The Fatal Conceit of Foreign Intervention: Evidence from the U.S. Occupation of Iraq

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Abstract: The fatal conceit of foreign intervention refers to the limitation that policymakers within governments face regarding the use of discretionary power to address perceived problems within foreign societies. This paper uses a variety of primary sources on the Iraq War to contribute in showing how the challenges and failures faced by policymakers when seeking to achieve their stated objectives relating to the post-war reconstruction in Iraq illustrates this concept. To achieve this goal, this paper follows Lambert, Coyne, and Goodman (2021) in showing how interveners faced both epistemic and incentive constraints when it comes to the selection of ends, the selection of means, and the realization of ends using the means selected.

1. INTRODUCTION

In 2003, the United States under President George W. Bush initiated operations in Iraq with a goal of overthrowing the regime of Saddam Hussein, of getting rid of any weapons of mass destruction in the country, and of "helping Iraqis achieve a united, stable and free country" (Bush 2003b). In his speech on March 19, 2003, Bush stated that the United States "will pass through this time of peril and carry on the work of peace. We will defend our freedom. We will bring freedom to others and we will prevail" (Ibid.). In the full transcript of Bush's speech, it clarifies that "[t]he United States, with other countries, will work to advance liberty and peace in that region" so that the Iraqi people "can set an example to all the Middle East of a vital and peaceful and self-governing nation" (Bush 2003a).

According to the Costs of War project at Brown University, between 2003 and 2023, about $1.8 trillion was spent on operations in Iraq and Syria[1]. Of that, about $862 billion was spent by the Department of Defense and $62 billion by the State Department (Crawford 2023, p. 5). Despite the significant financial spending, there remains significant doubts as to whether the U.S. achieved its goals. Although the Bush administration promised a quick victory with few civilian and military casualties, the U.S. government is still engaging in conflict in Iraq—albeit at a slower pace—with the Biden administration requesting nearly $400 million for the 2024 fiscal year to counter ISIS operations (Department of Defense Comptroller 2023). Furthermore, rather than Iraq being transformed into a flourishing democracy, evidence from Freedom House's The Freedom in the World Index (see Image 1) and the Democracy Index from the Economist Intelligence Unit (see Image 2) suggest that the amount of political freedom in the country did not significantly change after Hussein was overthrown, while data from the Perceived Corruption Index provided by Transparency International (see Image 3) suggests that public perception of corruption also did not improve to pre-invasion levels until a decade after the U.S. occupation ended.

This paper seeks to contribute to explaining why good intentions on the behalf of planners, primarily in the United States, did not result in good results. To do so, this paper seeks to illustrate the U.S. intervention in Iraq as an example of the "fatal conceit of foreign intervention." Building on F. A. Hayek's (1988) *The Fatal Conceit*, the fatal conceit of foreign intervention is defined as "the use of discretionary power of one government to address perceived problems in foreign societies" (Coyne and Mathers 2010). Highlighting the epistemic and incentive challenges that interveners face, the fatal conceit of foreign intervention is characterized by features such as a reliance on top-down planning, the allocation of scarce resources through bureaucratic political channels, the approach of economic development as a technological issue, and the treatment of societies as simple rather than complex systems (Coyne and Mathers 2010; Lambert, Coyne, and Goodman 2021, p. 286).[2]

To discuss the fatal conceit of foreign intervention as applied in Iraq, this paper will follow the methodology used by Lambert, Coyne, and Goodman (2021) in their application of the fatal conceit of foreign intervention to the U.S. intervention in Afghanistan. In doing so, this paper will primarily rely on primary sources, mostly from the Special Inspector General for Iraq Reconstruction (SIGIR for short)—a former U.S. government agency that was intended to provide independent oversight over reconstruction efforts in Iraq—, but this paper will also use other sources such as *The Iraq Papers* (Ehrenberg et al. 2010). By doing so, this paper will present evidence of the epistemic constraints and the incentive constraints that limited the ability of U.S. interveners to shape Iraqi society. This paper will do so with an appreciation that "[t]he curious task of economics is to demonstrate to men how little they really know about what they imagine they can design" (Hayek 1988, p. 76).

In doing so, this paper would contribute to an extensive literature focused on U.S. military interventions focused on building up institutions in foreign nations, and analyzes the various factors and mechanisms that explain why there is a variation in outcomes (see, for example, Berger et al. 2013; Bueno de Mesquita and Downs 2006; Coyne 2008a; 2011; Coyne and Mathers 2010; Coyne and Pellillo 2011; Denison 2020; Downes 2021; Downes and Monten 2013; Duncan and Coyne 2015; Enterline and Greig 2005; 2008; Lambert, Coyne, and Goodman 2021; Payne 2006; Pickering and Peceny 2006). In addition, this paper will also contribute to a literature exploring the efforts of nation-building in Iraq (Coyne 2022; Dodge 2003, 2013; Monten 2014; Papagianni 2007; Van Buren 2012) through adding an economic analysis of such efforts in Iraq from the view of mainline political economy.

The rest of this paper is organized in the following way. Section 2 provides a theoretical foundation for understanding the fatal conceit as applied to foreign interventionism. Sections 3-5 follow in the footsteps of Lambert, Coyne, and Goodman (2021) by applying this theoretical foundation through the lens of a means-ends framework. More specifically, Section 3 will focus on the fatal conceit applied to problems related to the selection of ends by interveners. Section 4 will focus on selection of means by these interveners to attain given ends. Section 5 will focus on the consequences of the selection of means by interveners to attain their given ends to reshape society. Section 6 concludes the paper.

2. THE FATAL CONCEIT OF FOREIGN INTERVENTION

2.1 The Application of the Fatal Conceit to Foreign Interventionism

The fatal conceit is a critique from F. A. Hayek against those who would argue that it is possible to socially construct rules to achieve a specific outcome. More specifically, it is an argument against the presumption that people can rationally design a specific set of formal and informal institutions, which are the "rules of the game" that can generally affect social outcomes by changing incentives that people face (North 1990, 1991), in order to achieve a specific social outcome. Hayek (1988) emphasized that deliberately organized institutions have some importance for the functioning of society. However, many institutions that help facilitate human cooperation are part of an "extended order," with both the institutions and the extended order arising through purposeful human action while not being the product of explicit human design. In other words, just because deliberately planned institutions—embedded in a more extensive and comprehensive spontaneous order—are important for the functioning of society, it does not follow that the society itself can be deliberately designed.[3] Planners seeking to reshape societies in their own image are assuming that they have knowledge that they cannot possibly obtain.

While Hayek used the concept of the fatal conceit to criticize the rational constructivism which existed in the socialist economic planning of the Soviet Union, Coyne and Mathers (2010) apply this concept to planning that exists in military interventions, and they find five similarities between the two applications of the fatal conceit. The first similarity is that "good intentions do not necessarily lead to good results." While socialism and foreign interventions are often driven by good intentions by the interveners on behalf of the intervened-upon, these good intentions do not always lead to the desired outcomes and, in many cases, lead to more harm than good for the intervened-upon due to the existence of unintended consequences. The second similarity is that there is a "reliance on top-down planning." Both are grounded upon central planning derived from a group of experts who have unique and specialized knowledge in areas such as international development. In both the case of foreign intervention and the case of socialism, this focus on top-down centralized planning often comes with a failure to appreciate the role of emergent institutions.[4] The third similarity is the "view of development as a technological issue." Success in transforming a society is seen by interveners as being largely dependent on the amount of effort and resources invested and on the execution of the centrally-designed plan; this presumes, in turn, that they have both the knowledge to be able to design the plan and the incentives to carry out the plan. The fourth similarity is a "reliance on bureaucracy over markets." Both socialism and foreign interventionism often include a large bureaucratic system that implements the centralized plan from designated experts which, as will later be discussed, leads to individuals operating in these bureaucracies having epistemic and incentive challenges that differ from individuals operating in a market order. The fifth and final similarity that Coyne and Mathers point to is "the primacy of collectivism over individualism." Even if these interventions are done with the stated intention of improving the lives of those who are intervened upon, opportunity for those individuals to resolve their own problems through learning, experimentation, and self-determination is often sacrificed in exchange for the imposed plans of intervening experts.

2.2 The Epistemic Constraint

Throughout the process of foreign intervention, there are two types of constraints that lead one to question whether interveners would always successfully achieve their goals of shaping a society on behalf of others. The first type of constraint that interveners face is epistemic. Regarding the provision of foreign aid, one must consider the fact that interveners are acting in a non-market institutional environment. In the market process, people engage in rational economic calculation to determine which alternate uses of scarce resources are valuable to consumers and which are not. They are guided by money prices to know the relative scarcity of these scarce resources, which helps provide information on how to best utilize their scarce resources (Hayek 1945). Furthermore, monetary profits and losses help indicate which uses of scarce resources are valuable to consumers and which are wasteful (Mises 2012/1920). On the other hand, bureaucrats are left without this monetary standard. Therefore, with the absence of market feedback mechanisms, decisions on the allocation of scarce resources must be based on other factors such as political or social connections; in these cases, market competition is replaced with political competition.

Similarly, policymakers face similar knowledge problems when it comes to the complex set of informal institutions which underpin the formal institutions operating within a given society (see Coyne 2008a; Coyne and Mathers 2010). This is exacerbated by the fact that interveners from a foreign country are further away from the informal institutions of the intervened-upon than interveners that are part of the same nation as the intervened-upon (Boettke, Coyne, and Leeson 2008). Because interveners cannot access the localized, context-specific, and tacit knowledge that underlies these institutions, the result is that they instead turn to top-down, comprehensive plans which abstract from that localized knowledge.[5]

In addition, planners face the simpler challenge of having access to all of the information or data that they see as needed to engage in intervention. The fact that people are constrained both by time and by their brain capacity means that there is only a finite amount of information that they can be aware of or accumulate at any point in time. However, this problem is further exacerbated by the challenges that exist when the data they require to engage in interventions are either imprecise or non-existent altogether. Thus, planners struggle to either receive the knowledge, or even the information, needed to engage in top-down central planning in the form of post-war reconstruction.

2.3 The Incentive Constraint

Even if one would assume that interveners have both the information and the knowledge necessary to engage in top-down centralized planning, there is another constraint that interveners face, which is the constraint of incentives. This can be observed when discussing the incentives and constraints faced by bureaucrats. The competition that exists between different bureaus over scarce resources and influence over reconstruction efforts leads to a variety of consequences that affect efforts at reconstruction. First, bureaus will attempt to receive the largest possible share of resources and the most influence over the reconstruction process as they possibly can, often through signaling their importance relative to other bureaus. Second, this competition over funds and influences leads to each agency pursuing its own agenda, which may clash with the agendas of other agencies and the overall goal of successful economic and social reconstruction. Instead of bureaus working together to achieve the common goals of reconstruction—whether they be security, reducing poverty or increasing economic development, promoting a civil and democratic society, etc.—, agencies are placed at odds with each other. Third, the competition over a limited budget by competing bureaus, combined with the failure of a bureau to spend its entire budget typically leading to reductions in their budget, often lead these agencies to exhaust their budgets, even if it is spent wastefully in a way that is at odds with the stated ideal to minimize cost for the intervener and to maximize benefit for the intervened-upon (Coyne and Pellillo 2011, pp. 639-640). The fact that bureaucrats lack the feedback mechanisms to accurately gauge the effectiveness of allocating scarce resources to its highest-valued uses leads the tendency of bureaus to engage in wasteful behavior to be intensified (Mises 1944).

The challenges that arise from public incentives faced by budget-maximizing bureaucrats are compounded by private incentives that emerge from lobbying or rent-seeking. Because market feedback mechanisms such as profits and losses are unavailable for bureaucrats seeking to find the best utilization or allocation of scarce resources, the political competition that occurs between demanders of rents serves as the next available alternative. Amidst this competition, resources that could have otherwise been used to benefit the intervened-upon are instead being utilized to build, maintain, and take advantage of connections with policymakers to secure lucrative contracts or scarce resources. Furthermore, even more resources can be spent in the interaction between the government and private individuals in the form of rent-extraction (McChesney 1987, 1997). This combination of public and private incentives gives plenty of opportunity for people to engage in unproductive entrepreneurship,[6] which in turn leads to waste, fraud, abuse, and corruption that are at odds with interveners acting on behalf of the intervened-upon.

The incentives that exist between private and public actors in times of peace are intensified in times of war, such as the post-war reconstruction that existed in Iraq, because of the increase in the amount of funds to be sought and expended, the increase in the number of public bureaucrats and private contractors that are supplying and demanding said funds, and an increase in the feeling of urgency to act (Coyne, Michaluk, and Reese 2016, p. 231).

3. SELECTION OF ENDS

3.1 Aligning Policy Goals with the Welfare of the Intervened-Upon

To engage in foreign intervention, the intervener requires a selection of goals, or intended ends or outcomes, to be pursued or achieved. As mentioned in Lambert, Coyne, and Goodman (2021), these interventions often involve some combination of immediate humanitarian assistance, longer-term development, and permanent change towards liberal institutions. Such interventions could be made with an intent to act in the best interest of the intervened-upon. For example, Condoleezza Rice stated the following in a press briefing from April 4, 2003.

> We will help Iraqis build an Iraq that is whole, free and at peace with itself and with its neighbors; an Iraq that is disarmed of all WMD; that no longer supports or harbors terror; that respects the rights of Iraqi people and the rule of law; and that is on the path to democracy (Rice 2003).

This stated intent to intervene in Iraq on behalf of the Iraqis was a position that Bush upheld from his predecessor. In a statement by President Bill Clinton upon signing the Iraqi Liberation Act of 1998 on October 31, he stated that the United States "wants Iraq to rejoin the family of nations as a freedom-loving and law-abiding member", "favors an Iraq that offers its people freedom at home", and "looks forward to a democratically supported regime that would permit us to enter into a dialogue leading to the reintegration of Iraq into normal international life" (U.S. Executive Office of the President, Office of the Press Secretary 1998). This stated objective of acting on behalf of the Iraqis by replacing Saddam Hussein's dictatorship with a pluralist and participatory democracy that upheld the rule of law and respected the rights of Iraq's many ethnic and religious groups also could be seen elsewhere. As mentioned by a statement by Douglas J. Feith to the Senate Committee on Foreign Relation on February 11, 2003,

> If U.S. and other coalition forces take military action in Iraq, they will, after victory, have contributions to make to the country's temporary administration and the welfare of the Iraqi people. It will be necessary to provide humanitarian relief, organize basic services, and work to establish security for the liberated Iraqis (Ehrenberg et al. 2010, p. 170).

More than the provision of basic goods and services, Feith also mentioned in his address that the U.S. intervention in Iraq would also involve a "process of economic and political reconstruction, working to put Iraq on a path to become a prosperous and free country", further stating that "[t]he U.S. government shares with many Iraqis the hope that their country will enjoy the rule of law and other institutions of democracy under a broad-based government that represents the various parts of Iraqi society" (Ibid.). It was also Feith's stated intention that "the United States would have a commitment to leave as soon as possible, for Iraq belongs to the Iraqi people. Iraq does not and will not belong to the United States, the coalition, or to anyone else" (Ibid.).

However, despite the stated intentions of policymakers to act in the best interest of the Iraqis, most of the planning and implementation was done by American planners within bureaucratic agencies, such as the Department of State (DoS), the United States Agency for International Development (USAID), and the Department of Defense (DoD).[7] The ability for these interveners to plan post-war reconstruction in a way that benefited the Iraqis was inhibited by a lack of information among the interveners. For instance, a DoD official, commenting on the lack of information about Iraq's infrastructure and government institutions, which made it difficult to determine what is needed to restore essential services, commented that, "[w]e never had anything more than a PowerPoint briefing… We might have had some financial estimate papers, but it was a lot of back-of-the-envelope, 'what will it take to fix the Ministry of fill-in-the-blank.' It was all guesstimates made on top of suppositions" (SIGIR 2009b, p. 11).

Interveners also faced challenges from limited knowledge of Iraqi culture. For example, Falah Mustafa Bakir provided an example of this lack of local cultural awareness in which "men were searching Iraqi women and entering into private quarters of homes unannounced" (SIGIR 2013, p. 19).[8] Dr. Fuad Hussein further emphasized the damaging results of combining a lack of local knowledge with an insistence of taking total control over key ministries when he stated that "[t]he policy was to control the Ministries of Oil, Interior, and Defense completely, but if you know nothing about the culture you're trying to control, the result is chaos" (SIGIR 2013, p. 20).

More importantly, the reliance on bureaucracies for planning and implementing post-war reconstruction meant that interveners lacked the ability to access the private valuations of the Iraqi people that they were intervening upon. Lambert, Coyne, and Goodman (2021, p. 288) explain the implications of this observation. At best, this will lead intervening policymakers to plan, to act, and to utilize resources in a way that they believe that individuals in the foreign society would want with the resources the interveners have. At worst, this will lead to intervening policymakers imposing their own hierarchy of values upon the intervened-upon, regardless of the values or plans of the individuals being intervened-upon.

Many officials interviewed in the 2013 SIGIR report highlighted how many projects were constructed without consulting the Iraqis of whether they wanted these projects or not. Ambassador James Jeffrey, for example, noted that "there was never an impression that the Iraqis were included in any decision process" regarding programs or projects (SIGIR 2013, p. 130). Dr. Abdul Basit Turki al-Sae'ed observed that "[s]ome projects were built without asking the Iraqis if it was proper to build such projects" (SIGIR 2013, p. 16). Dr. Dov Zakheim observed that "[w]hat worked were projects that were thought through, were manageable, and had Iraqi buy-in. When we did consult (with the Iraqis), a project usually worked; when we didn't, it didn't" (SIGIR 2013, p. 23). Ambassador David Satterfield was "dissatisfied with what appeared to be a disconnect between our projects and Iraqi sense of ownership and buy-in… We were creating white elephants that did not have Iraqi buy-in or training to keep going" (SIGIR 2009b, p. 271).

While shifting policy-ownership from American interveners to Iraqi ones may lead institutions to be more effective due to being more in line with the informal institutions of the society being intervened upon,[9] the same types of epistemic and incentive constraints that U.S. policymakers face are the same types of constraints that Iraqi policymakers would face. This would include the incentives that arise from rent-seeking and rent extractions, the incentive for bureaus to compete over a limited budget, the inability to perfectly access the private valuations of the intervened-upon, and the potential for the objectives and plans of different domestic political authorities to conflict with each other (Coyne and Pellillo 2011, p. 631). Thus, while it may be possible for challenges that arise from intervention to decrease by allowing for "buy-in" by Iraqi politicians and other stakeholders, the basic set of challenges remain.

In addition to instances where the post-war reconstruction of Iraq involved interveners implementing plans that they believed served in the best interests of the Iraqis, the post-war reconstruction in Iraq was filled with examples of U.S. interveners imposing their own ideas and values onto the Iraqis, regardless of whether the Iraqis approved or not. For example, one role of the Iraq Training and Advisory Mission, which comprised of 337 personnel tasked with supporting the Iraqi Ministry of Defense and Ministry of Intelligence in the training of Iraqi police forces, was to "[e]xpose Iraqis to Western values and culture to promote tolerance" (SIGIR 2009c, p. 38). Another example could be seen in disagreements regarding Iraq's approach to health care. While U.S. experts wanted Iraq to move away from its hospital-based national health care system and towards an emphasis on preventative care delivered at local clinics due to their belief that the latter was necessary to provide health care in rural areas, individuals in the Iraqi medical community resisted this change and urged resources to be utilized to renovate hospitals rather than a new chain of rural clinics: a proposition that was largely ignored as $439 million was spent to build 150 new primary healthcare centers across Iraq and to renovate 17 hospitals (SIGIR 2009b, p. 190).[10] This effort was accomplished by the end of 2007, as a DoS Section 2207 report to Congress on the Iraq Relief and Reconstruction Fund stated that funds were being transferred due to the completion of projects in nationwide hospital and clinic improvements (DoS 2008, pp. 1-41). Yet, the 2013 SIGIR report found the program, the largest single activity in the health sector funded by the Iraq Relief and Reconstruction Fund, to be gravely deficient in its execution (SIGIR 2013, p. 110). Yet another SIGIR report from April 2009, specifically on the project of constructing primary healthcare centers, stated that "the program has cost substantially more than planned, taken much longer to complete, and produced fewer facilities" (SIGIR 2009a, Summary of Report).[11]

Other examples placed U.S. interveners at odds with prominent indigenous Iraqi leaders. For instance, there was opposition among the Iraqis against the Transitional Administrative Law, which sought to enshrine Western federalism in Iraqi law and to delay elections to after the transfer of sovereignty from the Coalition Provisional Authority and the Iraqi Governing Council to a new interim government (SIGIR 2009b, pp. 153-154). The opposition to the U.S.-supported proposal was led by the Grand Ayatollah Ali al-Sistani, the most prominent Shia religious scholar in Iraq at the time of the invasion, who criticized that "the National Assembly will be shackled by a host of restrictions… An unelected body, the Governing Council, in coordination with the occupying authority has imposed a strange law for the administration of the country during the transition period. And what is more dangerous has imposed… a set of principles and processes on the manner in which the permanent constitution is to be written" (Allawi 2007, p. 230). His concern that the Iraqi people would not have their interests represented can also be seen in this fatwa signed by al-Sistani in June, 2003.

> The occupation authorities are not entitled to name the members of the assembly charged with drafting the constitution… There is no guarantee that such a convention will draft a constitution which upholds the Iraqi people's interests and expresses their national identity (Ehrenberg et al. 2010, p. 321).

These quotes above highlight the epistemic challenges that interveners face on enacting policies that are intended to benefit the intervened-upon. However, in addition to the knowledge problems faced by interveners, there are also incentive problems baked within the utilization of bureaucratic means to achieve interventionist ends, as shall be explained below.

3.2 Aligning Policy Goals across Bureaucratic Agencies

In addition to the existence of knowledge problems that the interveners faced, as explained above, the fact that state-led foreign interventionism often occurs through action in multiple bureaucratic agencies leads to the challenge of how to coordinate policy goals within and across these agencies. This coordination had to be done within and across different U.S. agencies, but also across agencies affiliated with different countries involved in post-war reconstruction, including, but not limited to, the United Kingdom, Poland, and of course Iraq itself. Thus, reconstruction in Iraq not only involved a combination of domestic and military bureaucratic agencies, but also those agencies from multiple different countries.

Since reconstruction efforts often involve coordination between multiple, overlapping agencies to be successful, incentives must be aligned so that the plans of different bureaucratic agencies are aligned. However, an economic analysis of bureaucracies (see, for example, Tullock 2005/1965; Niskanen 1968, 1971, 1975) highlights some challenges that bureaucrats face with aligning incentives such that plans between bureaucratic agencies are coordinated. Given the size of each bureaucratic agency involved, it shouldn't be surprising to expect conflicting agendas or activities between bureaucratic agencies that, at least nominally, are on the same page (Coyne 2008b, p. 15). However, the incentive problems to coordination are further exacerbated by conflict caused by the "organizational patriotism" of bureaucratic agencies, in which the belief among bureaucrats that their organization is superior to others leads to conflict between these agencies (Tullock 2005/1965, pp. 46-47). This conflict between many bureaucratic agencies could be seen in different stages of the intervention in Iraq.

The varying of objectives between different agencies could be seen in the planning stage of the intervention and the post-war reconstruction. While planners in the Department of Defense wanted a swift operation that would minimize the military's presence and would lead to a rapid transition to Iraqi control, thus applying Afghanistan as a model to follow, experts in the State Department argued that Iraq needed a longer transitional period with a U.S.-led civil authority governing for several years as Iraq builds up democratic institutions (SIGIR 2009b, p. 8). Further, a recommendation in October 2002 that the Secretary of Defense should be placed in charge of the entire operation led to opposition and debate among interagency planners, leading Lieutenant General George Casey to say that, "[w]e lost, in my view, two months while we fought over who was going to be in charge" (SIGIR 2009b, p. 12). The challenges of fragmented planning, which SIGIR explains through both bureaucratic challenges and to higher-level strategic judgment, could be seen in the following quote below:

> For nearly a year, the NSC [i.e., National Security Council] exercised loose coordination over separate efforts by State and Defense and did not seek the participation of post-conflict experts at USAID. The marked separation between civilian and military preparations, which had existed since late 2001, was followed by further fragmentation within the interagency planning process, which had begun in earnest in August 2002. Even as officials thought they were moving toward an integrated master plan, the building blocks of that plan were being developed in a piecemeal fashion that rendered risks and needs less visible (SIGIR 2009b, p. 16).

The coordination problem that U.S. bureaucratic agencies faced when planning for the invasion of Iraq continued into the postwar reconstruction period. As stated in the SIGIR report from 2013, "[a]lthough the civilian surge provided much-needed personnel for the dispersed capacity-building efforts that began to dominate reconstruction, the coordination of an expanding U.S. Mission-Iraq became much more complicated. As the organization chart for 2007 visually reveals, it was difficult to manage funding and programs (see Image 4)" (SIGIR 2009b, pp. 43-44).

A survey of military commanders regarding their coordination with bureaucrats from other agencies, as another example, stated that that 32% of commanders said that coordination with USAID was poor or very poor, 32% said that coordination with the State Department was poor or very poor, and 24% said coordination with Provincial Reconstruction Teams was poor or very poor (SIGIR 2012c, pp. 12-13). Those who served on earlier deployments often cited a lack of DoS involvement as a reason of this lack of coordination. For example, one person reported a "[l]ack of… willingness of DoS and USAID to get involved" while another argued that "[t]he overall program needs to be better coordinated through the interaction of and the increasing role of the State Department" (SIGIR 2012c, p. 13). While responses also suggested that coordination improved over time, the report also stated that "comments from both military and civilian personnel described persistent structural issues that impeded coordination and even prevented effective communication between agencies" (SIGIR 2012c, p. 11).

The survey from SIGIR mentioned above is not the only example of inter-agency conflict, leading to challenges with coordination. A bipartisan report on the post-invasion situation of Iraq from 2006 stated that, "[t]he coordination of assistance programs by the Defense Department, State Department, United States Agency for International Development, and other agencies has been ineffective. There are no clear lines establishing who is in charge of reconstruction" (Ehrenberg et al. 2010, p. 375). Without clear direction on which agency is responsible for which part of reconstruction, this led to instances of confusion, discoordination, and conflict among the different agencies, as observed by Iraqi officials in the 2013 SIGIR report. For example, Minister Falah Mustafa Bakir stated that, "[t]he biggest problem was that the White House, the Department of Defense, the Department of State, and the CIA were all carrying out different strategies. From the day after the invasion, they were not able to win the peace" (SIGIR 2013, p. 19). Dr. Fuad Hussein also criticized the lack of coordination among U.S. government agencies when he stated that, "[n]ot only was there no coordination between the Department of State, the Pentagon and the CPA, they were fighting each other. I had two advisors—one from the State Department, the other from the Defense Department; they didn't talk to one another" (SIGIR 2009b, p. 20).

The lack of coordination between U.S. bureaucratic agencies also had consequences when it comes to contracting. For example, Ambassador Zalmay Khalilzad's calls for the Department of Defense to replace cost-plus contracts with fixed-cost contracts "exposed interagency weaknesses within the Iraq program's ad hoc structure. Pursuant to a May 2004 presidential order, Defense managed the contracts, while State managed rebuilding policy. Given that the operators within these respective 'stove-pipes'[12] answered to different masters with different agendas, program and project discontinuities and disconnects became *de rigueur*" (SIGIR 2012c, p. x; emphasis original).

In addition to the challenges that U.S. bureaucratic agencies had in coordinating with other U.S. bureaucratic agencies, there were also challenges in coordinating between U.S. bureaucratic agencies and Iraqi bureaucratic agencies. By the time that General David Petraeus arrived in Iraq in 2007, there were eight major coordination bodies for at least 62 agencies and sub-agency offices involved in the U.S.'s post-war reconstruction efforts. As stated by a military colonel, "We have an underdeveloped Iraqi bureaucracy and an overdeveloped U.S. bureaucracy, and the two of them [make] each other [stagnate]" (SIGIR 2009b, p. 307). This, combined with challenges that interveners face when acting on behalf of the intervened-upon as mentioned earlier, leads to projects being built that Iraqis neither needed nor wanted, such as the development of a Police Development Program in 2011, publicly decried by Minister Adnan al-Asadi, who declared that Iraq did not need that program (SIGIR 2013, p. 14).

While better coordination between bureaucratic agencies was a stated goal throughout the post-war reconstruction efforts in Iraq, and while improved coordination was also a stated lesson that was to be learned from experiences in Iraqi post-war reconstruction, the struggle to achieve this coordination—both between U.S. agencies and between U.S. and Iraqi agencies—emphasize the incentive constraints that interveners face in utilizing the bureaucratic process to engage in this effort. As will be seen in the next section, however, the challenge of interagency coordination is not the only challenge of using the bureaucratic process.

4. SELECTION OF MEANS

4.1 Metrics of Success

In his analysis of government bureaucracy, Ludwig von Mises defined bureaucratic management as the "management of affairs which cannot be checked by economic calculation" (1944, p. 48). Since bureaucrats are left without the feedback mechanisms that exist in the market, alternative metrics must be applied if one wants to achieve the goal of intervening through bureaucratic means (Mises 1944, 1998/1949).

In the absence of monetary profits and losses, one mechanism used to determine the success of a bureaucratic agency is the size of its discretionary budget: the amount of money that an agency spends beyond what is necessary to satisfy the demands of legislators (Niskanen 1968, 1971, 1975). Timothy Carney, a former Coordinator for Economic Transition in Iraq, mentioned how spending Iraqi money became an important benchmark in the eyes of U.S. lawmakers, as he said in a SIGIR interview from 2008 that, "[i]f the Iraqis remained unable or unwilling to spend their own capital investment budget, there was certainly no reason for the Congress of the United State to appropriate money for Iraq" (SIGIR 2009b, p. 299). The amount of money allocated to the five major funds involved in Iraqi reconstruction rose to $51.62 billion being appropriated and $49.37 billion being obligated by September of 2012, with the rise of cumulative obligations among each of the five funds[13] indicating that bureaucrats faced a soft budget constraint (SIGIR 2013, p. 57). Since bureaucrats receive resources allocated to them from an overall pool of resources by legislators, and must they compete with other bureaucrats over that pool of financial resources, each bureau is incentivized to produce observable outcomes to show that they are important and in need of the legislators' resources. For example, a rivalry between the Defense and State Departments was partly driven by the rate at which the department spent money on projects (SIGIR 2013, p. 28). As a result, Ambassador Christopher Hill concluded that the State Department "spent too much and took on too much" (Ibid.). Likewise, the same report also stated concern over the use of spending as a metric of success, when it stated that "Washington measured the success of reconstruction by the amount of money obligated and spent, which clashed directly with the need for what Lieutenant General Bostick called 'strategic patience' in a contingency operation" (SIGIR 2013, p. 26).

This focus on spending, combined with insufficient oversight or control over financial resources as will be observed later in the paper, has led to examples of excessive amounts of spending. For example, Parsons Delaware was contracted in May, 2004, with constructing the Khan Bani Sa'ad and Nassiriya correctional facilities, but failed to make sufficient progress on the projects, failed to adhere to the construction schedule, and failed to control costs after having spent $62 million on the projects (SIGIR 2013, p. 102). The Nassiriya prison was completed in 2010 after another $37 million was spent, and the Khan Bani Sa'ad facility remained unfinished (as of the releasing of the SIGIR report) after an additional $7.2 million was spent, leading to a waste of about $40 million. Likewise, Parsons was initially involved in the construction of primary health clinics, but their contract was terminated after $186 million was spent on the program and only six clinics were constructed by March 2006 (SIGIR 2009a, p. 1; SIGIR 2009b, p. 191). Furthermore, provincial response teams (PRTs) operating in Iraq often found themselves using CERP funds to pay for more than the cost of materials in construction. This could be seen, for example, in this quote.

> We're pumping over $1 million just to renovate the [district advisory council] hall… We're building a farmer's market across from the Doura market, and we're spending over a million dollars. It's just a concrete slab and a tin roof. And the contract is $900,000 (SIGIR 2009b, p. 302).

This concern that the measurement of progress placed too much emphasis on the quantity of money spent is also seen, for example, by Tim Zuniga-Brown, the team leader of Rasheed ePRT.[14]

> They are being graded on how many projects are being carried out, how much money is flowing to the districts… They should be graded on how many projects are being turned over to the Iraqis and how much less money they are spending. That would be a better indicator of success… Success is getting Iraqis to deliver their own services using their own funds and their own people (SIGIR 2009b, p. 303).

Other PRT officials argued that the entire concept of the Coalition providing financial assistance to be wholly counterproductive. As one ePRT official stated, "The best thing we could do is cut off CERP money" (Ibid.). This was from the concern that Iraqis were less likely to "spend their money when we're just pumping in ours" (Ibid.).

Another mechanism used to measure success was performance-driven outcomes. A SIGIR report from July 2005 listed several quantitative metrics of success, including Iraqi employment on U.S. government projects, weekly Iraqi crude oil production, monthly Iraqi crude oil export volume and revenues, refined petroleum supplies, monthly national fuel stock levels, electricity output, the number of telecommunication subscribers, and the number of Iraqi security personnel trained (SIGIR 2005, pp. 29-35). Similarly, in reports for the Iraq Relief and Reconstruction Fund, the Department of State tracked spending and performance on various sectors including Security and Law Enforcement; Justice, Public Safety, Infrastructure, and Civil Society; Electric; Oil Infrastructure; Water Resources and Sanitation; Transportation and Telecommunications Projects; Roads, Bridges, and Construction; Health Care; Private Sector Employment Development; and Education, Refugees, Human Rights, Democracy, and Governance. The measuring of metrics can be seen, for example, in the number of battalions that have completed training for the Iraqi Army or the construction of primary health clinics (DoS 2005). Likewise, the USAID's "Vision for Post-

Conflict Iraq" provided specific goals regarding a variety of priorities for immediately after the conflict, 60 days, 6 months, 12 months, and 18 months after the conflict (USAID 2003).[15]

However, even with goals tied with the metric of producing some material outcome, there were still challenges regarding the data underlying said metrics. [16] A SIGIR report from July 2011 stated that "SIGIR found that the data underlying these metrics is not well supported, resulting in output measures of limited usefulness. USF-I [or United States Forces-Iraq] often relies on imprecise testimonial evidence from subject matter experts and local Iraqi contacts as the basis for the data. A USF-I official stated that, because of the imprecise data, the effect and impact of CERP projects are largely unknown" (SIGIR 2011b, p. 108).

Further, as the U.S. effort at reconstruction in Iraq continued, the metrics that interveners used to measure success changed as their goals changed. For example, the United States Embassy Baghdad's Office of Provincial Affairs used the "Stability Development Roadmap" as an assessment model to measure how susceptible Iraqi provinces are to civil unrest. It involved five categories—basic services, government effectiveness, political effectiveness, economic development, and rule of law—and 35 metrics were measured to determine satisfaction for each of the categories (SIGIR 2011b, p. 76). However, there were also instances in which interveners struggled to have measurable metrics of success. The goal of implementing programs to promote a "vibrant civil society" in Iraq—as seen with a program meant to improve government responsiveness to local needs or a program focused on encouraging greater participation among citizens in parliamentary democracy—serves as an example (SIGIR 2013, p. 108). In response to these programs, the SIGIR 2013 report stated the following:

> It is difficult to measure accurately the effects of the USAID programs established to encourage the spread of democratic principles in Iraq. These efforts trained tens of thousands of civil servants on improving government responsiveness and sought to open the eyes of countless citizens to the benefits of living in a free democracy. But no meaningful metrics were established to assess the results of these activities. Perhaps the problem lies in the nature of the program itself: how do you empirically capture the effects of civics training on the ability of a person to be a better citizen? (Ibid.).

An earlier SIGIR report from 2008 stated the following about the data on Iraqi security forces, which highlights the concerns about the impreciseness of the data and about changing metrics:

> The data on Iraqi forces assigned and trained continues to contain inaccuracies, and comparability among DoD's quarterly reports is difficult because of changing metrics and definitions. Inaccuracies in the data persist because Iraq's payroll systems contain improper documentation and reporting of personnel actions and unauthorized employees. They also contained inconsistent information as a result of corrupt and irregular practices. In addition, the usefulness of data on Iraqi police assigned and trained continues to be limited because not all police assigned to the force have been trained. Furthermore, not all those trained—both police and military—are available for duty: some of those reported as assigned have completed their obligation, some are on leave or are absent without leave, and others have been injured or killed. Because reporting metrics and definitions have changed, meaningful trend analysis remains difficult (SIGIR 2008c, p. 164).[17]

Similarly, another SIGIR report from 2008 stated that "[a]lthough the March 2008 Section 9010 report, as well as earlier ones, presents an array of numbers, other information in the 9010 reports and elsewhere indicates (1) uncertainty about the number of Iraqi personnel who are present for duty at any one time; and (2) uncertainty about the capabilities of the police force because the police have greater capacity to recruit than to train— this limits the number of police on the rolls who have been trained" (SIGIR 2008b, p. 5). In short, even if there is no uncertainty regarding the *quantitative* data, there may still be uncertainty regarding the *qualitative* data that can be used to measure the success of post-war reconstruction efforts.

In addition to SIGIR occasionally having difficulties in measuring the outcome of reconstruction efforts, there were other instances in which SIGIR faced difficulty in measuring the cost of said reconstruction efforts. This can be seen, for example, in the development of the Iraq Special Operations Army. While the training of this force was, in part, funded with $237 million of U.S. reconstruction money, because funds used to equip and provide infrastructure for this force could not be accounted for, the total cost of the program remains unknown despite its success in providing a force of 4,100 trained soldiers who played an important role in the Iraq War (SIGIR 2013, p. 98).

The failure in some circumstances to find sufficiently good metrics, or even sufficiently good data, to determine success or failure of output goals can be seen as a technological problem by planners. However, as emphasized by Coyne (2013, pp. 71-79), there is a distinct difference between output production, which can be increased with more inputs, and economic progress—alongside the trial-and-error process of anticipating and responding to changes in consumer demand and availability of inputs—which can only occur with the feedback mechanism provided in markets. Similarly, just because United States personnel could spend millions of dollars in programs intended to build Iraqi civil society and to make Iraq more democratic doesn't mean that liberal political institutions emerged or stuck in the country, or that the external perception of a country's rankings in indicators of the health of said liberal political institutions improved (see Image 1 and Image 2).

4.2 Contracting

In addition to the use of American bureaucrats within government agencies, another means of Iraqi reconstruction was the use of government contractors, which was seen as a way of "outsourcing" work to the private sector. Because of constraints in the ability of individuals within government agencies like the Department of State to engage in post-war reconstruction, some of the work was delegated to about 180,000 private contractors, about half of whom were engaged in some security or other armed function, under the authority of the Coalition Provisional Authority during the Iraqi occupation (Ehrenberg et al. 2010, p. 208). Likewise, a SIGIR report from July 2011 stated that, out of the 69,457 contractors and grantees in Iraq, 62,484 received contracts with the Department of Defense, 4,803 from the Department of State, and 2,065 from the U.S. Agency for International Development (SIGIR 2011c, p. 44). This extensive contracting was summarized by Secretary of State Hillary Clinton in a SIGIR report from April 2011, in which she stated that "both State and USAID have historically been unable to hire enough in-house experts and had to rely too much on contractors" (SIGIR 2011b, p. 51).

One common critique that is seen in many SIGIR reports was the use of cost reimbursement (or cost-plus) contracts, in which "the U.S. government reimburses the contractor for all allowable, allocable, and reasonable contract costs" (SIGIR 2006a, p. 56). While SIGIR argued that "the cost-plus design-build contracts" that were in place in mid-2005 "were inappropriate for the mission and too wasteful" (SIGIR 2013, p. x), attempts to convince the Department of Defense to replace these contracts with fixed-cost contracts, in which "payment is made to the contractor on the basis of pre-established prices" (SIGIR 2006a, p. 56), showed challenges of coordination between bureaucratic agencies as mentioned in a section above. Likewise, a SIGIR report from April 2011 stated that a disadvantage of using contractors in overseas contingency operations was that "[c]ontractor incentives prioritize profit and contractual considerations, not mission success" (SIGIR 2011b, p. 51).

Yet, it is also the case that "[c]ost-reimbursement contracts are typically used in risky situations when the U.S. government is unable to provide sufficient information for offerors to accurately determine a competitive price" (SIGIR 2006a, p. 56). This highlights the issue of contract incompleteness, in which contracts often cannot be designed in a way that details all possible scenarios with desired specificity (Hart 1989; Hart and Moore 1999; Hart, Shleifer, and Vishny 1997; Tirole 1999). This is seen in the form of "undefinitized contract actions," in which "the contract terms, specifications, or price are not agreed upon before performance is begun under the action" (Defense Federal Acquisition Regulation Supplement 2024). Criticism over contract incompleteness could be seen from Dov Zakheim over the use of undefinitized contracts that were still undefinitized more than six months after the start of the reconstruction program, in which he stated that, "[i]f you can't figure it out in six months, you'll not figure it out at all" (SIGIR 2013, p. 23). While it is intended by law for undefinitized contracts to eventually be definitized, erroneous belief that definitization requirements did not apply to Iraq task orders led to millions of dollars in waste (SIGIR 2009b, p. 175). As further emphasized in the "Review of the Use of Definitization Requirements for Contracts Supporting Reconstruction in Iraq", a SIGIR report from July 2006, "[t]he incomplete nature of the content in the contract databases does not support the DFARS [Defense Federal Acquisition Regulation Supplement] requirement for ensuring that definitization occurs in a timely manner, and thus implementing cost control" (SIGIR 2006b, p. ii).

As discussed by Lambert, Coyne and Goodman (2021, p. 298), contract incompleteness, combined with asymmetric information, leads to principal-agent problems, which in turn allow for contractors to act opportunistically (Miller 1992; Williamson 1993). This insight, combined with the insight that the principals are bureaucrats who are largely distant and disconnected from their contractor agents and from Iraqi civilians as well as the insight that bureaucrats operate under a soft budget constraint, leads to a lot of potential for waste in the reconstruction project. This could be seen, for example, when weak contract oversight allowed an Anham, LLC, subcontractor to charge $900 for a control switch valued at $7.05 (a 12,666% markup), $80 for a PVC plumbing elbow valued at $1.41 (a 5,574% markup), $75 for another piece of plumbing equipment valued at $1.41 (a 5,219% markup), $3,000 for one kind of circuit breaker valued at $94.47 (a 3,076% markup), and $4,500 for another kind of circuit breaker valued at $183.30 (a 2,355% markup) (SIGIR 2013, p. 3; see also SIGIR 2011a).

Despite the billions of dollars spent on Iraqi reconstruction, an overreliance on many layers of subcontractors, according to Khudayer al-Khuza'ie, meant that, "by the time you got to the contractor doing the actual work, there was only enough money for one coat of paint that melted away as soon as it rained" (SIGIR 2011c, p. 43). The presence of incentive problems for individuals engaged in post-war reconstruction, both regarding the bureaucrats themselves and contractors or subcontractors engaging with bureaucrats, combine with the epistemic constraints mentioned in previous sections of the paper to result in the consequences that will be discussed in the next section.

5. REALIZATION OF ENDS

5.1 Waste and Fraud

With a lack of property rights, monetary market prices, and pecuniary profits and losses that allow individuals to engage in rational economic calculation in the market process, decisions relating to the allocation of scarce resources were left to a political process in which bureaucrats within and across several agencies competed. However, incentives inherent within bureaucracies, combined with the lack of feedback mechanisms for accountability with regards to the opportunity cost of scarce resources, meant that bureaucrats could engage in massive amounts of spending with limited accountability (Lambert, Coyne, and Goodman 2021, p. 294). For example, a SIGIR audit from July 27, 2010 called "Development Fund for Iraq: Department of Defense Needs To Improve Financial and Management Controls" stated that, "[w]eaknesses in DoD's financial and management controls left it unable to properly account for $8.7 billion of the $9.1 billion in DFI [Development Fund for Iraq] funds it received for reconstruction activities in Iraq" (Coyne 2011, p. 17). In SIGIR's summary of their discoveries in *Hard Lessons*, they reported that "[t]he overuse of cost-plus contracts, high contractor overhead expenses, excessive contractor award fees, and unacceptable program and project delays all contributed to a significant waste of taxpayer dollars" (SIGIR 2009b, p. viii).[18] The 2013 SIGIR report discussed waste as "the product of poor planning and weak controls", fraud as "intentional wrongdoing by persons seeking to enrich themselves", and abuse as the outcome of "bad management" (SIGIR 2013, p. 1). Likewise, one could consider this summary of a 2012 SIGIR report on Iraq reconstruction funds:

> SIGIR audits, inspections, and investigations have found serious weaknesses in the government's controls over Iraq reconstruction funds that put billions of American taxpayer dollars at risk of waste and misappropriation. The precise amount lost to fraud and waste can never be known, but SIGIR believes it is significant…
>
> SIGIR audit reports identified internal control weaknesses such as inadequate reviews of contractors' invoices, insufficient numbers of, or inadequately trained oversight staff, poor inventory controls, high staff turnover, poor recordkeeping, insufficient price competition by subcontractors, and weak oversight of cash disbursements. For example, SIGIR's audit of a DoS contract for Iraqi police training program support found that more than $2.5 billion in U.S. funds was vulnerable to fraud and waste as a result of poor DoS oversight. Another SIGIR audit of a DoD contract for warehousing and distribution services found that the contractor's business systems had not been adequately reviewed. Business system reviews are the government's primary control to ensure that prices paid are reasonable and allowable.
>
> Weaknesses in internal controls open the door to opportunities for fraud and other illegal activities. As of June 30, 2012, SIGIR investigators, working with other agencies' investigators, have developed information used to indict 87 individuals and convict 71 individuals for fraudulent activities including bribery, kick-backs, theft of government funds and property, inflated invoices, delivery of insufficient or inferior goods, and bid rigging (SIGIR 2012a).

SIGIR reports highlighted many instances of government resources being wasted. Iraqi Prime Minister Nuri al-Maliki, for example, recalled how a small school refurbishment project, for which only $10,000 was requested by the administrator, led to U.S. authorities insisting on providing $70,000 (SIGIR 2013, p. 11). He also described a primary healthcare program that ultimately cost $345 million, which was more than 40% over budget, and in which the Basrah Children's Hospital, a flagship project, cost 200% over budget and was four years behind schedule in its production (Ibid.). Former Iraqi Deputy Prime Minister Dr. Ahmed Chalabi provided another example of waste in that "a square meter of concrete should cost 4,000 Iraqi dinar. The United States paid 16,000" (SIGIR 2013, p. 17). In doing so, he also highlighted problems he saw with contracting and with the challenges of American personnel interacting with Iraqis when he said that "[t]he U.S. personnel knew what to do and viewed all Iraqi ideas as useless, but the U.S. approach was wasteful, using design-build contracts to accomplish simple construction projects" (Ibid.). Likewise, a senior official highlighted how, between 2003 and 2007, "[w]e so rapidly went from… the Wild West days to a different kind of waste" (SIGIR 2009b, p. 307).

In addition, SIGIR reports have also provided multiple examples of fraud.[19] SIGIR's *Hard Lessons* reported that, by 2008, "there have been at least 35 convictions resulting from criminal misconduct committed during the U.S. reconstruction project" (SIGIR 2009b, p. 217). The immense amount of money and the immense extent of the reconstruction project meant that millions of dollars could be subject to fraud. For example, Robert Stein Jr., after being confronted by SIGIR auditors for his fraudulent activities, recalled the experience of handling tens of millions of dollars from the CPA Comptroller's vault:

> It's amazing. The vault had pallet upon pallet of hundred dollar bills. This was more cash than Donald Trump had ever seen in his life. When you work around money like that, it becomes 'so what, it's just paper.' The procedures were so lax it was unbelievable. I worked government contracts before in the States, so I know (SIGIR 2009b, pp. 219-220).

SIGIR's *Hard Lessons* reported two of Stein's most flagrant examples of waste, fraud, and abuse. One was the Babylon Police Academy, in which, of the $7.3 million allocated in contracts or grants for the construction of the academy, CPA officials "needlessly expended almost $1.3 million in contract funds for duplicate construction" and for "equipment not needed, not delivered, and overpriced" (SIGIR 2009b, p. 220). Moreover, Stein "could not account for more than $2 million of disbursed grant funds" (Ibid.) and auditors were unable to determine if the remainder was used to meet contract obligations. The second example was the Kerbala Library in which, out of about $2.1 million of total outlays, CPA officials needlessly disbursed more than $1.8 million and, of that amount, about $1.6 million was spent on work that was never done (SIGIR 2009b, pp. 220-221).

The ability of individuals to engage in wasteful or fraudulent spending was strengthened even further by the relative lack of oversight, which was emphasized in many SIGIR reports. For example, weak contract oversight practices, such as the Defense Contract Audit Agency failing to review Anham LLC's cost-estimating system and the Defense Contract Management Agency's approval of Anham's purchasing system despite gaps in documentation, led Anham to be able to egregiously overbill in their contracts, such as charging $900 for a control switch valued at $7.05, charging $80 for a PVC elbow valued at $1.41, and charging $3,000 for a circuit breaker valued at $94.47 (SIGIR 2013, p. 3). Representative Stephen Lynch stated the importance of oversight when he said that, "[w]e did not have that at the beginning… [A] lot of money went out the door" (SIGIR 2013, p. 33). This lack of oversight throughout the contracting process—from the awarding of the contract to monitoring progress and completion—could be attributed to the lacking capacity of those in agencies like the Defense Contract Audit Agency to process the inflow of contracts (Coyne, Michaluk and Reese 2016, p. 233). Given the possibility of disfunctions within the very agencies intended to provide oversight as to prevent disfunction in other agencies, the addition of resources intended to provide more oversight would potentially lead to amplifying structural issues at odds with the stated goal of providing a check to waste, fraud, and abuse (Ibid.).

5.2 Corruption

Corruption was seen by most individuals interviewed by SIGIR as a challenge that inhibited the ability of interveners to implement their plans regarding post-war reconstruction, and a challenge that needed to be overcome, either by the interveners or by the Iraqis themselves. For example, Dr. Ayad Allawi referred to the failure to address corruption early in the reconstruction process as "one of the United States' biggest mistakes" (SIGIR 2013, p. 16). From 2003 to 2008, public perception of corruption in Iraq was on the decline, and it was only in 2021, a decade after the U.S. occupation ended, that the index reached the level it was at in 2003 (see Image 3). More than corruption merely being a siphon of resources that could not otherwise be spent on projects which are more likely to be beneficial for the intervened-upon, Coyne, Sobel, and Dove (2010, p. 341) pointed to the observation that corrupt governments shift resources to maximize the amount of rents received and captured from foreign aid donors, and once these networks are in place, they could have a counterproductive effect to the interveners' stated goal of promoting liberal market and political institutions.

In addition to corruption being a challenge that U.S. interveners tried, and often failed, to overcome, there are some insights from SIGIR that also noted how the intervention in Iraq facilitated a system that allowed for corruption to occur. Dr. Abdul Basit Turki al-Sae'ed, for example, argued that "[t]he U.S. reconstruction program inadvertently fostered a 'triangle of political patronage,' involving political parties, government officials, and sectarian groups. This lethal axis fomented a brew of terrorism and corruption that poisoned the country" (SIGIR 2013, pp. 15-16). This reflects how the Iraqi post-war reconstruction involved exchange and competition through a political bureaucratic process, rather than the market process, to decide how scarce resources are to be allocated among many competing ends. The combination of public incentives within the bureaucracy and private incentives with rent-seeking and contracting led to prevalence of this corruption and unproductive use of time and resources. Furthermore, SIGIR's *Hard*

Lessons quoted from scholars to argue that "'[c]orruption thrives in the environment of post-war reconstruction,' which combines 'large public procurement projects, major funding infusions, and inadequate government economic management'" (SIGIR 2009b, p. 210). As emphasized earlier, this corruption is even more prevalent when one considers the immense amount of funds involved in the intervention, and the lack of oversight over these funds.

In addition, while SIGIR observed that the "State [Department] failed to move aggressively to secure the necessary funding to support a large and effective anticorruption program", it also noted that anti-corruption efforts "lacked metrics and baseline data for assessing the program's impact on reducing corruption" (SIGIR 2013, p. 102). Thus, while corruption was made prevalent due to the incentive problem faced by interveners, the challenges of combatting said corruption was in part due to the lack of information that the interveners also faced. The presence of both types of constraints can help explain how, in spite of attempts to counter this corruption, the public perception throughout most of the U.S. occupation was that corruption was getting worse in their country.

6. CONCLUSION

In conclusion, efforts at post-war reconstruction in Iraq faced many challenges affiliated with the "fatal conceit of foreign intervention." In many cases, interveners faced epistemic (i.e., knowledge) problems that inhibited their ability to know how to act in ways that benefited the Iraqi people. As stated by David Atteberry, "[i]t's so presumptuous to think we have any idea what's going on… We are continually stumbling around in the dark blind. We're worse than the blind because at least the blind know they are blind" (SIGIR 2009b, p. 303). However, in addition, the interveners also faced incentive (i.e., political) problems as they sought to change Iraqi society as if it was a technological problem that required the right plan and enough resources and monitoring for accountability to successfully implement that plan. The first-hand accounts provided within the SIGIR reports and primary documents within *The Iraq Papers* provide a glimpse into an explanation of how these knowledge and incentive constraints contributed to failure.

The epistemic and incentive challenges that interveners in Iraq faced have implications for other examples of military intervention and post-war reconstruction, in that the presence of these challenges shift the cost-benefit analysis of whether an intervener's attempt at reconstruction will be beneficial, either for the intervener or for the intervened-upon. It should be noted that this paper is limited in its attempt to achieve that goal, and likely underestimates the magnitude of constraints faced by the interveners. This is because the window provided by the resources provided by SIGIR was a window that was largely U.S.-centric and limited to a handful of U.S. and Iraqi politicians, military officials, and others involved in implementing Iraqi post-war reconstruction. The nuances, realities, and perspectives of ordinary Iraqi civilians were largely missing from the primary sources utilized for this paper. Nevertheless, the resources provided by SIGIR do provide insight into some of the key patterns and constraints faced by interveners when engaging in foreign interventions. More broadly, an analysis of these primary sources using insights from mainline political economy provides an opportunity to reconsider whether a government in one country can achieve liberal ends of promoting and upholding liberal institutions in foreign societies using the illiberal means of military interventionism, post-war reconstruction, and expert-driven centralized planning.

APPENDIX

Image 1: An Index of Iraqi Political Freedoms and Civil Liberties from 2000 to 2020 (Freedom House 2024)

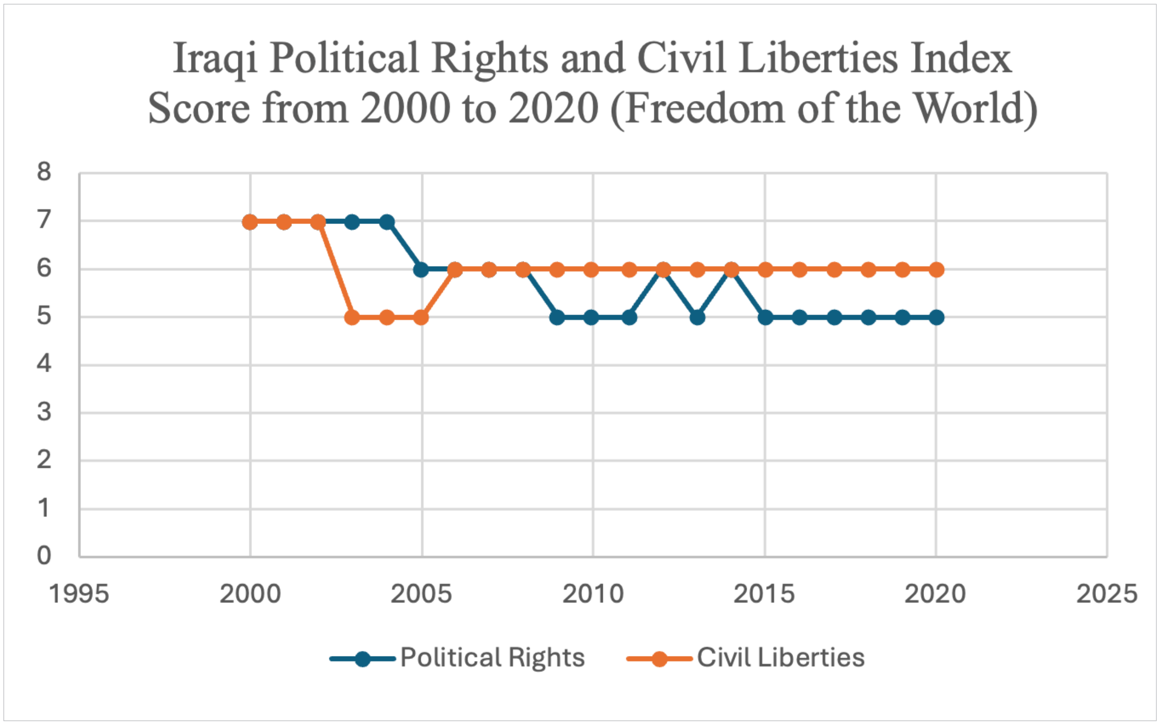


Image 2: Iraq's Democracy Index (Economist Intelligence Unit (2006 - 2023)—processed by Our World in Data)

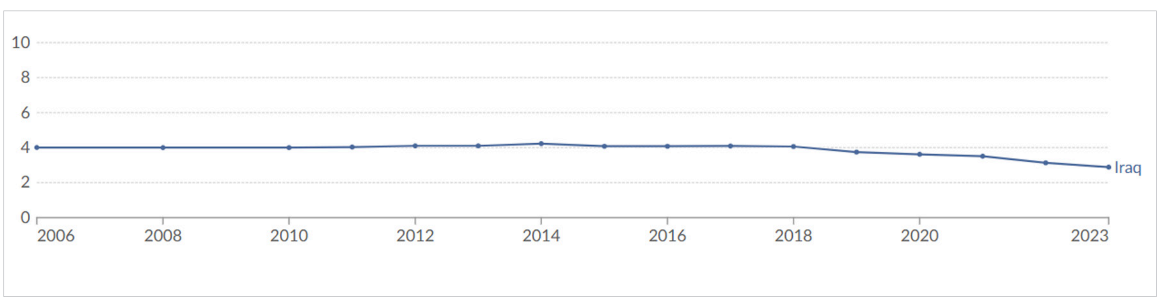


Image 3: Iraq's Corruption Perception Index (Transparency International)[20]

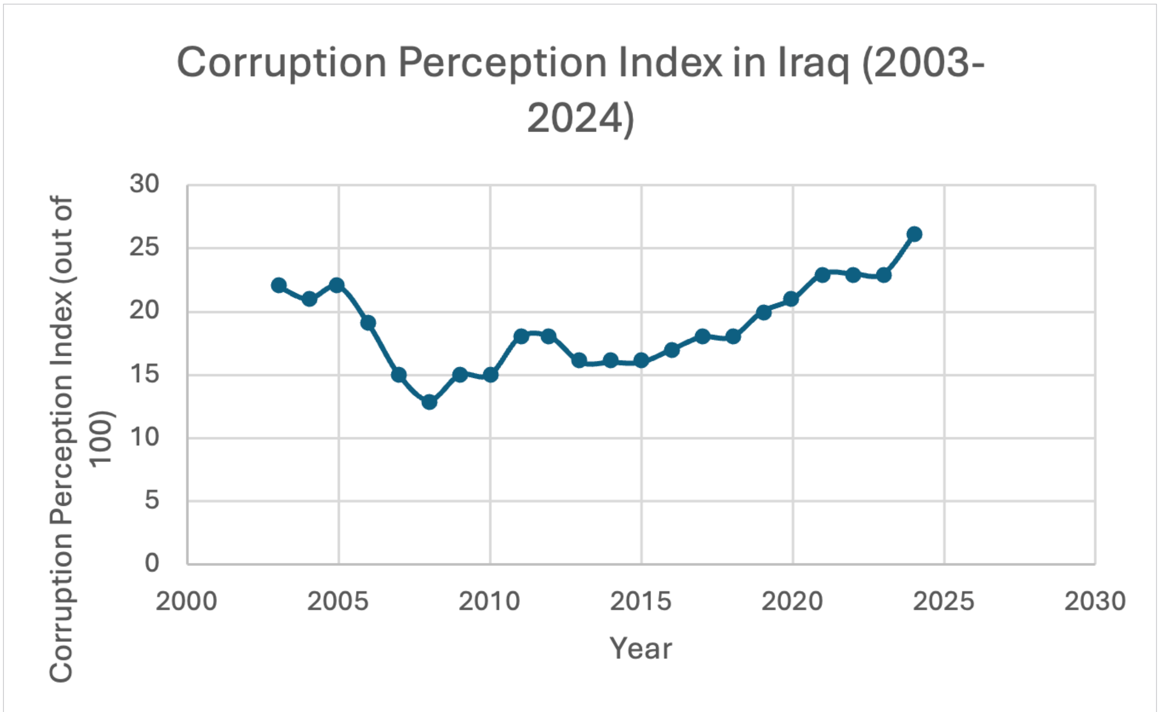
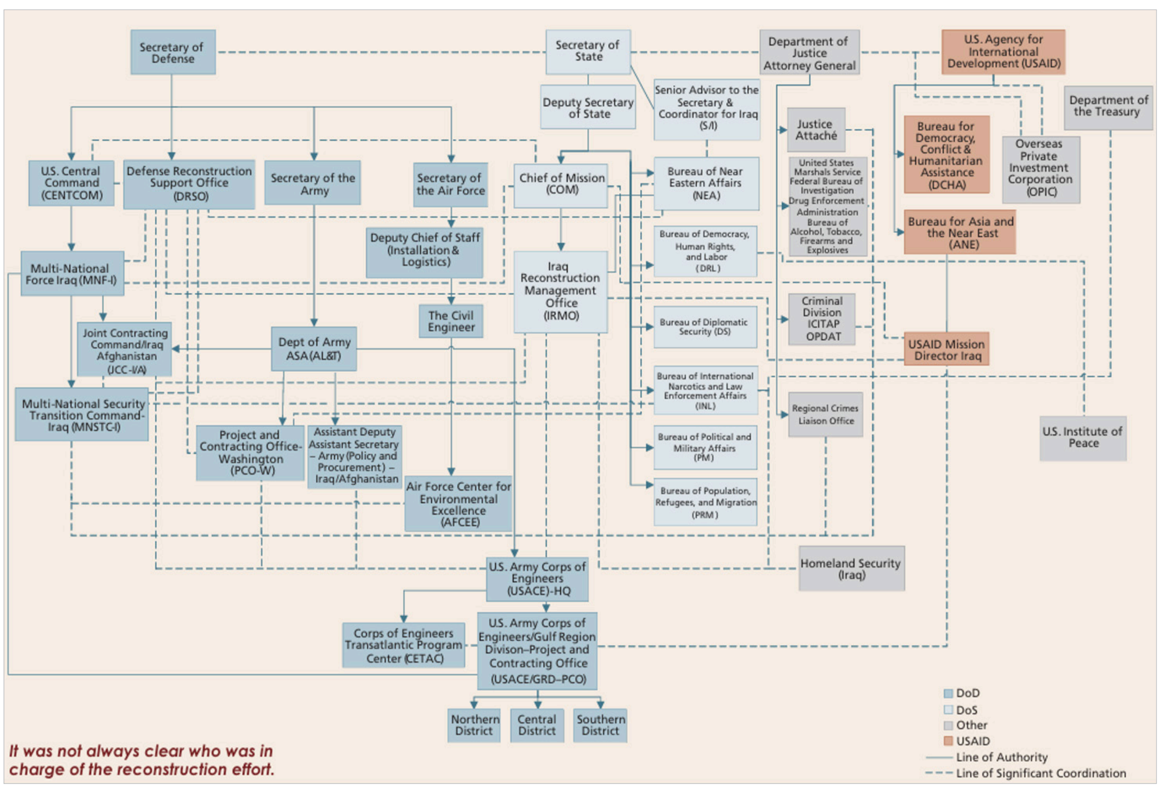


Image 4: U.S. Embassy-Baghdad Organization Chart During 2007 (SIGIR 2013, p. 45)



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NOTES

1 When estimated obligations for future veterans' care through 2050 is considered, the estimated cost of war increases to approximately $2.89 trillion (Crawford 2023, p. 1).

2 This paper is not arguing that every foreign military or humanitarian intervention will fail, nor is it arguing that every attempt at aiding or assisting Iraqis have failed. Rather, the point of this paper is to simply emphasize how these epistemic and incentive constraints provided challenges to interveners—specifically those from the United States—seeking to act on improve the lives of Iraqis.

3 For more on the viability of rational construction in the context of the transferability of institutional capacity, see Fukuyama (2004) as explained, for example, by Coyne and Mathers (2010).

4 As explained by Boettke, Coyne, and Leeson (2008), it may be these exact emergent or informal institutions that are both indigenous and endogenous that may serve as a foundation for the effectiveness of more formal, or exogenous, institutions, whether they be indigenous or foreign to the society receiving said institution.

5 To see a discussion of the U.S. military's overemphasis of top-down planning in its economic reconstruction efforts, see the discussion of its counterinsurgency and stability operations field manuals by Coyne and Pellillo (2011, p. 634).

6 See Baumol (1990) for an explanation of the term, "unproductive entrepreneurship," as compared with "productive" or "destructive" entrepreneurship.

7 There were more than 200 Iraqi exiles involved in the formulation of the State Department's "Future of Iraq" project (SIGIR 2009b, p. 15). However, many of those exiles were out of the country for decades, and thus were likely isolated from the important debates that occurred between indigenous Iraqi politicians and other important leaders. Thus, their ideas were that of a "dissident minority" that did not fully align with the existing political and social realities of ordinary Iraqis (Ehrenberg et al. 2010, pp. 285-286).

8 This is not to imply that interveners can never learn another culture's knowledge, as seen with Minister Bakir giving a contrast between U.S. actions with those of Korean military forces, who did study Kurdish culture and expressions (SIGIR 2013, p. 19). Yet, an understanding of another society's culture is distinctly different from an attempt to change or to influence another society's culture via interventions.

9 Coyne and Pellillo (2011, p. 635) argue that smaller-scale reforms and actions, which make knowledge constraints less binding (although not completely absent), are more likely to be effective than more comprehensive reforms which are larger in scale. For example, one could consider Berman, Shapiro, and Felter (2011), which found that American funds allocated through the Commander's Emergency Response Program (CERP), which included funds allocated to small-scale projects at the discretion of military commanders—who in turn were more often being deployed in forward operating bases where they could more easily communicate with local Iraqis—, were highly effective with achieving the goal of reducing violence.

10 This paper is not making any claim about whether U.S. policymakers were empirically justified in favoring primary healthcare centers over larger physical hospitals. It is also not making any claims about the good or ill intentions of the Iraqi medical experts, as their request could also have been an attempted example of rent-seeking. Still, regardless of good or ill intention, this serves as an example of American interveners seeking to impose their will upon the Iraqis, with American experts surpassing Iraqi experts to impose their vision of healthcare provision on Iraqi civilians.

11 More specifically, the summary of the SIGIR report stated that $345 million was spent on the construction of primary healthcare centers, which was about $102 million more than the amount estimated when the original contract intended to construct the centers was terminated; the healthcare centers were delivered to the Iraqi Ministry of Health years later than planned; and the original number of 150 centers was reduced to 133.

12 The term, "stove-pipe," referred to the ad hoc nature of bureaucrats from different agencies working independently of each other. Donald Rumsfeld noted how the U.S. government relied on "quickly assembled, ad hoc efforts" in trying to coordinate resources between agencies (SIGIR 2013, p. 37).

13 The five funds in question are the IRRF (the Iraq Relief and Reconstruction Fund), the ISFF (the Iraq Security Forces Fund), the ESF (the Economic Support Fund), the CERP (the Commander's Emergency Response Program), and the INCLE (the International Narcotics Control and Law Enforcement Affairs).

14 ePRTs (Embedded Provincial Reconstruction Teams) are "small State Department-led units inserted into U.S. combat brigades in Iraq from 2007 to 2010 to support military counter-insurgency efforts at the local level" (Naland 2011, p. 1)

15 For a brief summary of different agencies providing reports in the early stages of the reconstruction effort providing their metrics of success, see SIGIR (2013, p. 73).

16 It is important to note that insufficient access to data is different from the inability for interveners to possess the context-specific, tacit, and local knowledge beyond any single mind or group of minds. This emphasis on insufficient data is in line with the perception of post-war reconstruction as a technological problem.

17 The problem that SIGIR faced in obtaining the true number of assigned and trained police is further stated in SIGIR (2008a, 2008b, 2012b).

18 Note that SIGIR's references to "waste, fraud, and abuse" have nothing to do with economic efficiency, but instead are focused on "improving mission efficiency and effectiveness" (SIGIR 2013, p. 1). In other words, the issue at hand is not one of efficiency, but of the much lower bar of whether government planners can produce pre-determined outputs that they decided beforehand (Coyne, Michaluk, and Reese 2016, p. 234).

19 It should be noted that fraud was not as extensive of an issue as government waste was. SIGIR's *Hard Lessons* report states that, "[a]lthough SIGIR and other law enforcement agencies have uncovered egregious examples of fraud, the size of the total criminal wrongdoing known to date amounts to a relatively small percentage of the overall reconstruction investment, and the number of individuals involved was relatively low" (SIGIR 2009b, pp. viii-ix).

20 The index scores from the years 2003 to 2011 was originally out of 10, so the scores were multiplied by 10 to be normalized alongside the scores from the years 2012 to 2024.