted by the Kauffman Foundation, a number of authors affiliated with US military and civilian reconstruction efforts offer additional lessons. A common theme throughout these papers is that previous interventions failed due to a lack of adequate preintervention planning and coordination (see Cruz 2011). Other authors argue that aid provided by international donors for specific projects is wasteful, and instead funds should be channeled through local development authorities and ministries to better support national development strategies and build legitimacy (see Lockhart 2011; del Castillo 2011). And echoing a point made by del Castillo, the authors stress the need to design an economic environment conducive to entrepreneurship, innovation, and job creation (see Lockhart 2011; Peterson 2011).

### *B. The “Nirvana Fallacy” Perspective*

For the opposing side in this debate, the important question for policymakers is not whether they can identify the factors that made some interventions successful but whether they can expect that any given intervention will be successful. This perspective is articulated by economist Christopher Coyne and his coauthors, who emphasize the constraints that planners face when trying to intervene in and rebuild a conflict-affected state.

Duncan and Coyne (2015) summarize three of the most important constraints. The first is epistemic, meaning that interveners are unlikely to have the context-specific and often tacit

knowledge necessary to carry out sustainable economic and political changes. The second problem is motivational, meaning that the limitations of top-down planning force interveners to rely on political considerations to allocate resources, with results that will not necessarily enhance the welfare of the target society. The intervention is also likely to create new sources of profit and power that will be sought by individuals within that society as well as in the intervening coalition. Third, the authors warn of the potential for negative spillovers; for instance, intervention in one country could destabilize others in the region. These consequences are difficult to foresee because they are the result of intervention into a complex system.

Coyne (2008) provides evidence that past US interventions undertaken for the purpose of exporting liberal democracy failed more often than they succeeded. Coyne investigates whether US-led reconstruction efforts resulted in the target nation eventually exceeding a benchmark of democratic governance equivalent to that of the Iranian regime as of 2003. Of 25 interventions that lasted at least five years, he finds that only 7 went on to achieve a level of democratic governance above that of Iran.

Given the set of constraints outlined previously and the inability of past US-led interventions to achieve even modest governance improvements, Coyne and his coauthors make the case that policymakers should approach any given intervention from a baseline of humility and skepticism. In contrast, the lessons-learned perspective suffers from what Coyne (2006) calls a “nirvana fallacy,” in that its supporters compare an ideal foreign intervention with the governing capabilities of actually existing weak and failed states (343). This perspective fails to acknowledge that foreign interveners too are fallible and that taking the constraints discussed previously into account makes the benefit-cost analysis of an intervention much more ambiguous.

To demonstrate the problem that foreign interveners face in attempting to supply public goods, Coyne (2006) models an intervention using game theory. The weak or failed state, far from being a monolithic beneficiary of the intervention, is most appropriately modeled as a variety of different actors and interest groups engaged in a set of nested games embedded within an overall metagame (344). The outside observer cannot easily predict the equilibrium outcomes of the nested games, nor how constraints will arise owing to interactions within and between groups. The implication is that “each weak and failed state will be characterized by a unique set of nested games that preclude a one-size-fits-all policy by the international community” (356). Thus, the lessons-learned approach, with its portfolio of best practices, is likely futile because what worked in one context will not necessarily work in another.

The nirvana-fallacy perspective also emphasizes the potential negative consequences of foreign intervention, even if it is able to supply public goods. Coyne and Davies (2007) argue that the lessons-learned perspective fails to take into account the potential for intervention to also supply public “bads.” The authors provide a list of 20 potential public bads associated with intervention—for example, an increase in domestic government intervention and paternalism, the empowerment corrupt and brutal local elites, and a cultural acceptance of xenophobia and racism—which the authors claim “diminish the prospects for civil society and bourgeois virtues” and “tend to institutionalize force and provoke counter-forces, resulting in cycles of hostility and aggression” (15). The authors conclude that even if an intervention manages to deliver some public goods, the resulting blowback could result in public bads whose costs for society negate or even outweigh those benefits.

A third critique of foreign intervention from the nirvana-fallacy perspective is given by Coyne and Hall-Blanco (2015), who warn that the interventionist “mentality” entails a

willingness to use illiberal means to achieve ostensibly liberal objectives (3–4). This argument relaxes an assumption held by lessons-learned advocates that those engaged in intervention are genuinely altruistic. Instead, Coyne and Hall-Blanco argue that the mindset required of policymakers engaged in foreign intervention includes elements that are “inherently illiberal,” such as a willingness to suspend the rule of law, reject individual sovereignty, and assume that order is only possible if it is imposed by the state (12). The authors question whether it is worthwhile to jeopardize a nation’s values by using these illiberal instruments, even for the ultimate purpose of achieving liberal democratic ends.

### **3. The Knowledge Problem**

This section discusses the challenges to foreign intervention that stem from the limitations that policymakers face in mobilizing and using the information required to achieve their two main policy objectives (i.e., in this case, intensifying the US military campaign against ISIS and reforming Syrian and Iraqi political and economic institutions). Both interventions are constrained by epistemic challenges, although they occupy two extremes of the spectrum in the nature and the amount of knowledge needed to achieve them. First, I review the nature of the knowledge problem as it relates to foreign intervention generally, and second, I discuss the implications for the conflict with ISIS.

In the context of economics, Hayek (1945) argues that the “local” knowledge needed for society to allocate resources to their highest-valued uses—information about individuals’ personal endowments, preferences, and needs—is necessarily dispersed throughout that society. The task of social coordination therefore suffers from a “knowledge problem” because effective coordination requires mobilizing this fragmented information and processing it in a way that individuals can use it to achieve their objectives. An efficient allocation of resources, Hayek

claims, cannot be centrally planned because the information needed to do so cannot be concentrated in any one or group of individuals.

#### *A. The Knowledge Problem in Foreign Intervention*

Writing in the context of natural disaster relief, Sobel and Leeson (2007) use Hayek's insights to create a framework for evaluating whether an entity engaged in central planning, like a government agency, can be expected to mobilize this dispersed knowledge to effectively coordinate social action. Specifically, the authors argue that effective social coordination requires information mobilization at three "stages": first is the "recognition" stage, determining whether action is needed; second is the "needs assessment and allocation" stage, determining what action is needed and who has the capability to perform that action; and third is the "feedback and evaluation" stage, determining what was the result of the action taken and whether modification is necessary (520). Like Hayek's conclusion in the economic context, the authors argue that centrally planned disaster management will be ineffective at overcoming the knowledge problem because government organizations cannot be expected to mobilize the information needed at each of these three stages.

The reason that government agencies have difficulty overcoming the knowledge problem is that, unlike firms in the private sector, they cannot base their performance on how their efforts affect the profitability of the "business." The market system of profit and loss is a highly efficient information transmission mechanism. Private firms make a profit when they deliver a product or service that their customers value; but if they suffer losses or go out of business, that is a signal that the resources they mobilized are more valuable being allocated to a different use. Employees of a bureaucracy cannot easily tell whether their actions are creating value for society because those actions are not tied in some way to profitability. Instead of being driven by profit

and loss, bureaucrats are driven by processes and procedures that their leaders hope will, if followed, contribute to the organization achieving its stated objectives (Sobel and Leeson 2007).

Coyne (2008) applies Hayek's insights to the context of foreign intervention, arguing that the military and the foreign policy establishment are also government bureaucracies that are engaged in central planning. Using examples from postintervention Iraq and Afghanistan, Coyne argues that centrally led efforts at postconflict reconstruction were ineffective because interveners face the same inability to mobilize the information necessary to overcome the knowledge problem. In other words, the reconstruction planners cannot expect to effectively reform a nation's political and economic institutions because they cannot mobilize sufficient information at key stages of the framework presented previously.

In terms of the "identification" stage of the framework, policymakers have long understood the political and economic institutional set that is conducive to development. Writing in 1755, Adam Smith argued that "little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice" (see Smith [1776] 1904, I.56). And clearly there was poor governance in Iraq and Afghanistan before and after the US-led invasions. In Iraq, decades of rule by Saddam Hussein decimated civil society and left no domestic opposition. Iraqi governing capacity collapsed following the US invasion in 2003, requiring "a virtually complete reconstruction" (SIGIR 2013, 105). Afghanistan had no prior history of strong central government, which some planners believe contributed to the civil war that engulfed Afghanistan after the Soviet Union withdrew in 1989 (Katzman and Thomas 2017). There is evidence that civilian and military leaders had Smith's framework in mind when planning the reconstruction of Iraq and Afghanistan. The goals established for Iraq's development by the postinvasion administrators included "effective and

fair justice systems,” “respect for the rule of law,” and the “creation of a vibrant civil society” (SIGIR 2013, 105).

However, the obstacles to knowledge mobilization increase dramatically as policymakers enter the second stage of the framework, that is, deciding what actions to take to rebuild institutions. Boettke, Coyne, and Leeson (2008) argue that what makes institutional reform sustainable is how closely it conforms to preexisting political, economic, and social structures in the target society. In their framework, the authors identify institutions that emerge endogenously from local conditions and are adopted internally by legitimate leaders as being the most sustainable. In the context of postconflict reconstruction, Coyne (2005) identifies the ideological entrepreneur as the change agent who facilitates coordination around these new institutions. These first-movers alter the benefit-cost calculus of others who are deciding whether to conform to the new ideology.

This perspective on institutional development highlights the epistemic challenge facing policymakers as they seek reforms in places like Iraq and Afghanistan. As outsiders, foreign interveners are the least likely to have the knowledge needed to identify and cultivate the “right” institutional set that conforms to local structures and practices. Similarly, Western policymakers are unlikely to be able to correctly identify the change agents who can facilitate coordination around the desired institutions. And in places like Iraq and Afghanistan, with heterogeneous and unconnected populations and few common change agents, there is less potential for coordination around a shared ideology. I discuss the problem of coordination in more detail in part 4.

Facing the reality of these knowledge constraints, bureaucratic planners are forced to rely on less precise methods for achieving their desired outcomes. Skarbek and Leeson (2009) argue that planners can achieve a higher level of a particular output by devoting more resources to the

production of that desired output. But that higher level of output does not necessarily represent value-added output. Writing in the context of foreign aid, the authors argue that aid organizations lack the local knowledge necessary to allocate resources to their highest-valued uses. Thus, the most that foreign aid providers can hope to achieve is to produce more desired outputs, things like bed nets, vaccines, and school buildings, which may be valuable for those suffering from a humanitarian crisis but should not be confused with economic development.

There is evidence that postinvasion planners approached the task of institutional reform in Iraq and Afghanistan with a similar mindset: devoting more resources to the trappings of democratic societies would produce democratic societies in the occupied countries. Thus, to achieve their objectives in Iraq, the United States spent nearly \$7.5 billion “to provide humanitarian relief, support democratic institutions, build government capacity, and grow public services” from 2003 to 2012 (SIGIR 2013, 105). And in Afghanistan, the United States devoted nearly \$32 billion from 2002 to 2015 to building a strong, central, and democratic Afghan government and supporting economic development (SIGAR 2016).

But large amounts of US spending on governance did not result in the creation of liberal democratic orders. Following the US withdrawal from Iraq in 2011, “a fragile power-sharing arrangement among all Iraqi factions largely unraveled” (Katzman and Humud 2016, 22). Then-Prime Minister Nuri al-Maliki increasingly centralized power and governed with little legislative or judicial oversight (Al-Khatteeb and Saadoon 2015). Maliki also deepened tensions with Iraq’s Sunni minority, including charging the Sunni vice president with terrorism, which sparked antigovernment demonstrations (Smith 2015). Corruption also worsened after the US withdrawal and remained endemic even after Maliki was forced out of office in 2014 and replaced by Haidar al-Abadi. In March 2016, Abadi was forced to replace most of his cabinet under pressure from

influential cleric Moqtada al-Sadr over charges of government corruption (Kesling and Adnan 2016). Nor have economic conditions improved in Iraq: the World Bank rated it as one of the worst places in the world to do business in 2016, at 161st out of 189 countries on its “Ease of Doing Business” indicator (World Bank 2016).

Afghanistan’s postinvasion governance experience was depressingly similar. The government of interim administrator and later president Hamid Karzai was widely considered to be weak and corrupt (Azam and Mashal 2015). At the time of the 2009 US “surge” of 30,000 soldiers, the Afghan government controlled only an estimated 30 percent of the country (Katzman and Thomas 2017). And the weakness of Afghan security and governing capacity forced the United States to repeatedly push back its timetable for withdrawal. Hamid Karzai was replaced in 2014 by a national unity government, but President Ashraf Ghani and CEO Abdullah Abdullah have since been criticized for failing to achieve their objectives of fighting corruption, promoting women, and resolving the conflict with the Taliban (Katzman and Thomas 2017). Afghanistan is also rated as one of the worst places to do business by the World Bank, at 177th of 189 countries in 2016 (World Bank 2016).

In the final, “feedback” stage of the framework, policymakers must be able to objectively assess their efforts and make adjustments to their strategies as needed to achieve their objectives. But while many in the military and foreign policy establishment recognized that the United States’ efforts at reconstruction were failing, their proposals for course-correction did not alleviate the knowledge problem that posed the biggest obstacle to success. To their credit, economists writing in the lessons-learned perspective on foreign intervention acknowledged the epistemic challenges that the US’s centrally led reconstruction efforts faced in Iraq and Afghanistan. Peterson (2011) summarizes the problem:

Military units and multiple civilian organizations have expended vast resources to build the Afghanistan and Iraq economies using traditional means of development: bilateral aid, centralized planning, and large infrastructure development—largely at the expense of an organized effort to build businesses to support local economies (226).

As a corrective measure, some authors emphasize the need for the international community to help postconflict countries develop entrepreneurial societies and vibrant private-sector economies. In the lessons-learned perspective, the interveners and especially the military should act as a kind of venture capitalist who identifies and finances the most promising entrepreneurs in a postconflict society. Del Castillo (2011) argues that expeditionary economics should focus on “promoting the entrepreneurial spirit and ingenuity of the local people” (27). Foreign interveners should support small businesses rather than large infrastructure projects, for example, providing Afghans with subsidies “to lure farmers away from poppy into food production” (del Castillo 2011, 25). Peterson (2011) argues that firm creation should be a top priority and that development spending should be judged on the basis of the number of sustainable jobs it creates. Peterson also argues that the military is well positioned to identify “capable entrepreneurs and dependable labor” in the communities where it is present (229). And Lockhart (2011) argues that planners should assess target economies to “enhance understanding as to where entrepreneurial opportunities can be generated” (200).

In contrast, economists writing from the nirvana-fallacy perspective emphasize that interveners trying to promote an entrepreneurial society in a postconflict setting face the same kinds of epistemic challenges as with previous efforts at top-down institutional reform. These economists focus on a state’s institutional environment—the formal political and economic rules as well as the informal social and cultural norms—as the main determinant of that state’s potential for development. “Good” institutions, like the ones identified by Adam Smith, are more

likely to align individual incentives in a way that encourages investment in human and physical capital, innovation, and economic growth. The authors from the lessons-learned perspective therefore misunderstand the direction of causality in the association between entrepreneurship and development. As Williamson (2012) and others point out: entrepreneurship and innovation are the result of development, and not its cause.

### *B. The Knowledge Problem in the Conflict against ISIS*

The preceding discussion of the knowledge problem facing policymakers when designing a foreign intervention, and specifically the task of reforming the political and economic institutions of an occupied nation, has implications for the conflict against ISIS. Whereas most policymakers focus on the immediate military campaign against ISIS and its perceived threat to Western interests, others seek solutions to address the roots of the conflict. These policy prescriptions typically involve achieving reconciliation between the Assad regime and its opposition in Syria and between the Shia majority and Sunni and Kurdish minorities in Iraq. The West will then influence the reform of indigenous political and economic institutions that bring about a liberal democratic order. Groups like ISIS will then have no safe haven and the threat to the West will be eliminated. But like their predecessors concerned with Iraq and Afghanistan, policymakers attempting to influence the reform of institutions in postconflict Syria and Iraq face severe epistemic challenges that will limit their ability to achieve liberal democratic orders in these nations.

The framework presented previously also suggests that interveners will face difficulties in mobilizing dispersed knowledge for the more limited task of intensifying the military campaign against ISIS. At first glance, this task appears to be a core competency for the US military. As the *US Army Field Manual* states, “Army forces are organized, trained, and

equipped primarily for prompt and sustained combat” (US Army 2013, 1–5). Even proponents of the nirvana-fallacy perspective on foreign intervention concede that the US military can and has achieved its objectives in the realms of peacekeeping, humanitarian aid delivery, and especially regime change (see Coyne 2010; 2013). Recent US military interventions in the Middle East resulted in the rapid removal of regimes in Afghanistan, Iraq, and Libya.

The task of “force delivery”—planning and executing coordinated attacks to disrupt or destroy a target—is ideally suited for the military’s top-down bureaucratic structure. As in the case of centrally planned foreign aid delivery discussed previously, the military can devote more resources to force delivery to accomplish a relatively straightforward objective. An example of “force delivery” occurred most recently when Russia entered the Syrian civil war in support of President Bashar al-Assad in September 2015. Over the course of about six months, the Russian military bombed opposition forces in Aleppo and elsewhere, killing as many as 5,000 fighters and civilians (Syrian Observatory for Human Rights 2016). By the time Russian President Vladimir Putin announced that he was ending the campaign in March 2016, he had achieved his objectives of stabilizing Assad’s regime and forcing the opposition to negotiate. But the costs of such a single-minded strategy were high: the military intervention cost Russia an estimated \$3 million a day, and the Syrian opposition claimed that Russia indiscriminately (and even deliberately) bombed civilian infrastructure and killed noncombatants (MacFarquhar and Barnard 2016).

Even the US military, which operates with far less tolerance for civilian casualties, is making progress against the limited objective of disrupting ISIS operations. In particular, attacks on the group’s sources of financing, such as oil wells and refineries, as well as against stockpiles of hard currency, depleted the estimated \$700 million in cash and \$500 million in annual revenue

ISIS earned by selling petroleum products on the black market (Warrick and Sly 2016). But even the US military occasionally fails to identify and attack the correct enemy. In October 2015, for example, a US AC-130 gunship killed 42 civilians after opening fire on an Afghan hospital operated by Doctors Without Borders; and in January 2015, a US drone strike on an al-Qaeda camp in Pakistan inadvertently killed two Western hostages being held there (Rosenberg 2016; Shane 2015). And even when they are successful, military interventions can generate other costs that may negate those benefits. The problem of negative unintended consequences stemming from foreign interventions will be discussed in more detail in part 5.

The epistemic challenges grow as the military's role expands beyond its core competencies. One example from the recent US interventions in the Middle East is the task of building local police and military forces. Recall that “[growing] the size of local forces in the fight” is a key part of the Obama administration's strategy against ISIS (McGurk 2016). According to the *US Army Field Manual*, “each Military Department is directed to plan for and perform common functions to fulfill the current and future operational requirements of the combatant commands,” including “recruitment, organization, training, and equipping of forces, and providing forces to enhance military engagement and conduct security cooperation to prevent conflict” (US Army 2013, 1–5).

Much like the approach it took to rebuilding Iraq and Afghanistan's political and economic institutions, the United States devoted significant resources to the production of local security forces. In 2005, the \$20 billion Iraq Security Forces Fund was established to train and equip Iraqi Security Forces (ISF) and police. Controlled by the US Defense Department, the ISF Fund and other funds spent about \$26 billion on rebuilding, training, equipping, and supporting the Iraqi military, police, and justice system from 2003 to 2012 (SIGIR 2013). Similarly, the US

government appropriated more than \$68 billion to rebuild Afghanistan's security and police forces between 2002 and 2015 (SIGAR 2016).

But despite receiving significant support, US-trained and equipped security forces in Iraq failed to fulfill expectations. In 2014, the ISF were defeated by ISIS and forced to abandon Mosul, Iraq's second largest city, as well as Fallujah and Ramadi. The poor performance of the official military prompted the United States to embrace nongovernment forces like the Kurdish Peshmerga and Shia militias, which proved to be more effective in the fight against ISIS (Mamouri 2016). The United States is now retraining and reequipping the ISF in preparation for the campaign to retake Mosul. Ironically, the final report by the Special Investigator General for Iraq Reconstruction highlighted the ISF as a rare success story: "The effort led by the U.S. military to improve Iraq's security forces produced the most lasting, positive impact of our reconstruction dollars" (SIGIR 2013, 33). In light of the recent collapse of the ISF, this statement demonstrates how even those closest to these operations may not have the local knowledge needed to distinguish between more outputs (soldiers and policemen) and value-added outputs (an effective military and police force).

US-supported forces elsewhere in the Middle East have not performed much better. Despite a 15-year reconstruction effort, the Taliban remain a significant threat to Afghanistan's government, and the group recaptured much of Helmand Province in February 2016 (Mashal 2016). And in Syria, the US Defense Department sought to train and equip 5,000 "moderate" opposition fighters to combat ISIS in May 2015. But by September, General Lloyd J. Austin III told a Senate panel that the \$500 million program produced only a handful of opposition fighters, and the program was canceled soon after (Cooper 2015). Former US Ambassador to Afghanistan Karl Eikenberry provided a pessimistic assessment of US military efforts to build local security

and police forces in the Middle East, saying: “Our track record at building security forces over the past 15 years is miserable” (Schmitt and Arango 2015).

Why did the vast amounts of US resources fail to create effective police and security services? One major reason is that, like the failure of the US foreign policy establishment to reform Iraq and Afghanistan’s political and economic institutions, military planners had difficulty mobilizing and using the information needed at each phase of the framework described previously. In the example from Syria, US policymakers underestimated the difficulty in vetting the thousands of fighters affiliated with dozens of often overlapping militias to identify the opposition members who would both be effective in combat and adhere to US interests (Blanchard, Hamud and Nikitin 2014). In the case of Iraq, military planners are faulted for failing to identify and align police and military organization and training with existing culture and norms. In a report on the ISF for the Center for Strategic and International Studies, Cordesman and Khazai (2014) argue that the US “tried to impose too many of its own approaches to military development on an Iraqi structure” (19). The authors argue that US efforts to transform (rather than improve) Iraqi military culture and organization “have often proved to be counterproductive and a waste of effort” (19). Similarly, Michael Knights (2016), a fellow at the Washington Institute for Near East Policy, argues that the United States “tried to build a clone of its own forces” and that “tough Iraqi-style training was absent for much of the Coalition occupation of Iraq” (47–48). Instead, the US military hoped to achieve a higher level of output by devoting more resources to the production of that output. According to Cordesman and Khazai (2014), the United States “tried to do far too much too quickly with more emphasis on numbers than quality, and grossly exaggerated unit quality” (19).

Moreover, the US military bureaucracy proved unable to mobilize the information needed to quickly understand and respond to its failures. For instance, the United States has been unable to stem the number of desertions from Afghanistan's national security forces, which lost more than 36,000 to attrition in 2016, according to an Interior Ministry report leaked to the *Wall Street Journal* (Donati and Amiri 2016). One reason is that security personnel are being killed in record numbers in the fight against the Taliban, with over 5,500 killed in 2015 (Moylan 2016). But according to a report by the Defense Department to the US Congress, national security forces have not responded by changing their tactics, continuing instead to concentrate their forces at checkpoints where they are vulnerable to Taliban attacks (Gibbons-Neff 2015). Similarly, many security personnel leave because they are poorly paid and are often the victims of theft by their superiors, who seize a share of the money allocated to them for wages and equipment (Donati and Amiri 2016). The United States is planning to install an integrated payroll and personnel monitoring system to better track attrition and wage theft, but that system is not expected to come online until at least 2017.

These failures, at tasks that are only moderately outside of the military's core competencies, should illustrate the epistemic challenges that policymakers face as they seek a larger role for the US military in the fight against ISIS and should place limits on what policymakers believe military intervention can achieve. The implication is that "force delivery," in the form of intensifying military strikes against ISIS and its sources of financing, likely represents the upper bound of what policymakers can hope to achieve through foreign intervention. Economic support should, at most, provide humanitarian relief and repair damage caused by US military strikes (see Cruz 2011). This conclusion will be distasteful to many policymakers, who will charge that it is not actionable. But even this modest agenda for foreign

intervention is plagued by other problems that will limit its effectiveness, as I discuss in the following sections.

#### **4. The Coordination Problem**

This section discusses the challenges to foreign intervention that stem from the inability of parties in the conflicts in Iraq and Syria to achieve reconciliation. As many policymakers acknowledge, the only way to permanently defeat ISIS and other militant groups is to resolve the disputes that plague the Iraqi and Syrian regimes. President Obama emphasized this stalemate as a major challenge in the fight against ISIS, warning that it or a similar group could resurface “if you do not have local populations that are committed to inclusive governance and who are pushing back against ideological extremes” (Obama 2015).

But if both sides would be better off reaching an agreement to end the conflict, what prevents reconciliation? Economic analysis suggests that the combatants’ long experience with sectarian and ethnic tensions and the inability of ruling regimes to credibly commit to reform constrain their ability to reach a sustainable reconciliation, which Western policymakers believe is necessary to finish off ISIS for good. This section outlines the nature of this “coordination problem” from an economic perspective and details how that problem is manifested in the current efforts to achieve reconciliation in Iraq and Syria.

##### *A. The Coordination Problem in Foreign Intervention*

A “coordination problem” is a concept from game theory, which economists use to model strategic interactions. In a standard “game,” players face a set of behavior choices that result in certain payoffs. Crucially, the payoffs associated with a certain behavior often depend on the choices made—either sequentially or simultaneously—by the other players in the game. These

payoffs incentivize some behaviors more than others and can lead to the emergence of various equilibria, in which the incentives produce consistent patterns of behavior because choosing to behave in a different way would leave the players worse off.

In *The Strategy of Conflict*, economist Thomas Schelling (1960) applies game theory to strategic decision-making in situations of conflict. Schelling recognizes that games of conflict are not necessarily zero-sum, in which the winner gains at the loser's expense, but rather can contain a mixture of high-payoff and low-payoff equilibria. The presence of these equilibria means that actors engaged in conflict will try to coordinate their behavior to avoid the low-payoff outcomes and capture the high-payoff outcomes.

But there are barriers to coordination (see Bartolini 2012). Even if actors in a conflict face symmetrical payoffs, meaning they have the same high- and low-payoff equilibria, uncertainty about the behavior and incentives of the other actors may prevent the players from coordinating on the highest-payoff outcome. Another barrier might be the presence of misaligned incentives, meaning that all players are better off coordinating their behavior, but they face different high-payoff and low-payoff equilibria. The key question is, given this uncertainty, what gets people to avoid the “mutual destruction of potential gains” and coordinate on the high-payoff outcomes (Schelling 1960, 106)?

Schelling argues that actors in a game of conflict rely on “focal points” that allow them to coordinate on a particular equilibrium. These points are not dictated by the formal conditions of the game but rather emerge from the expectations, perceptions, and behaviors of the actors. Players must find a way to communicate or otherwise signal their intentions. This can take the form of promises of action as well as symbolic moves that demonstrate intent. These signals also may communicate what is not allowed, and what the retaliation will be for “bad” behavior.

Crucially for our purposes, the focal points “cannot be defined a priori; they depend on the coordination problem at hand and on the culture in which the players are embedded” (Young 1996, 107).

Coyne (2008) applies this model of strategic decision-making to the context of postconflict reconstruction, to discuss why some nation-building efforts led to successful liberal democratic orders while others failed. For Coyne, the reconstruction game consists of a high-payoff equilibrium, such as a liberal democracy, and low-payoff equilibrium, such as sectarian or ethnic balkanization. He argues that to capture the higher payoffs, the citizens of the target nation must coordinate around “good” conjectures like those articulated by Adam Smith: peace, respect for property, and the rule of law.

Coyne and Boettke (2009) argue that one of the main challenges to coordinating behavior around these good conjectures is the problem of credible commitment. If one or more of the actors in a strategic game can establish a mechanism that constrains his behavior to a given course of action, that binding commitment can serve as a focal point to coordinate around a high-payoff outcome. For instance, a former dictator who submits to a policy that divides power among different branches of government commits to a course of action in which he can no longer act with impunity, which in turn may credibly signal to the rest of the population that their property rights are more secure.

The problem with these policy announcements, especially in a postconflict setting, is that the other parties involved often see them as not credible. The rest of the population will perceive these promises as “cheap talk” if they believe that those making the announcements have an incentive to renege on their commitments in the future. Acemoglu (2003) argues that these misaligned intertemporal incentives lead to the commitment problem that prevents the

emergence of economically efficient outcomes in situations of social conflict. A ruler in the present cannot credibly commit to not abusing his power in the future because he has an incentive to renege on that commitment later on and retains the power to do so. Similarly, the opposition cannot credibly commit to compensating the ruler in the future for giving up his power today because the ruler's lack of power over them provides an incentive to renege on that commitment in the future.

It is therefore not enough for the ruler to establish truly binding constraints on his behavior; he must also communicate to the rest of the population that those policies create incentives that will drive him to deliver on that commitment in the future. Only a binding commitment that is seen as credible by other actors in the game can serve as an effective mechanism for coordination. But as we demonstrated in the previous section, establishing constraints that are binding is a difficult task for outside policymakers operating in a postconflict context.

Communicating the credibility of those constraints is another challenge for policymakers hoping to establish a coordination mechanism. Schelling (1960) argues that an actor's past behavior, rather than promises of future action, is a more powerful signal that sets expectations about future behavior. Because expectations and perceptions play such an important role in coordinating behavior, it is very difficult to credibly signal a break with the past when opponents' experiences lead them to anticipate that promises will be broken. So, even if both sides would be objectively better off by coordinating on good conjectures, the expectations and perceptions of the actors in the game may lead to a focal point that coordinates behavior around the low-payoff equilibrium.

For example, in postinvasion Iraq, minority Sunnis largely boycotted the 2005 elections and won only 17 of the 275 seats in the transitional parliament (Katzman and Humud 2016). The boycott protested what Sunni leaders perceived as retribution against them by the Shia majority, long suppressed under Saddam Hussein. The newly elected parliament supervised the writing of the new Iraqi constitution; but because Sunnis were underrepresented, the ensuing constitution was seen as illegitimate, and that fueled further conflict with the Shia majority (Katzman and Humud 2016). This case shows how perceived injustices in the past shaped expectations about the behavior of opponents in the present and prevented coordination around a mutually beneficial outcome.

Economists writing from the lessons-learned perspective on foreign intervention argue that foreign intervention can establish credible commitment mechanisms that allow the people of the target nation to coordinate around higher-payoff outcomes. Collier (2009) proposes that the international community agree to intervene to reinstate a regime that is ousted in a coup if that regime agrees to conduct elections that conform to international standards. At the extreme end of this spectrum are analysts who conclude that very long-term occupation by liberal powers, such as those in Germany, Japan, and South Korea, may be the only way to ensure credible commitment to fundamental political and economic reforms in postconflict states like Syria and Iraq. In his book *Empire*, historian Niall Ferguson (2003) credits British occupation and colonialism with the imposition of Western institutions like “free markets, the rule of law, investor protection, and relatively incorrupt government” (xx).

Writing from the nirvana-fallacy perspective, Coyne (2008) argues that the emergence of focal points that coordinate behavior around “good” conjectures is not a process that can be easily influenced by a foreign intervention. More important are the roles played by civil society

and social capital, which allow members of society to come together to solve common problems without relying on the market or the government. Civil society is where expectations are set, perceptions are shaped, and trust is built; these investments in social capital enable actors in the game to coordinate around high-payoff equilibria. Coyne argues that this concept of civil society is the necessary foundation upon which to build a sustainable liberal democratic order.

Too often, though, postconflict societies are characterized by an absence of civil society, and thus a lack of the shared rules, beliefs, and conventions that allow mutually beneficial coordination to take place. Even worse, these societies are often dogged by past experiences of sectarian and ethnic conflict that shape the perceptions and expectations about other actors' behaviors in the future. And because foreign interveners are often unable to use preexisting civil society and social capital to coordinate behavior, efforts to establish liberal political and economic institutions are likely to fail. In these situations, foreigners often must impose that coordinating function by force. But even if foreign troops are able to establish binding constraints on an indigenous government, the transitory nature of the occupation takes away from the commitment's credibility, limiting the usefulness of foreign troops as a credible commitment mechanism.

### *B. The Coordination Problem in the Conflict against ISIS*

As discussed in the beginning of this section, the most that foreign military intervention can achieve is disrupting ISIS operations in Iraq and Syria. But Pollack and Walter (2015), among others, argue that “as long as civil wars burn on in the region, the conditions that led to [ISIS's] emergence would still exist, and new radical groups would simply emerge to replace it.” Ending the civil war in Syria and the sectarian conflict in Iraq will require the parties to coordinate their behavior in a way that promotes reconciliation. But in states with a long history of animosity and

outright conflict between political, ethnic, and religious factions, such as in Iraq and Syria, expectations and perceptions are more likely to develop in a way that prevents such mutually beneficial coordination.

The history of sectarian conflict in Iraq predates the US-led invasion in 2003. Under the regime of Saddam Hussein and his Sunni Baath party, the majority Shia Muslims were excluded from political power and prevented from practicing their faith publicly, and they saw many of their religious sites destroyed (Cockburn 2003). In 1988, thousands of Kurdish civilians in the town of Halabja were killed by Iraqi forces in a poison gas attack during the Iran-Iraq war. And tens of thousands of Shias and Kurds were killed during an uprising against Hussein following the Persian Gulf War in 1991.

The position of Sunnis and Shias reversed under the US occupation. Members of Hussein's Baath party were purged from government, which Sunni leaders perceived as an attempt by the now-ruling Shias to exclude them from politics (Wolfe 2016). As already mentioned, Sunnis responded by largely boycotting the 2005 elections, leading to a constitution that Sunnis viewed as illegitimate (Katzman and Humud 2016). Sectarian tensions deepened after the bombing of an important Shia mosque in the Sunni city of Samarra in 2006, resulting in reprisals and counterreprisals by militias that led to a civil war and allowed al-Qaeda in Iraq to emerge in Anbar Province (Katzman and Humud 2016). And as described in the previous sections, the failure to reform Iraq's political and economic institutions led to renewed sectarian conflict following the US withdrawal in 2011 and provided space for ISIS to emerge.

Even though US-backed forces in Iraq halted the group's expansion and retook many ISIS-held cities, the reliance on Kurdish and Shia paramilitary units is problematic for establishing expectations of postcrisis reconciliation. Shia militias are often accused of

committing various abuses against Sunnis in recaptured areas. Human Rights Watch (2015) accused progovernment militias of raiding, looting, and burning Sunni homes in the town of Amenli in northern Iraq. Similarly, the Kataib Hezbollah militia is accused of committing retaliatory violence and looting Sunni villages around Samarra (Fordham 2015). And after the Badr militia recaptured the town of Tikrit, Salim al-Jabouri, then the Sunni speaker of Iraq's parliament, said "now there is a feeling that another occupation has begun" (Yaroslav 2016). Ramadi was recaptured by a small, well-trained Iraqi Special Operations force that was largely free of sectarian tensions (Lubold 2016). But retaking Mosul, Iraq's second-largest city, will likely require a mix of regular troops and Shia militias, which were excluded from the Ramadi campaign (el-Ghobashy 2016).

Iraqi Kurdish militias, who operate in an autonomous region of northern Iraq, are also accused of abuses. Kurdish paramilitaries who pushed ISIS out of Sinjar are accused of looting the houses of Sunni families suspected of collaborating with ISIS (Dagher and Kesling 2015). Sunnis also charge that Kurds expelled their families from villages retaken from ISIS on land that Kurds hope will be incorporated into a future Kurdish state (Dagher and Kesling 2015). Kurds are also seeking to form part of the coalition to retake Mosul, but the Shia government in Baghdad fears that Kurds will use the offensive to seize more territory in northern Iraq (el-Ghobashy 2016).

For their part, Shias and Kurds often accuse Sunnis of supporting ISIS. Revkin (2015) argues that Sunnis in Iraq and Syria were cautiously supportive of ISIS, at least in the early days, because ISIS promised stability and protection from the Assad regime in Syria and from the Maliki government in Iraq. However, Sunnis gradually became disenchanted as living conditions

deteriorated, and as ISIS came to rely more and more on taxes and confiscations from Sunnis to compensate for disruptions to their financing (Rosenberg, Kulish, and Myers 2015).

Growing disillusionment with ISIS rule did not correspond with an increase in Sunni trust of the Iraqi government or Kurdish and Shia paramilitaries. A February 2016 survey of Sunnis living in Mosul by the Iraqi polling firm IIACSS found that nearly 75 percent did not want the city to be liberated by the Iraqi army on its own, and all 120 Sunni respondents said they did not want to be liberated by Shia militias or Kurds (al-Dagher and Kaltenthaler 2016). These results reflect deep mistrust and do not bode well for policymakers seeking reconciliation between the various sides in the conflict. The lack of binding constraints on the power of Shia politicians and paramilitaries, as well as their inability to credibly signal their sincerity to Sunnis and Kurds in light of past hostilities, makes coordination around reconciliation unlikely in a post-ISIS Iraq.

In Syria, the nature of the credible commitment problem is even more straightforward. In five years of civil war, an estimated 260,000 Syrians were killed and about 4 million fled the country. Total economic activity in 2015 was half what it had been at the start of the war four years earlier; per capita GDP fell to about \$1,800 in 2015, equivalent to Djibouti and Laos (Butter 2015). And Syria's cultural heritage, embodied in historical sites like Aleppo and Palmyra, has been devastated. Before the Russian military's intervention on the side of the government in October 2015, the Assad regime and Syrian opposition had essentially reached a stalemate that Western policymakers feared was allowing ISIS to expand (Barnard 2015).

Given the enormous costs of continuing the conflict, why don't the two sides to the conflict reach an agreement on sharing power? Fearon (2013) argues that the Syrian civil war reflects a textbook instance of the credible commitment problem. The conflict of the past half-decade, and the autocratic governance of the Assad family in the decades before the war,

established expectations and perceptions that make it unlikely the different sides in the conflict will coordinate around reconciliation. There are no binding constraints on the Assad regime's power, nor does Syria's recent history allow Assad to credibly signal his sincerity. In this context, the Syrian opposition will not accept anything less than a complete overhaul of the regime because "they understand that if they were to stop fighting and undertake some measure of demobilization and disarmament, the government would renege on any policy concessions once the military threat from the rebels diminished" (Fearon 2013, 14). And the Syrian regime and its minority Alawite supporters face the very real threat of repression should the opposition take power. Schelling (1960) describes how these situations, in which none of the sides in the conflict are willing to make marginal tradeoffs, pose a barrier to coordination. The implication is that "we should expect no negotiated settlement to the conflict unless one or more powerful third parties decides to intervene to end the fighting" (Fearon 2013, 14).

That powerful third-party intervention did occur in the form of Russia's entrance into the conflict in October 2015. Russian military strikes changed the payoffs facing the Syrian opposition, making continued combat against the Assad regime more costly. As a result, the opposition agreed to a cessation of hostilities in February 2016, leading to a partial ceasefire that largely held throughout March 2016 (Abdulrahim and Ballout 2016). Biddle, Friedman, and Shapiro (2012) argue that a similar dynamic occurred during the US surge in Iraq beginning in 2007; US military protection for Sunni Awakening Councils, a coalition of Sunni armed groups, lowered the cost of resistance to al-Qaeda in Iraq and, eventually, led to lower levels of violence.

These experiences would appear to validate the claim by economists from the lessons-learned perspective that a foreign military intervention can serve as a mechanism to coordinate opponents' behavior around reconciliation. However, Coyne (2013) argues that such

peacekeeping missions, when they have been successful, occurred in situations when a peace agreement was already reached before the peacekeepers arrived. This suggests that existing expectations and perceptions conducive to coordination were already in place, rather than the presence of peacekeepers playing that coordinating role. Furthermore, temporary interventions like those by the US military in Iraq and the Russian military in Syria did nothing to permanently establish binding constraints on either government, which will make it difficult for parties in those conflicts to coordinate around reconciliation. Even if the intervention were able to overcome these problems, policymakers would still face radically unknowable issues that arise from intervention into a complex system like the civil conflicts in Syria and Iraq. These unintended consequences of foreign intervention are explored in the next section.

## **5. Negative Unintended Consequences**

The previous sections argue that a lack of knowledge on the part of US policymakers and the inability of the actors in the conflict to coordinate around reconciliation establish an upper bound on what Western leaders can hope to achieve in the intervention against ISIS. This section addresses an additional problem: even if policymakers are able to achieve their stated objectives, negative unintended consequences may well emerge that limit those benefits or negate them altogether. The purpose of this section is to categorize those potential consequences, explain how and why they arise, and convince policymakers that they should be taken into account when calculating the full costs of intervention against ISIS.

A negative unintended consequence, as the term suggests, is an outcome that is neither planned nor foreseen by an actor as a result of taking some action but that nonetheless entails some cost. Economist Frederic Bastiat ([1848] 1995) notes the tendency for the layperson to disregard these costs when judging the net benefits of an action in the economic sphere. Bastiat

illustrates this issue of “what is seen and what is not seen” with the example of a legislator demobilizing 100,000 soldiers that cost taxpayers 100 million francs. The bad economist, Bastiat contends, opposes this move by focusing only on “what is seen,” that is, the 100,000 soldiers losing their jobs. But the good economist understands that “a hundred million francs, coming from the pockets of the taxpayers, ceases to provide a living for these taxpayers and their suppliers, to the extent of a hundred million francs: *that is what is not seen*” (6, emphasis in original). Bastiat concludes that “to know political economy is to take into account the sum total of all effects, both immediate and future” (49).

#### *A. Unintended Consequences of Foreign Intervention*

Writing in the context of government intervention into the economy, Ludwig von Mises ([1929] 1977) argues that attempts to “fix” a perceived economic problem often fail, and end up either exacerbating the problem in unanticipated ways or creating new ones. Mises uses the example of price ceilings, which create shortages when more of a product is demanded at the artificially low price than producers are willing to supply. The failure of the initial intervention, and the emergence of new problems elsewhere, forces the government to intervene again; to address the shortage, the government may force producers to supply more at the lower price, or may intervene in the prices of resources and wages in related industries. This dynamic makes piecemeal interventions ineffective, forcing the government either to expand its intervention to encompass more and more of the economy or to withdraw altogether. To Mises, the “intervention is not only useless, but wholly unsuitable because it aggravates the “evil” it meant to alleviate” (8).

Hayek (1964) adds an additional dimension to the challenge, arguing that the nature of social phenomena—like a market economy—is more complex than policymakers appreciate.

Specifically, Hayek argues that social phenomena are complex systems and thus possess emergent properties, meaning that the whole “will possess certain general or abstract features which will recur independently of the particular values of the individual data” (336). The implication is that policymakers not only possess inadequate knowledge to predict how their intervention will affect the economy, but that knowledge is in some ways not accessible because the emergent properties of the complex system mean that such outcomes are only determined from the interaction of the intervention and the system itself. The best that the social scientist can hope to achieve, Hayek argues, is “explanations not of individual events but merely of the appearance of certain patterns of orders” (349).

Coyne (2013) uses these insights to explore how unintended consequences emerge in the context of humanitarian interventions. Coyne argues that policymakers tend to approach intervention from a linear perspective, in which a problem is identified and a solution is implemented. However, all humanitarian interventions occur in the context of complex systems and thus require a perspective that takes into account the unique properties of those systems. Coyne posits three implications of this “systems thinking” approach for humanitarian interventions. First, the consequences cannot be easily predicted since the results of interventions into complex systems are often long-term and variable. Second, people in the target country tend to behave strategically and will change their behavior in the present in anticipation of the intervention in the future. Third, because of their emergent properties, interventions into complex systems will shape the evolution of the system environment itself in ways that are not easily predictable or comprehensible.

Coyne argues that well-meaning humanitarian interventions can result in a variety of unintended consequences. For instance, foreign aid meant to ease the suffering of people under

dictatorial regimes may end up reinforcing those regimes. Aid can also provide a disincentive for recipient countries to become self-sufficient, thereby leading to aid dependency. And humanitarian intervention can exacerbate conflicts by making it less costly for combatants to continue fighting or less costly for humanitarians themselves to act opportunistically. Coyne concludes that, even if humanitarian action is able to achieve its main objective, these unforeseen consequences may reduce or outweigh the benefits, putting the onus on policymakers to demonstrate the net benefits of a given intervention.

Coyne (2008) attributes the emergence of negative unintended consequences to the lack of complete knowledge on the part of policymakers (104). Specifically, the intervener does not know how the intervention will shift incentives in the target country, nor how the system environment will evolve in response to those new incentives, making it difficult or impossible to predict the full consequences. To understand the nature of this problem, it is useful to apply economist Frank Knight's (1964) discussion of the concepts of risk and uncertainty. According to Knight, risk is the probability of an outcome that is estimated either through *a priori* logic or from statistics gathered from past experiences. On the other hand, uncertainty is a condition in which the probability distribution of an outcome is not known, "the reason being in general that it is impossible to form a group of instances, because the situation dealt with is in a high degree unique" (Knight 1964, 233). Knight argues that in cases of uncertainty, rather than of risk, the analyst cannot apply the same tools to estimate the probability of an outcome because the parameters needed to calculate the estimate are not knowable, and attempting to do so is "meaningless and fatally misleading" (231).

In the context of foreign intervention, economists working in the lessons-learned perspective tend to see their task as characterized by risk, in that they believe they can increase

the probability that any given intervention will be successful and minimize unintended consequences by collecting more data on what did and did not work in the past. In contrast, economists working in the nirvana-fallacy perspective understand the intervention to be characterized by what Knight calls uncertainty, in that the results are not just hard to predict but are often unknowable beforehand. The unintended consequences are thus far more difficult to avoid because the probability distribution of those outcomes emerge from the changing system environment, making them inherently unpredictable.

### *B. Unintended Consequences in the Conflict against ISIS*

Policymakers seeking to intervene against ISIS must recognize that the conflicts in Iraq and Syria represent complex systems and that any intervention poses the risk of consequences whose costs cannot be predicted ahead of time. Coyne (2008) specifies that these negative unintended consequences can occur on two margins. The first is internal harm to the country being targeted by the intervention. For instance, in addition to intensifying the US military's role in the fight against ISIS, the Obama administration is seriously considering increasing support for the Syrian Arab opposition (Schmitt 2016a, Schmitt 2016b). This support would include an increase in the number of special operations trainers from 50 to as many as 250 (Lubold and Entous 2016). But while increasing the effectiveness of Syrian rebels may achieve the US objective of retaking ISIS-held areas, it also prolongs the conflict by lowering the costs of fighting and could harm noncombatants. In February 2016, more than 30,000 Syrian civilians fled from the Russian attacks in support of the Assad regime to the border with Turkey (Nissenbaum 2016). Those same civilians are being further displaced as US-supported rebels battle ISIS for control of the area. Similarly, at least 10 civilians were reported to have died from starvation during the siege

of the ISIS-occupied city of Fallujah by the US-backed Iraqi military and Shia militias (Bradley 2016).

Whereas prolonging the conflict and increasing civilian suffering is an unfortunate but inevitable byproduct of intensifying the fight against ISIS, intervention into a complex system can also result in internal harms that are not predictable beforehand. One example is how the web of rebel alliances engaged in the conflict shifts in response to the intervention. These alliances are temporary and variable, meaning that groups supported by different parts of the US foreign policy establishment occasionally end up on the opposite sides of the conflict. For instance, the CIA-armed Knights of Righteousness militia was attacked by the Defense Department-backed Syrian Democratic Forces in the towns of Marea and Azaz, and in Northern Aleppo (Hennigan, Bennett, and Bulos 2016). The YPG, a Kurdish militia armed by the United States, is also reportedly fighting alongside Sunni Arab militias funded with almost \$1 billion from the CIA (Rogin and Lake 2016). And in Iraq, clashes between the US-backed Kurdish Peshmerga militia and Shia militias killed dozens of combatants in October 2015 and April 2016 (Bradley and Adnan 2016).

Clashes between US-supported forces are wasteful and counterproductive, but this situation is not unique to the intervention in Syria. The January 16, 1926, edition of the *Economist* magazine reported how Britain's India Office and Foreign Office inadvertently supported opposing sides in the war between the future ruler of Saudi Arabia and his rival Hashemite regime in Jordan. According to the author, "these two departments indulged in a private war, by proxy, in Central Arabia, where their respective protégés fought one another with rifles and riflemen which were paid for, on both sides, by gold drawn from the pockets of British taxpayers" (*Economist* 1926, 98).

Coyne (2008) argues that unintended harms may also occur on the external margin, in the form of negative spillovers that affect neighboring countries or the rest of the world. One example of this dynamic in the Syrian context is the conflict between the Kurds and Turkey. After the Kurds proved to be the most effective fighting force in combating ISIS, the US military began supporting Kurdish militias in Iraq and Syria with airstrikes, ammunition, and special operations advisers (Blanchard and Humud 2016). Similarly, the United States provides weapons and ammunition to the Kurdish Regional Government which operates in an autonomous region of Northern Iraq (Entous 2016). But the Turkish government strongly opposes US support for the Kurds and claims that US-supplied weapons and ammunition are being smuggled from Iraq and Syria to members of the Kurdish PKK militia in Turkey (Nissenbaum and Lee 2016). The United States denies these claims, but there is clearly an association between US support for Kurds in the fight against ISIS and an escalation in Kurdish-Turkish conflict. A 2013 ceasefire between the PKK and the Turkish government ended in July 2015, after which thousands of militants and hundreds of Turkish security forces died in clashes in Southeastern Turkey as well as in Turkish airstrikes against the US-backed YPG in Syria (Nissenbaum and Albayrak 2015). Kurdish militants also claimed responsibility for multiple bombings that killed dozens of Turkish civilians and security personnel in early 2016 (Yeginsu 2016).

There is growing evidence that past Western interventions in the Middle East are creating the conditions that demand future interventions, following the dynamic described by Mises previously. One example is the case of Libya, where the United States and NATO responded to a growing humanitarian crisis (and an opportunity for regime change) with airstrikes that resulted in the overthrow of former dictator Muammar Qaddafi in 2011 (Zenko 2016). Five years later, Libya remains in conflict: the country's transition to a democratically elected government

collapsed in 2014, and the militias that took part in the war refuse to be demobilized by the national government (Blanchard 2016). Islamist militants used the conflict to establish a presence in Libya. In February 2015, ISIS seized the port city of Sirte and, by November, had as many as 5,000 fighters conducting attacks against Libya's oil infrastructure (el-Ghobashy and Morajea 2015; Faucon and el-Ghobashy 2016). Hassan Hassan (2016), a resident fellow at the Tahrir Institute for Middle East Policy, argues that ISIS could use Libya's central location to spread Jihadist cadres across Africa, although it must first overcome more established militant groups that are loyal to al-Qaeda.

In response, Western leaders are considering further interventions to halt the spread of ISIS in Libya, including airstrikes, special operations raids, and the training and advising of local opposition (Schmitt 2016b). There is evidence that special operations forces from the United States, United Kingdom, and France have been on the ground in Libya conducting reconnaissance for months in case a future intervention is needed (Schmitt 2016a). However, it is in part the West's success in combating ISIS in Syria and Iraq that encouraged the militants to take advantage of the instability caused by the 2011 intervention in Libya. Speaking to reporters outside CIA headquarters in April 2016, President Obama admitted that, "As we, our allies and partners have made it harder for foreign terrorists to reach Syria and Iraq, we've seen an uptick in the number of [ISIS] fighters heading to Libya" (Obama 2016).

Perhaps the most distressing negative unintended consequence of intervention is the potential for weapons or other resources supplied by the United States to be used by our enemies against us or our allies. As already mentioned, after capturing Mosul in 2014, ISIS seized millions of dollars' worth of US weapons and equipment provided for the Iraqi military. With this in mind, the Obama administration is understandably hesitant to supply anti-aircraft missiles

to Syrian rebels for shooting down regime planes, out of fear that they could be used by Islamist militants against civilian airliners (Hubbard and Saad 2016). Past experiences in the Middle East again demonstrate the fatal consequences that less discerning foreign interventions can produce. In his Pulitzer Prize-winning book *Ghost Wars*, Steve Coll (2004) describes how the United States relied on Pakistan and Saudi Arabia to funnel billions of dollars in cash and weapons to Afghan groups fighting the Soviet occupation with little concern about where those resources ended up. The Pakistani and Saudi intelligence services ended up distributing funds to their preferred Islamist extremist groups like the Hezb-e-Islami and, later, the Taliban.

As these examples illustrate, past and current foreign interventions in the Middle East have resulted in negative outcomes that were not anticipated. But the nature of complex systems means that many of these unintended consequences were not due to a lack of planning. Rather, they were the result of the interaction between the intervention and the system itself and thus inherently unpredictable before the intervention. The implication is that, as policymakers plan for future conflict with ISIS, they must take into account not only the expected costs associated with a more intense conflict but also acknowledge that the intervention will likely result in unintended consequences whose costs cannot be predicted ahead of time. In addition, policymakers should ensure that feedback mechanisms are in place to address and mitigate unintended consequences when they do occur. The effectiveness of these mechanisms will depend on policymakers' ability to mobilize information and whether the rules are structured in a way that actually incentivizes them to respond. This is not to say that any intervention should be dismissed out of hand; as Coyne (2013) acknowledges, there is a cost to inaction as well. Rather, the goal of this section is to provide policymakers with a more complete consideration of the costs that intervention is likely to entail.

## **6. Alternative Approaches**

This paper has applied tools of economic analysis to investigate which of the United States anti-ISIS objectives are most achievable. As explained previously, US policy toward ISIS is coalescing around two broad policy positions. First, the US military is taking a more active role in directly attacking ISIS sources of financing and disrupting the group's operations, as well as indirectly combating ISIS by supporting local fighters in Syria and Iraq with weapons, equipment, and advisers. Second, Western policymakers are seeking a reconciliation between Syrians and Iraqis to end the civil conflict in those countries and institute political and economic reforms to bring about a liberal democratic order. But these objectives are subject to at least three problems that will constrain what policymakers can achieve. The first problem is a lack of local knowledge, in that the foreign policy bureaucracies face a relative inability to identify, implement, and correct these policies in a way that would achieve their objectives. Second, coordination failures caused by a lack of credible commitment mechanisms and misaligned incentives make reaching reconciliation among the conflicting parties unlikely in the short term. Third, there is the potential for unintended consequences to emerge that might negate the benefits of these policies. Given the nature of the challenges they face, policymakers should be skeptical that they will be able to achieve their objectives and should approach their task from a baseline of humility.

Policymakers will likely be unsatisfied with the argument presented here. Following the attacks in Paris, Brussels, and San Bernardino, there is substantial pressure to “do something” to eliminate the threat posed by ISIS. Readers should not interpret this paper as a call for doing nothing; rather, it is a call for policymakers to take into account the full costs when formulating policy toward the group. At this point, the Obama administration appears to be committed to

keeping US troops largely out of the fight against ISIS: General Joseph Dunford, chair of the Joint Chiefs of Staff, told a US Senate panel in April 2016 that the United States was committed to using only local forces recapture the ISIS strongholds of Mosul in Iraq and Raqqa in Syria (Sonne 2016).

Ultimately, the analysis presented in the preceding sections suggests that the task of containing ISIS geographically while disrupting the group's operations and sources of financing likely represents the upper bound of what policymakers can hope to achieve. But such limited objectives do not address the roots of the problems that gave rise to ISIS, nor do they take into account the unintended costs that such an intervention may incur. This final section poses alternative policy approaches, both in the short term to address the threat of ISIS and relieve the humanitarian crisis, and in the long term to address the causes of conflict in the region. While none of the alternatives discussed subsequently are the kind of active military interventions that policymakers may be seeking, they are less costly and more realistic tasks that have the potential to better accomplish policymakers' objectives.

#### *A. Short-Term Alternatives*

Supporters of a more active policy toward ISIS cite two reasons why foreign intervention is necessary. The first is to defend US interests, the need for which was demonstrated by the attacks in Paris and elsewhere. However, it is questionable how much of an interest the United States has in Syria, Iraq, or the Middle East in general. In his book *Restraint*, political scientist Barry Posen (2014) argues that US interests in the Middle East are limited to energy security and the defense of Israel. But the US fracking boom of the last half-decade increased US oil production significantly, and Israel demonstrated that it is capable of defending itself from its much weaker neighbors. Instead, Posen argues that the United States should adopt a strategy of restraint, which

requires policymakers to be realistic about what the real threats to its national interests are. In this framework, ISIS is a threat to Americans' safety, in the form of attacks similar to those in Brussels and elsewhere, but that threat is not existential (see Mueller 2015; Bergen and Sterman 2014). Graeme Wood (2016), a fellow at the Council on Foreign Relations, told the US Senate Foreign Relations Committee that "[ISIS's] military is not one of the world's most formidable, and we should not mistake the grandeur of its language for vast operational capacity" (2). Rather than attempting to influence politics in the region, Posen (2014) argues that the United States should maintain a lower profile and minimize blowback as much as possible, focusing instead on counterterrorism (although even this limited objective can result in unintended consequences; for instance, see Coyne and Hall's [2014] discussion of how the use of drones in counterterrorism abroad led to their increased use in domestic policing).

Arguing in a similar vein, political scientist Stephen Biddle and economist Joseph Shapiro (2015) argue that stamping out ISIS entirely, the way that American troops almost eliminated al-Qaeda in Iraq from Anbar Province during the US occupation, will require a long-term Western presence on the ground in Iraq and Syria that is far more costly than policymakers or the US public is willing to bear. The source of the problem, the authors argue, is the misalignment of incentives: the West wants local forces to recapture the ISIS strongholds of Mosul in Iraq and Raqqa in Syria; but defeating ISIS is simply not a high priority for most of the local opposition in Iraq and Syria, who are more concerned with political rivalries and fighting the Assad regime. Even if US forces or local opposition recaptured these cities, the root causes of the problems facing the two countries remain. Instead, the West should focus on containing ISIS, which the authors argue will eventually exhaust the resources necessary to continue fighting. The

authors admit that this course of action is not costless, as it will mean strangling the ISIS economy and impoverishing those under ISIS rule.

This tradeoff relates to the second reason supporters cite for a more active intervention: alleviating the ongoing humanitarian crises, especially in Syria. But the main threat to Syrians is the Assad regime, which is believed to have killed far more people than Islamist militants or the Syrian opposition (Lynch 2016). Ideally, Syrians would negotiate an end to the civil war and secure a lasting peace, but for reasons discussed previously this outcome is unlikely to occur in the short term. Alternatively, Syrians could be allowed to seek refuge outside their country. To a certain extent this is already happening: more than 4 million Syrians have fled since the start of the civil war, mostly to neighboring Jordan and Turkey, as well as to Europe (Boehler and Pecanha 2015). They joined millions of other migrants fleeing places like Iraq, Afghanistan, Sudan, Eritrea, and Myanmar. But the volume of migrants is fueling resentment among Syria's neighbors and prompting some European nations to close their borders (Fahim 2016; Yardly 2015). Lacking a legal pathway to Europe, hundreds of thousands of migrants have risked crossing the Mediterranean Sea on crowded boats, leading to more than 3,000 drowning deaths in 2015 (IOM 2015). A more open policy for migration would have a twofold effect: it would mitigate the humanitarian crises occurring in Syria and Iraq, and it would deal a blow to ISIS by denying them much-needed human capital. Areas under ISIS control are being subjected to a so-called "brain drain" as skilled laborers and professionals are fleeing the group to move to places where their skills can be used more productively (Bradley and Alakraa 2015).

Although a more open migration policy would ease the humanitarian crisis in the short term, it would not be costless. Many refugees would need at least some government support after arriving in the United States or Europe. Others would find it difficult to integrate into Western

societies and labor markets, and domestic low-skilled workers would see increased competition from the new arrivals. But Caplan (2015) argues that the West could take steps to address these issues, as well as the fears of nativist opposition. For instance, refugees could be denied most of the benefits accorded to US citizens, and they could be taxed more heavily to subsidize the wages of displaced Western workers. Policymakers could also make integration easier by permitting refugees to work without constraints and easing minimum wage laws to allow labor markets to absorb the influx of low-skilled workers. Caplan argues that, from a humanitarian perspective, any of these changes would be preferable to the status quo. And there are potentially huge benefits for both the migrant and the host country from permitting more free movement of labor (see Clemens 2011).

### *B. Long-Term Alternatives*

Rather than promoting a Western-style liberal democracy in postconflict Iraq and Syria, policymakers should undertake the more modest task of understanding what makes some communities more resilient in the face of disasters than others. These resilient communities are more likely to prevent groups like ISIS from emerging during situations of conflict. One source of evidence for how and why communities recover from war and other man-made disasters is economic research into how communities recover from natural disasters. This literature suggests that resilient communities share two characteristics: (a) a robust civil society that enables individuals to band together to respond to collective action problems posed by disasters and (b) a flexible rule environment that allows entrepreneurs to identify opportunities to make profits and drive social change.

Storr, Haeffele-Balch, and Grube (2015) argue that communities with robust civil society and social capital in mundane times are the most likely to be resilient in times of natural disaster.

The authors discuss the overlapping roles played by three types of social capital: “bonding” social capital, which links members within closely related groups; “bridging” social capital, which links members across heterogeneous groups; and “linking” social capital, which connects individuals in different social settings and positions of authority (39). The authors also argue that both commercial and social entrepreneurs provide, repair, and reinforce the social capital that enables communities to overcome the collective action problem of deciding whether or not to rebuild following a natural disaster. These entrepreneurs provide much-needed goods and services, repair social networks, and signal to other members of the community that recovery is underway.

Resilient communities need not rely solely on the private sector or on voluntary associations to solve collective problems. Ostrom (1994) argues that robust systems of governance require “polycentrism,” in which autonomous, overlapping, and competing units of authority organize political, social, and economic affairs (225). Competitive public economies, Ostrom suggests, are more likely than a central authority to possess the local knowledge that enables them to be responsive to their constituent’s needs: “the more federalized a political system, the higher the degree of competitive viability that can be expected to exist in fitting patterns of demand to patterns of supply” (232). Thus, fostering resilient communities means ensuring that “bureaucrats have the freedom and incentive to act entrepreneurially to meet disaster victims’ needs” and “eliminating, suspending, or simplifying the rules that hamper post-disaster entrepreneurship” (Storr, Haeffele-Balch, and Grube 2015, 135). These are what Coyne and Hall call “unblocking reforms,” which emphasize the role of economic freedom, endogenous rules that protect property rights and enforce contracts, and the removal of barriers that prevent

entrepreneurs from identifying and acting on opportunities (see Storr, Haeffele-Balch, and Grube 2015, 85).

Even in places like Syria, where a civil war and decades of repression have eliminated most civil society, the absence of formal government services is creating opportunities for social entrepreneurs to emerge and coordinate a response to pressing humanitarian needs. One example is the Syrian Civil Defense, known as the “White Helmets” in reference to their distinctive headgear. The White Helmets are a nongovernmental organization that provides humanitarian relief after airstrikes, often putting themselves in harm’s way to put out fires and pull survivors from the rubble of collapsed buildings (Dagher 2016). The organization formed in 2013 with funding from British, Danish, and Japanese governments but maintained autonomy because of the relative absence of foreign humanitarian oversight during the war (di Giovanni 2016). The White Helmets are still a relatively small operation, with about 3,000 volunteers working mostly in rebel-held areas. But more and more civil society organizations are emerging to help Syrians deal with long-term recovery and development after the war, many of them founded and operated by refugees fleeing the conflict themselves (Van Holm 2015).

Groups like the White Helmets signal a broader shift toward self-governance in Syria. As the opposition pushed the formal government out of many parts Syria, local activists formed governing councils to provide public goods and respond to humanitarian issues (Hof 2015). As mentioned previously, these organizations are entirely new to Syria, which does not have a history of robust civil society. Some are supported by foreign organizations and the expatriate leadership outside of Syria, but most are fully autonomous and responsive only to their local town or neighborhood. This dynamic is occurring on a much larger scale in the Kurdish areas of Syria, where Kurds declared an area a semiautonomous federal region, calling it “Rojava in

Northern Syria,” in March 2016 (Bradley, Albayrak, and Ballout 2016). While this declaration was a largely symbolic recognition of the de facto partition of the country during the civil war, it was immediately rejected by the United States, as well as the Turkish and Syrian regimes. However, similar proposals for breaking up Iraq into autonomous regions are reportedly receiving serious attention (Arango 2016).

The emergence of these self-governance movements is not surprising from an economic perspective. Leeson (2014) provides a theoretical argument for why a society would “choose” self-government over a formal central state. In certain situations, Leeson argues, the costs of living under a formal government—such as paying taxes, giving up individual liberties, as well as opportunism and predation—could outweigh the benefits of having a formal government that stem from the creation and enforcement of common rules that expand the range of opportunities for exchange. Leeson argues that this dynamic is actually playing out in many of the least developed countries today: predatory governments are imposing a greater cost on their constituents than they are providing in benefits; the people in these countries would be better off without a formal, central state. Economic research on failed states provides evidence that the lack of a formal government may actually be better for those who live there. Powell, Ford, and Nowrasteh (2008) show that, after the formal state collapsed in Somalia, economic performance improved relative to other African countries. Similarly, Leeson (2007) finds that Somalia improved on an array of economic development indicators after the state failed.

If more self-governance is a lower-cost option for Iraqis and Syrians, what can Western policymakers do to help? First, those in the West must take into account the challenges to intervention discussed previously: lack of local knowledge, coordination problems, and unintended consequences. These problems suggest that a solution cannot be imposed on Syrians

and Iraqis from outside. As Ostrom (1994) writes, “there is no one strategy and no one way for building systems of polycentric ordering” (242). Instead, consensus around mutually productive political, economic, and social arrangements arises through a process of “contestation, innovation, and convergence” (244). Stalemates are inevitable, but they present opportunities for individuals to realize how “conflicting interests yield to a community of relationships” (239). And there is no guarantee that consensus will be achieved or sustained: “the maintenance of such orders depends upon a sufficient level of intelligent deliberation to correct errors and reform themselves” (243). Similarly, de Tocqueville ([1840] 2012) recognizes that a robust system of voluntary associations is not inevitable, but rather constitutes an art and science that must be consciously developed and maintained by the individuals within that society. The implication is that if the parties directly involved are unable to reach a consensus, then there is little that outsiders can do to impose a better alternative on them.

More practically, Western policymakers can help these countries most by removing impediments to the development of polycentricism and self-governance. They need not actively promote self-government; such a course would likely be counterproductive. Instead, policymakers can take the more modest steps of simply ending their attempts to influence Middle East politics, especially their tendency to promote monocentric political orders. Economist Bill Easterly (2014) discusses the tendency for Western elites and the general public to overlook the track record of economic freedom in delivering long-term growth and instead attribute economic success to the decisions of benevolent autocrats. Easterly points out, however, that for each autocratic success story, there are at least as many failures. And he presents evidence that many of those countries that achieved high economic growth in recent years did so in spite of their autocratic leadership, and not because of it. With that in mind, the United States and its Western

allies should reexamine their existing policies toward these societies and remove any that block economic freedom, such as barriers to labor mobility. The West should not stand in the way of indigenous decisions to rely more on polycentricity and self-governance, such as with the emergence of a federated Kurdish region in Northern Syria or the push for greater autonomy in the majority Sunni and Kurdish provinces in Iraq. Such developments will be costly and messy, but they will likely do more to start these societies down the path toward solving the problems that gave rise to groups like ISIS than can foreign intervention into the conflict.

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