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# Reading the Economic History of Afghanistan

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## Reading the Economic History of Afghanistan\*

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### **Abstract**

Twentieth-century Afghanistan offers a lesson for the historian of comparative economic development. Two conditions help to understand Afghan history better, resource poverty and the absence of European colonial rule. In a resource-poor region, the possibility of rapid economic change depends to a great extent on the capability and stability of the states; at the same time, attempts to create strong centres of power with a weak tax base can generate debilitating conflicts. European colonialists in some cases managed to overcome the dilemma. In the absence of colonialism, old elites and old rivalries survived and intensified the conflict. These two features appeared in the histories of many of the world's poor regions. They shaped the process of economic and political change in Afghanistan with great force.

### **1. Introduction: Afghan economic history in South Asian mirror**

Afghanistan has shaped the course of global politics more deeply than many regions of the world. It is surprising, then, that the pattern of long-term economic change in the country remains a little studied subject. Recent events made the country even more remote to the economic historian. Afghanistan saw warfare, coup d'état, state collapse, and a shaky recovery in the last 40 years, not once but repeatedly. The aftereffects of these tragic episodes continue. The disorder of the recent years profoundly impacted the process of economic development in the country, fed pessimism about the economy, and created the impression that uncertainty was intrinsic to the country's history.

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\* I thank Martin Bayly and Antonio Giustozzi for directing me to some recent and relevant works.

No doubt turbulent politics contributed to poverty, inequality, and weak economic growth in much of Afghanistan in the recent times. Did the disorder also disrupt an endogenous long-term process of economic change? Were the recent years an aberration in Afghan economic history? Media and popular discourses implicitly suggest that they were, by attributing the turbulence to external agents like Cold War rivalries or radical Islam. This paper claims to the contrary that the disorder was neither an accident nor an externally imposed interlude in an otherwise stable course of change, but episodes that belong in a much longer and troubled history of state formation.

Economic history suggests that development needs strong states to force market-integration, design and defend laws, and spend on public goods. But creating a strong state is never an easy process. In some environments it was an especially challenging process, Afghanistan was one such case. Most of Afghanistan lacks enough water for intensive cultivation. States that lived on land taxes were as poor as the peasants that they taxed. Although major caravan trade routes passed through Afghanistan before the railway age began, the profits concentrated in a few cities, which were individually very small before the nineteenth century. The country being landlocked with few navigable rivers, cheaper forms of trade did not exist. Resource-poverty made states fiscally and militarily weak and dependent on the loyalty of regional elites and warlords. One manifestation of the weakness was the co-existence of a directly governed zone in the better-endowed areas, and a semi-arid periphery that paid a token tribute to the centre but was practically independent.

Resource-poverty of this nature characterized much of South Asia. India, for example, has even less water on average than does Afghanistan. Along a wide band running from West through South to East Asia, imperial states in the seventeenth century earned a revenue per head that was 'puny' in comparison with contemporary states in Western Europe (See discussion in O'Brien 2012, and dataset, <https://ata.boun.edu.tr/sevketpamuk/JEH2010articledatabase>, accessed 18 September 2020). The Mughal or the Ottoman imperial core

survived on the back of the military supplies that came from the regions. Their hold upon the regions was never totally secure. Most South Asian states in the eighteenth century fit this pattern (Roy, 2013). Unlike Afghanistan, the South Asian mainland had access to the sea, maritime trade, port cities, irrigable deltas and river valleys, and these resources sustained industry, commerce, finance, and states. But the extra resources did not create rich imperial states, because the seaboard itself was not an integral part of the inland empires.

The British Empire in South Asia that emerged from the end of the eighteenth century altered the balance substantially. It did not bring all the periphery under direct rule. Nor could it expand the tax base a lot more. But it controlled the seaboard firmly. Being a commercially minded and European-origin state, it had the unintended effect of weakening traditional institutions like caste and feudal loyalties. It created a state less dependent on regional chief than its predecessors. By cutting out intermediaries, it could draw more of the taxes towards the centre (Roy 2020). That innovation made the core militarily much stronger than before.

What did it do with that extra power? Using that power, the state could enforce a deep integration of commodity, capital, and labour markets within the territory it had control over. The periphery (mainly the princely states) accepted the idea of an economic union without resistance. The basis for that acceptance was military despotism. Seaboard access, the backing of the Royal Navy, and a standing army that the British East India Company raised, built the foundation of a military despotism that was new to the region and that defined colonial India. The present political map of South Asia, and the enormous armies of India and Pakistan, are a legacy of the colonial military despotism.

These ingredients needed for the emergence of a military despotism in a resource-poor region were missing in Afghanistan. Although often caught up in military contests between Russia and the western powers – the so-called ‘great game’ – and forced to lose territories to both, Afghanistan like Iran, Saudi

Arabia, or Thailand has never been colonized. The British in India had a significant effect on the making of modern Afghanistan, especially in defining the region for the world outside (Bayly 2016). The country also became a British protectorate in the late-nineteenth century, a fact responsible for the current political map and boundaries of the country. However, this influence did not change the makeup of the state, nor induce a transition to the military despotic model that emerged in South Asia. Because that model did not fully develop, indigenous economic and political institutions survived in this region more than these did in the rest of South Asia. And because it was resource-poor, the governments running the country from Kabul never could impose their writ over the entire country. With their mineral resources, arid area states like Iran could create a strong central government in the early-to-mid-twentieth century. That option was not available to the Afghan state.

These two features, resource-poverty, and a weak centre, made economic development a troubled process throughout Afghan history. Any state-led or managed development programme would need a robust federal setup. Such a structure the country did not have and could not create without running into conflicts, even civil war. Therefore, top-down economic modernization policies often went badly and raised tensions between the centre and the regions. At the very least, the centre had no idea how to bring the regions on board. The last 40 years of conflicts had owed to many factors, including the Cold War and geopolitical rivalries. The fundamental structural element – a perennial tension between centralization of power and fragmented power – was another factor. Resource poverty made the centre relatively weak, and the task of managing economic transformation much harder than otherwise. This, in a nutshell, is the story of economic change in Afghanistan.

Presenting modern Afghan history as an unfinished and frequently disrupted attempt at making a strong state – and I add a development-capable state – is not a new enterprise. Several recent studies of political trajectory done with an eye to history offer a similar interpretation (Byrd 2012; Giustozzi 2008). ‘A

transition without end,' is how Giustozzi sums up the story. These studies also make the point that placing too much weight upon recent conflicts entails missing the unifying forces in Afghan history and overstating the role of ethnic differences. The promise of unity lies in 'leadership' that could forge coalition with regional forces and build a common cause in economic development between the centre and the regions. In Byrd's thinking, the stability of the regime that ruled Afghanistan between 1933 and 1973 is a ground for optimism in this direction. 'Afghanistan's history,' Byrd says, 'underlines the importance of effective national leadership, both internally and to contain and manage the influence of external actors.' Giustozzi underlines the role of patrimonialism and charismatic leaders behind big transitions in modern Afghan history.

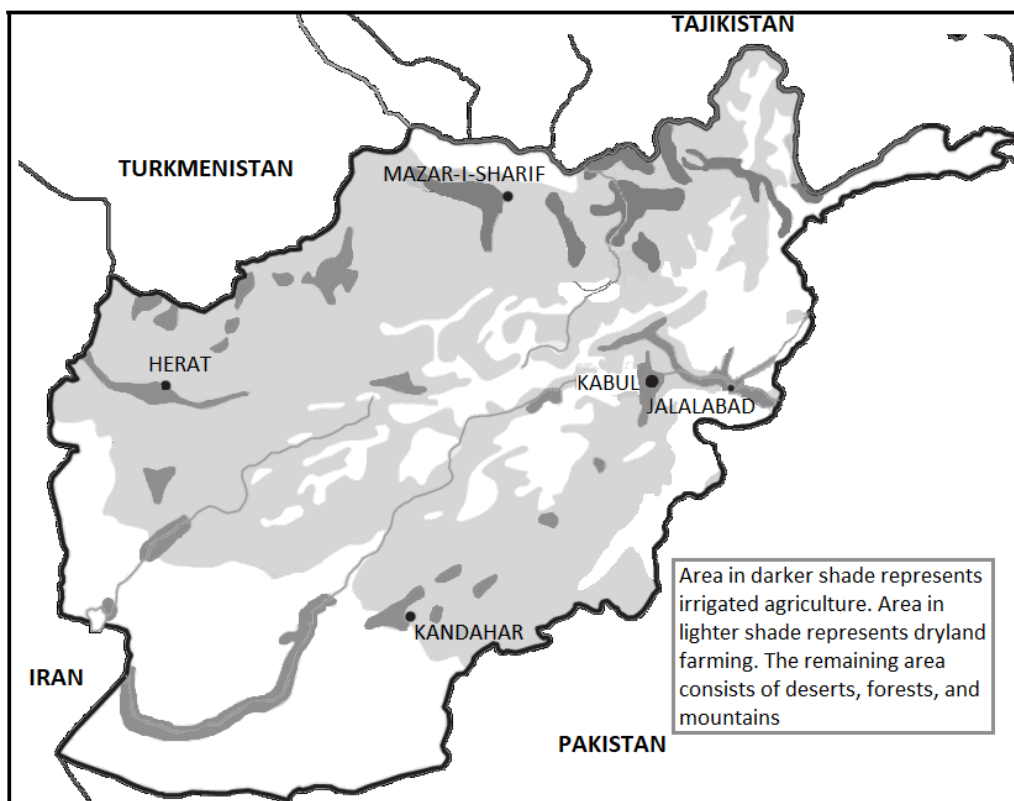
None of this is disputable. And yet, this reading of Afghan history is too regionally rooted to be useful in doing comparative economic history. Leadership is not usually a handy tool to explain long-term economic performance of countries, and an awkward one in comparing countries. I add to this general idea of a disorderly state-making two ingredients that help us connect politics with economic conditions better and can suggest comparisons. These are, fiscally weak centre, and partly owing to that structural weakness, the ever-present prospect of debilitating competition for power. Much of South Asia in the late-1700s had these conditions. India, Pakistan, and Bangladesh still ended up with stable state structures, and could place these in the service of economic development. The colonial legacy facilitated that transformation of state structure. Achieving a similar transformation proved consistently more challenging in Afghanistan. This is the comparative economic history problem the essay helps us understand. The rest of the essay will present a chronological narrative of economic change, in relation to political change.

## **2. The emergence of modern Afghanistan**

During much of the twentieth century, Afghanistan was an agricultural country. But its agriculture was poorer than the rest of the world's. According to the

World Development Indicator database, in 1961, the average cereal yield in the country at 1115 kgs per hectare was 75 percent of the world average. In the next 60 years, it doubled, much of the increase occurring after 2001. But the world cereal yield had increased faster. Afghan yield was half of the world average in 2017. Agricultural land as a proportion of total land was not small at 58 percent. Still, much of the land area, cultivated, arable, or uncultivated, is semi-arid and water-poor. There is more renewable water available in the fertile northern plains and the river valleys of south and southwest. But the prospect of intensive cultivation is not present everywhere, not even within these areas (see Map). With population growth, water per head fell to less than a quarter of the world average in 2017, despite the launch of large-scale irrigation projects.

Map. Land use



At the start of the twentieth century, the main livelihoods in Afghanistan were farming and pastoralism. The average peasant was poor, indebted, and exposed to the risk of droughts. Agriculture produced a subsistence but was not a road to accumulate wealth. Because water for irrigation was available locally in a few

regions, land on average did not produce a lot. In large swathes of the country, and especially outside the three main river basins, agriculture provided at best a subsistence. Since geography did not change, most of the population living on land would have lived in the same way in 1900 as they had in centuries past.

About the size of France, Afghanistan is thinly populated. Reliable census did not start until the 1980s, though a joint sample survey conducted by an American university and the Afghan government in the early-1970s delivered useful data (Trussell and Brown 1979). Rough estimates suggest that the population was 12 million in the early twentieth century, and around that figure as late as the 1970s. The death rate was very high throughout, matched by a high birth rate. These numbers are not reliable. Still, the plausible scenario of a demographic inertia reinforces the impression of inertia in livelihoods and the high levels of drought and disaster risk.

The picture of immobility needs to be balanced by dramatic movements on the political plane. The major towns emerged as seats of political power and centres of commerce and crafts sustained by the wealth of the urban elite. However, groups that ruled the provinces insisted on autonomy, among other reasons, to ensure that their hold over the limited natural resources (like land and pastures) remained secure from outsiders. With limited tax resources, and dependence on regional ethnic groups, the powers that ruled the capital city had neither the military nor the economic might to impose their say upon the entire country. Political integration, therefore, was far too difficult a challenge for regimes to take on.

Although Afghanistan was never colonized in a proper sense, British power played a fundamental role in its emergence as a country. In the early eighteenth century, the region did not form one nation or empire. There were three distinct political spaces. Herat and Kandahar were under Persian influence, Kabul, Ghazni, and Jalalabad in the east were under Mughal imperial influence, and the regions in the north were under Central Asian suzerainty. The conquests of



Nader Shah (1688-1747), a warlord of Khorasan, and his successor Ahmad Shah Abdali (1722-72) brought these regions under a single military command. Kabul became the summer capital of the Empire in 1776.

There was little regional integration in government. The opposite, in fact, was the case. Against a promise of loyalty, groups and tribal councils that controlled the regions were left effectively autonomous. The formation of a dominant centre even reinforced their autonomy. Primitive roads and communications ensured that long-distance cross-border trade was confined to a few cities and routes. The regions retained their livelihoods dependent on local natural resources. The broad tribal divisions followed the earlier pattern of political regionalization – Turkic groups in the north, Tajiks and Persian-speaking groups in the west, and the Afghans or Pashtuns in the east and the centre of the country.

In the early nineteenth century, the Sikh king Ranjit Singh captured the eastern territories of the country. From the end of his reign in 1839, the British based in India interfered in Afghan politics, taking sides in a contest for power. More than the desire to possess territories, a desire to fix the border between India and imperial Russia drove the Anglo-Afghan conflict.

Between 1880 and 1901, Abdur Rahman Khan, a friend of the British, was in power. Khan was a skilled strategist and succeeded in establishing a military dictatorship over much of the territory. In popular history, Khan is sometimes projected as a revolutionary ruler and a successful military despotic ruler. A contemporary biographer credits him with ‘turning Afghanistan, which before his time was a mere barren piece of land full of barbarous tribes, into a consolidated Muslim Kingdom and centre of manufactures and modern inventions..’ (Khan 1900, I: vii). Abdur Rahman’s autobiography shows that he had a more realistic view of his role in history than such hyperbole might suggest.

He modernized the army with European help and paid the soldiers from the central treasury. It was a formidable force only because the rivals were disorganized. The army was a small force of about 50,000. The state failed to demobilize the regions – ‘the country is full of arms, every man or a woman possesses a gun or a sword’ (Khan 1900, II: 57), and they numbered in millions. His experiment with industrialization was confined to inviting Europeans to produce some military hardware. Although he made some improvements in fiscal record-keeping, which was practically non-existent before, he could not raise much more money than his predecessors and needed a British subsidy. ‘The only drawback,’ he rued time and again, ‘is money, which I am struggling to accumulate day and night’ (Ibid. 57-8). He was acutely aware of this weakness, dependence on the Europeans, and failure even reluctance to integrate the nation: ‘as Afghanistan has not arms enough to fight against any great attacking power it would be a folly to allow railways to be laid throughout the country’ (Ibid., 60). At Abdur Rahman’s death in 1901, Afghanistan’s status as a British protectorate had consolidated.

The protectorate ended in 1919 with the Third Anglo-Afghan war. The war was an odd conflict that helped both enemies achieve their objectives. The Afghan king Amanullah wrested control of foreign affairs and declared full independence, and the British wrested an agreement on the land border between Afghanistan and British India. As a military conflict, the war was a small affair, with more losses on the Afghan side. World War I had just ended, and the British had little appetite for another battle. The USSR took a strong pro-independence position on Amanullah’s demands. The signs were that an independent Afghanistan was a better potential ally to British India than a hostile colony.

The effective independence of Afghanistan brought the king face to face with the task of building a country and its economy.

### **3. 1919-1945: The beginnings of developmental projects**

From the beginning of the reign of Amanullah Khan in 1919, when a modernization programme began, the fractured polity placed the regime in a dilemma. Any countrywide development project would require political centralization, a move the regions might not want to be a part of. On the other hand, if the modernization project did succeed in the areas where favourable conditions existed, that would increase the inequality between the capital city and surrounding areas and the countryside, even between tribes, and fuel discontent.

Khan was a hawk on modernization. His idea about modernization relied on a broadly Francophile cosmopolitanism in the capital city, Kabul. He failed, however, to sell the idea outside the city. He could not take the regional chiefs on board. The Pashtun and Pashtun-influenced areas had a system of periodic meetings of tribal chiefs or jirga. In times of national crisis, Afghan kings would invite members of the royal family, tribal chiefs, and religious leaders to a grand council or jirga in the capital. It is not clear how institutionalized or rule-bound these councils were. But it was a distant parallel to a legislative body.

Amanullah, whose grandfather (Abdur Rahman) had once called the grand council for a political reason, wanted to turn this council into a permanent legislative body and secure agreement on his more ambitious plans. The move failed.

His reign was cut short in 1929, with the rebellion of the Tajik military commander Habibullah Kalakani or Bacha-ye Sakao. In popular memory, Kalakani is said to have opposed Khan's secularism. In another view, his opposition had more to do with opportunism than ideology. In any case, his was one of a series of regional and tribal movements to follow, which underscored the military weakness of the government, and its precarious hold on the regions.

The Musahiban royal family that came to power soon after and remained in power until 1973 continued the modernization programme on a low key. During

the short-lived reign of Muhammad Nadir Shah (1929-1933), the regime adopted a constitutional monarchy system. The constitution was meant to be an instrument for political integration, and a guide to making laws. A Parliament based on the tribal council idea would oversee the process and endorse the central programmes. Again, these moves failed. With the bureaucracy controlled by the court, the legislature had limited room for manoeuvre. The situation did not please the regional leaders. There was no real democracy in Afghanistan. From this point on and for decades to come, the absence of a party-based democracy made securing agreement on the constitution an almost impossible task.

At the same time, the economic modernization programme was changing Kabul in radical ways. The government opened doors to western experts and advisers. In 1932, the Kabul University was established. A programme for mass and technical education had been under way for some time, again with the help of foreign experts. In 1933, the central bank, Bank-e-Millie was established. In 1939, a few years into Mohammed Zahir Shah's rule (reign 1933-73), ministers and advisers in the government initiated an industrialization-cum-modernization programme.

The obstacles were significant. Electric power needed to be produced on a large scale, machines for the modern industry had to be imported, finance was expensive, managerial skills non-existence, and there were few large private enterprises to take the lead. There were promises too. A group of European and American engineering firms had claimed that the untapped waters of the Hindu Kush rivers could be used for hydro-electric power. In the post-Depression revival of trade, it was easy and cheap to procure machines from abroad. And in several crafts – brickmaking, metal products, and woodworking – well-developed manual skills and knowledge of material were locally available.

The programme soon ran into trouble because of the Second World War. The supply of machines stalled, and shortages developed in essential supplies,

diverting the government's attention elsewhere. The government and the central bank did largely successful firefighting and managed to save most industrial, utility, and service firms with additions to the share capital. As the economic rebuilding began, it was found that years of neglect had damaged and depreciated scarce assets. Floods had destroyed a part of the building projects undertaken before the War. American technology in infrastructure projects did not always work. For example, an explosive material did not work too well in rock-sand formations. And 'the Afghans' working habits and their different valuation of human and material resources .. overtaxed even American organizational ability,' wrote Peter G. Franck, a consultant to American firms working in Afghanistan (Franck 1949). In Franck's assessment, political disintegration posed the biggest risk to the development project.

The end of the War and the Partition of British India into two countries created other problems. Afghanistan's foreign policy now needed to engage with a Pakistan that wanted to create a strong federation by incorporating the Afghan semi-autonomous groups living in its territory. The government in Afghanistan favoured an openly 'irredentist' ideology to advocate a return to autonomy for the Pashtun-speaking groups in Pakistan. The relationship between the two neighbours was not an easy one, therefore. The border was closed between 1961 and 1963, upsetting the lives of traders and nomads.

Still, as peace returned, a paradigm of economic development was taking shape in the 1950s.

#### **4. 1950-1978: The rise and fall of the modernization paradigm**

In part, the paradigm was just another form of the modernization project that had begun in the 1920s. But now it was also deeply influenced by economic changes happening in the rest of South Asia. A senior minister in 1960 articulated the sentiment: 'we do aspire to catch up to our neighbors; because failing this, Afghanistan will probably disappear. It will be overwhelmed by the

sheer rate of advancement of its neighbors' (Mohammad Naim Khan, Minister of Foreign Affairs, cited by Hannah 1979).

Like in the rest of the region, the court and the ministers thought the state should get involved in the economic development process. And more acutely than in the rest of the country, the Afghan political leaders understood that the country needed to keep borders open to capital and skills from abroad. Skills shortage was a critical obstacle, not least because the state had more limited capacity in Afghanistan than in, say, Pakistan or India. In this way, from a lack of choice, the development policy settled on a mixed economy model.

Practically in every country in South Asia, the 1950s was the time for planning. Afghanistan was no different. Planning for development was directed from the capital city by the political elite and their foreign advisers. But the state had serious limits. 'The narrow base of the fiscal revenue,' an early critic of Afghan planning said, changed the whole meaning of a development plan (Franck 1953). The state 'did not penetrate deeply into the countryside in large parts of the country, nor was it very successful developmentally' (Byrd 2012). Acknowledging these limitations, whereas India's 1956 five-year plan made industrialization the target for development policy, Afghanistan's counterpart made infrastructure the goal, rather like in Pakistan and Nepal. The presence of an indigenous business class in India and a bigger capacity to capture tax and aid set it apart. Afghanistan lacked these initial conditions for industrialization.

The most important field of public investment was the multipurpose river valley project. Afghanistan has three major river basins, the Amu Darya Basin in the north, the Indus River Basin in the east, and the Helmand River Basin in the south. The Helmand Valley project began in 1939 as an Afghan American collaboration but did not deliver much benefit. The Nangarhar region on the borders of Afghanistan and Pakistan are fed by the Kabul and the Kunar rivers and has some of the most fertile agricultural tracts of the country. This area was also historically the core commercial zone. Its relatively easy transport access

with Pakistan made for a lot of trade between the two countries, centred in Jalalabad town. Irrigation in Nangarhar was a focus of Soviet-Afghan collaboration. And finally, in Amu Darya (or the old Oxus), the sharing of water concerned the USSR and Afghanistan, because the basin was shared. Again, big plans emerged to develop the water resources of the basin, followed by little action. A second significant area of investment was roads, built mainly with American collaboration. Highways linking the cities came up in the 1960s. These projects stimulated internal trade as well as trade with neighbours.

Sustaining the developmental impetus was a challenge. Financing a development plan that relied heavily on imports was a problem. Where would the foreign exchange come from? To pay for concessional loans taken for these projects, Afghanistan entered a barter trade collaboration with the USSR. The roads and irrigation projects did stimulate the production of Afghanistan's main export articles. But the basket was a limited one, confined to cotton, wool, dried fruit, and karakul sheep skin. With the internal market still quite small, foreign investors took little interest in the country. Beyond exports and trade in local produce, private enterprise had limited room for growth. Governmental capacity fell short of the promises made, was perpetually constrained by poor takings, bureaucratic corruption, and resistance of regional leaders.

The limited capability of the state made it a weak agent of change in other ways. From a historical perspective, the most telling symbol of the limits of the state was its failure to establish a legally secure private property right in land. 'Most land ownership and use in Afghanistan,' writes a 2015 report, 'has been based on informal or customary arrangements that evolved over time. Historically, the Afghan state had only a minimal role in land management. Legal title was also of little value to most Afghans because the state was too weak to enforce property rights beyond urban centers.' This was the case nearly a century after a constitution came into being that sanctioned legislation. Some change had come in 1964, when a Department of Land Affairs began to create and manage

registers of property. Attempts in the 1970s to map private lands and match these with titles had little effect beyond the urban areas.

The same story repeated in business law, judicial infrastructure, taxation, and credit. In the twentieth century, Afghanistan was an important conduit for trade between South Asia and central Asia. Commercial law, however, was embedded in informal and local custom of the participants. Again, the constitution gave the state the formal authority to pass laws. The laws would not be practically enforceable nor widely accepted or understood in the absence of an extensive system of courts, which did not appear. As late as the 2000s, 'fair and reliable enforcement of commercial laws through the formal system remains a challenge,' and courts set up in the 2000s struggled to settle disputes without reference to customs and practices (Alep – Stanford Law School 2011). Tax collection by the central treasury likewise suffered from the extreme decentralization of the system. In the prewar years, '[f]oreign citizens and firms operating in Afghanistan were the only communities that consistently paid their taxes' (Ibid 2011: 39). Although a central bank had appeared in 1939 (Da Afghanistan), and the 1960s saw banking booms, with a weak legal system, the use of negotiable instruments remained restricted.

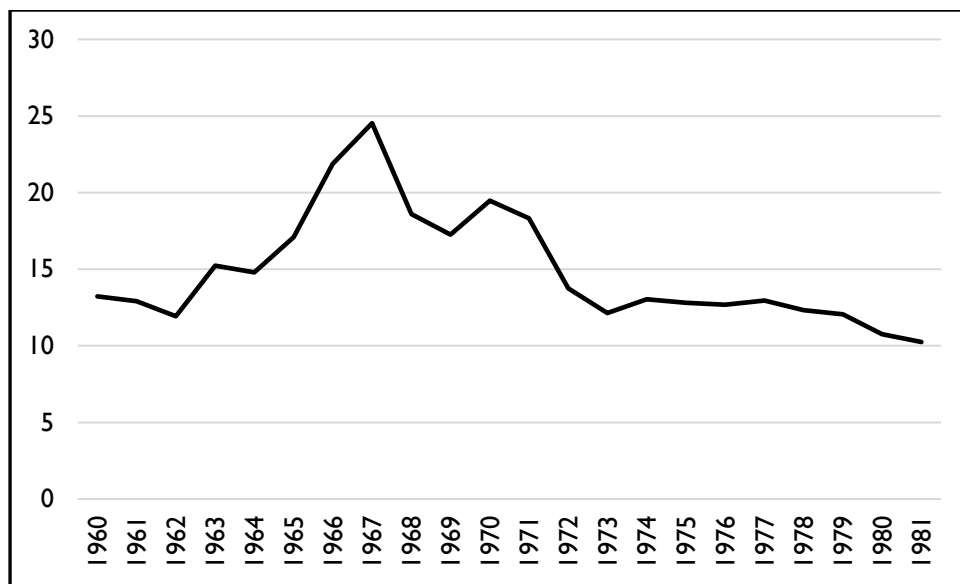
The drive to create a western-style institutional infrastructure did lead to the growth of courts, banks, laws, and firms. Kabul gained the most from that drive. The capital city prospered greatly from the modernization of services and expansion of government. Between 1954 and 1974, the population of Kabul increased from 215,000 to 750,000 (Dupree 1975). On the political level, despite the weakness of the party system, democracy was taking root. Several Parliamentary seats were open to elections. Students' movements in 1965 and 1969-70, and elections in 1971, became occasions when popular political sentiment found a platform of expression.

The 1960s saw the beginning of the end of the uneasy equilibrium between modernizing Kabul and the semi-autonomous countryside. Rapid economic



growth in the capital city did not have much effect on the average livelihood pattern or average incomes. The proportion of population engaged in agriculture around 1980 was 85 percent. Per capita income in 1960 was 13 percent of world average. There was some catch-up in the 1960s, and a falling-behind over the next 15 years (Chart 1). Average income at constant prices for these years are not available. The root of the relative, and possibly absolute, slowdown was clear enough. The centre did not have the resources to sustain a diversification away from agriculture and create enough jobs in industry and services. And whereas agriculture did grow, the growth also generated inequality.

Chart 1. GDP per head as a proportion of world GDP per head (%) 1960-1981



**Source:** <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD> (accessed 18 September 2020).

Three significant changes had happened in the 1960s and the 1970s, with mixed results. First, the postwar irrigation schemes, the more recent Green Revolution technology, road transport development, and farm mechanization led to agricultural growth, migration, and conversion of some nomadic and seminomadic groups into farmers. But the whole process was fraught with risks. A market for land titles did not exist. Therefore, migration and settlement were politically regulated, and frequently led to conflicts. Agricultural growth altered the pattern of inequality in parts of the countryside, from a political sort of hierarchy cemented by clan loyalty towards less socially acceptable forms of

economic inequality. In the 1970s, when reliable statistics on land tenure began to be available, a large proportion (40 percent or more) of the rural population was landless. In the northern regions, a tiny elite owned much of the land. Poverty and inequality now began to reshape the discourse of development in Afghanistan, by creating room for a Marxist agrarian reform programme, one that promised regulation of credit market and redistribution of land.

In the fragile ecology of the steppe regions, natural resource endowments were becoming more insecure for those dependent on small farming and livestock. 'Extensive overgrazing, frequent drought, and unwise land-use,' wrote a survey of environmental conditions, 'have initiated processes of local desertification ..' (Hassanyar 1977). The extent of 'vegetation deterioration' was 'very severe' in southwestern Afghanistan, and areas bordering the southern desert.

The second development was the consolidation of popular political forums. Those occasions when public sentiment found outlets revealed deep antipathy towards the Kabul elite. The radical left made significant inroads into the university, and as the formation of political parties became possible, formed some of the more successful ones. The growth of the left movement made the America-dependent modernization project less popular than it once was. By the mid-1970s, the open doors policy towards the West had its days numbered.

The third area of change was international relations. The USSR was getting closely involved with foreign policy, security infrastructure, and developmental ideology. A coup-d'état in 1978 brought a coalition of military officers and the pro-Soviet radical left into power. The modernizing impulse continued but now took on a Soviet face. Soviet engineers replaced the Americans. Soviet military experts visited Afghanistan frequently. And through these links, Moscow kept itself informed of the inside politics of the Kabul regime. The Soviet Union was anxious about the country's foreign policy mainly because stability in Kabul was a key factor in the stability of Central Asia, with which the country shared an 800-mile border. Ethnic groups that did not feel any reason to commit either to

socialism or Kabul-style economic modernization straddled the border. This was not Cold War politics for the USSR; it was bound more by geopolitical considerations than global military rivalry. But because the USSR was involved, the USA and Pakistan became interested in the situation. Whether it could afford it or not, Afghanistan was turning into a stage for the Cold War.

The socialist turn served Afghanistan badly. A socialist economic system would mean more centralization and not less. The country had neither the fiscal nor the military means to carry out more centralization of economic and political power. Politically, the rise of the left in Kabul underscored the distance between the city and the regions, and the appointment of overbearing leftists in key positions angered and upset the regional leaders. The heavily USSR-leaning of Afghan radicalism, and dissension within their ranks, did not help matters, even as the rise of the communists alarmed the Americans.

The main economic reform programme, a land redistribution project, stumbled for a variety of reasons, including the fact that members of the ruling elite were out of touch with the regions. The land was of poor quality by and large. The officials had little detailed knowledge of who owned which land: 'It has proved more difficult to separate khans and landlords from peasants than Marxist analysis had predicted' (Newell 1979). The move raised a worry about the potential consequences of land reforms for ethnic power distribution. USSR was a friend of the Afghan communists, but the friendship did not please almost anyone else. There were many reasons for the dislike. Ideological differences were not the most important of these. One perennial problem was water-sharing arrangements in the Amu Darya basin. The USSR often appeared as a bully in the negotiations; its commitment was to Turkmenistan and Uzbekistan. With 27 percent of the annual flow in its territory, Afghanistan had access to 7 percent of the water of the river, according to the Tashkent agreement of 1987.

From late-1978, clashes between the government and the local communities erupted in many areas. In 1979, even the cities were living in insecurity. Several

powerful militaristic opposition groups emerged to resist central rule. Most professed loyalty to the tenets of Islam, but amongst them, there were considerable differences over the mix between secularism and religious sentiment. In this way, the Afghan civil war that would last for the next quarter of a century began.

## **5. 1979-2001: Civil war and state collapse**

The USSR's military and security apparatus became committed to sustaining Afghanistan from early-1979, as the regime threatened to collapse under the weight of infighting and a divided military. This phase continued until 1994 when a little-known movement known as Taliban overthrew the Russia-backed government and established a rule. Civil war conditions destroyed a great deal of the infrastructure built in the pre-1978 era, killed anywhere between half a million to two million Afghan people, left vast areas with unexploded landmines, and forced millions to migrate. Aid from the USA, Saudi Arabia, China, and Iran sustained the rebel groups. The country's precarious economy was devastated, though little estimate exists of the nature and extent of the loss to income and property.

Seeing these crucial 15 years in Afghan history as a featureless decline would be a mistake, however. Between 1978 and 1994, the cities, especially Kabul, continued to benefit from Soviet and Russian contact. One measure of the gain was the great number of women who received higher and technical education in Russia and returned to occupy key administrative positions. When the Russia-backed regime fell in 1994, these women, and female education and employment more broadly, became a target of fierce Taliban repression.

None of the foreign powers realized, nor cared about, the fact that the Taliban embodied an extreme form of Islamic fundamentalism, nurtured in the North Western Frontier Province of Pakistan, where the Taliban had their base and where the conservative Deobandi ulama had an entrenched position in

educational and cultural life. Most Taliban leaders were products of these theological seminaries. Despite allegiance to Islam and frequent denial that the movement was ethnically biased, the Pashtun dominance of the movement pitted them against the other major ethnic groups.

By 1998, without much agency of outsiders, the movement had divided up between the mainly Pashtun Taliban, and the Mujahidin formed of Tajik and Uzbek ethnic groups. Pakistan backed the former with aid and military help, whereas Russia, Iran, and the Central Asian republics supported the latter. The USA stayed aloof until 1998 but then joined the attack against the Taliban. It had two grievances. After the 1998 bombing of two US embassies in Africa, the perpetrator Osama Bin Laden had taken refuge in Afghanistan; and poppy cultivation had greatly expanded in the Nangarhar area to give a huge boost to opiate production and trade in the world. Almost all the poppy was grown in the Taliban areas, and the regime made a good income by taxing the production and sponsoring the trade.

The old problems, weak state capacity, and political fragmentation, had returned during the Taliban era to disable the regime and made it a weak force for economic change of any kind. Political fragmentation returned with a vengeance because the revolutionaries were divided and had carved their territories of influence and control from the 1980s. After Taliban rise to power, a coalition in the north controlled about ten percent of the land area. It was this coalition that took over when, in 2001, the American military forces invaded Afghanistan and ousted the Taliban.

Although good national income data are not available for the period (the first reliable but partial census was conducted in 1979), demographic statistics show that the two decades of the 1980s and the 1990s were 'lost' times. Afghanistan had one of the highest birth rates in the world (47-54 per 1000) in these twenty years, and one of the highest infant mortality rates (147-191). With patchy data, it is impossible to say if infant mortality rates increased during the turbulence. If

it did, that would testify to a collapse of the healthcare system in the countryside. Life expectancy at birth was 39-45 years. And Afghanistan was losing a big part of its working-age population to migration.

Healthcare took a particularly bad hit from the political turmoil. This setback did not owe entirely to the limited financial capacity of the state. The rise of the Taliban raised the level of political anxiety among many groups and induced heavy migration. Some of the most skilled workers left early and resettled most successfully. Among those leaving were many doctors and nurses who went to Western European and North American countries. Furthermore, Taliban policy to segregate women and remove them from the workforce meant that women medical professionals were forbidden from studying medicine and practicing. That policy had a devastating impact on maternal healthcare and contributed to keeping total fertility rates at a high level (7-8 births per woman).

The end of the civil war and the emergence of a new regime came with the promise of a significant turnaround in the demographic history of the country. Revival of public healthcare and the return of women to the workforce happened almost immediately, with far-reaching impacts. It was a shaky process, nevertheless. The earlier high fertility regime meant that in the 2010s, the country had a large population of young men and women seeking jobs. In some assessments of the country's future, many of the working-age young people, unable to find productive work, took up arms, either on the government's side or the insurgents, thus keeping insurgency alive. To say that the insurgency derailed the recovery would be overly pessimistic, but the persistence of insurgency does underscore how delicately balanced the economic recovery process was.

## **6. 2002-2013: Turnaround**

The last twenty years in the economic history of Afghanistan can be divided into two parts. The first part saw more dynamism, and the second part saw some of the initial gains lost to a return of civil war conditions.

After the initial recovery from the war, the new government set out to make investments again. A significant part of that money came from the Western and other donors and went into infrastructure building. A vast number of jobs were created in the public sector, mainly in security services. Trade revived.

Investment in canals and dams increased. Above all, a great deal of money and energy went into public healthcare, education, and agriculture.

Health was a priority area, and the one that registered the most gains in a short time. The success of healthcare rebuilding showed that money alone was not the critical factor in the recovery process. Afghanistan's open borders to skilled people were an attraction for several non-governmental organizations or NGOs from India and Pakistan to set up hospitals there. The new facilities employed Indian, Pakistani, Afghan personnel trained abroad, and Russian doctors and nurses. More than treating diseases, the new infrastructure significantly improved immunization systems, which brought some infectious diseases under control. Safer water and sanitation projects helped too.

Education was another priority and another area of success. In just a few years, over half of the school-going population had enrolled in schools pursuing a uniform national curriculum. A third of them were girls, whereas girls' enrolment had fallen to zero in the Taliban controlled areas. NGOs and government agencies campaigned successfully for higher recruitment, with positive results.

The demographic turnaround was a dramatic one. Between 2000 and 2019, the population increased from 22 to 36 million, an average growth rate of 2.5 percent per year. Life expectancy at birth improved from 45 to 52 years. The infant

mortality rate fell from 147 to 106 per 1000 live births. Net migration was still negative and large in the earlier years of the recovery but dropped sharply in the later years. These data suggest the prospect of a population explosion, which the resource-poverty and civil war conditions could make an impossible challenge for any government to deal with. The good news is that in these twenty years, the total fertility rate fell so sharply (from 8 to 4.8) that, if the trend persists, the population growth rate should fall from 2020, and fall rapidly. Throughout, the Human Development Index, and individually measures of health and nutritional status and education, improved in the country. And access to water and electricity grew at unprecedented rates.

There were other positive changes during the twenty-year recovery. Major river valley projects were taken up especially in the upper Amu Darya basin. Urbanization rate speeded up. Urbanization rates reflected increased natural growth of population in the cities, thanks to better survival of births. There was also migration into the towns, for employment, and education. Much of that flow remained Kabul-bound. The gap between Kabul and the second-largest city Kandahar widened rapidly, even as migration added pressure to public services in Kabul. Overall, the quality of life was significantly better in the cities compared with the rural areas.

The initial burst of expenditure produced a healthy growth rate of real national income too. South Asia is a good benchmark to compare Afghanistan with. Between 2004 and 2013, the average Afghan income as a percentage of South Asian average income increased from 35 to 44, and as a percentage of world average from 10 to 14 percent. The catching-up is significant because Afghanistan, in 2002, when GDP data began, was the poorest country in South Asia. The high growth rate for the next eight years showed not only that the foreign donors helped, but also that increasing economic integration through trade, migration, and investment with one of the world's fastest-growing regions produced a dramatic outcome in the country.



This relative gain disappeared in the next six years, and in 2019, Afghan income was again 35 percent of the South Asian one. This was the second part of the timespan, one in which there was a steady if mild regress.

## **7. 2013-20: Reversal**

The falling-behind on economic growth was significant. It revealed the three pitfalls in the process of recovery. A part of the regress was obviously due to the drawdown of international military forces on Afghan soil between 2012 and 2014, and a drop in related investment and expenditure. But there were also deeper structural problems that the recession of the subsequent five years revealed more starkly.

First, despite all the help from its security partners, the government in Afghanistan remained too weak to integrate the regions under one rule. About 40 percent of the land area remained outside the regime's control. Here, opium cultivation and drug trafficking continued. 'Over the course of reconstruction, the reports of international organizations and NGOs were replete with tales of health-related programs that had to be suspended, canceled, postponed, or significantly scaled back because of security issues' (Jones et al 2006: 207).

Second, the economy did not, and could not, diversify enough. Given the resource-poverty of the country, agricultural and industrial development was not sustainable avenues of economic development. Insurgency restrained the growth of services like tourism and had left a vast army of unemployed youth with insufficient training for other services. The public sector remained a large employer. Trade, finance, and other commercial services had a boom, but the ability of these services to generate more and well-paid jobs depended on there being strong production sectors. Overall, the economic growth in Afghanistan was services-based, as in the rest of South Asia. However, most services jobs were low-paid and insecure, except those in the government. Even the government, reports said, paid less to soldiers than did some insurgent groups.

And third, poverty remained entrenched, and inequality was on the rise. As on many occasions in the past, robust economic growth centred in the cities and the fertile agricultural areas, leaving the resource-poor countryside behind.

Inequality between the countryside and the towns grew wider. In urban areas, ‘eight out of ten households had access to improved sanitation in 2013-14, compared to only three out of ten in rural households.’ (Afghanistan and World Bank, 2017: 8).

Economic growth bypassed the rural poor, whereas insurgency hurt them the most. ‘The poorest and most vulnerable segments of the population benefited least from [the] growth, and the same groups suffered the most once the economy and the security condition deteriorated,’ wrote the 2017 report on poverty cited above. United Nations estimates suggest that personal income inequality has risen significantly since 2002, a trend common to all countries in South Asia.

A part of the inequality problem was high unemployment rates. The end of wars and the initial investment in healthcare paid off in rising population growth, which added further pressure to the job market and public services. Youth unemployment is at unsustainable levels in the country. In 2013-14, when the withdrawal of the forces was at its peak, unemployment rates rose, and ‘one in every four people participating in the labor market were either working for less than eight hours per week or do not have a job and are actively looking for one’ (Afghanistan and World Bank 2017: 7).

Some of the disruptions caused by the 2014 shock wore off in the next five years. On the other hand, increased in-migration of former refugees from Iran and Pakistan added to the stress, even intensified conflicts in some areas. The return of insurgency had a curious effect. As new foreign insurgent groups took advantage of the stress, it made the Taliban, now under a different and reportedly more moderate leadership, defensive and willing to strike a deal with the USA. In 2020, the deal materialized. If successful, and this is still a big if, the deal would see the end of military conflict in the areas, mainly the south and

the west of the country, where Taliban is powerful. And if successful, it will also see an effective secession of these areas from the rest of Afghanistan. Most women activists of the country are concerned about a regress in the quality of life for the women living in these areas.

Amidst this uncertainty, the Covid-19 pandemic hit the economy hard. Compared with the rest of South Asia, the expected drop in national income due to working time lost could be smaller in the country, simply because industry and services were not doing too well before the crisis and agriculture is on roads to recovery from a 2018 drought. In the backdrop of high unemployment and a tense security situation, any recession can generate a tremendous amount of stress and violence.

## **8. Conclusion**

The violent history of the country may make us think that Afghanistan is a failed state. Far from it. It is not a failed state, but it is a divided state, and the root of this division lies in its history and its geography.

For exactly a century, since a state-directed economic modernization drive began in Afghanistan, the economy of the country was torn between two forces, centralization and fragmentation. A developmental programme designed and directed from the capital city could not reach far out to the countryside and the provinces. Acute resource poverty, and a tradition of regional autonomy that survived because the centre was militarily weak or dependent on local elite, made the two worlds fall further apart as the modernization project succeeded. The insurgency and civil war of the late-twentieth century were the most recent and perhaps the most violent manifestation of the problem. This was a time in Afghanistan's economic history when the centralization force was subdued, and fragmentation ruled. The return of a stronger state, albeit with foreign military and technical aid, changed the game, but no one will say that it changed the

game radically. Economic development has returned, but it has accentuated inequality.

There are positive factors. Although it is too early to say, global warming, by increasing the snowmelt in the Pamir Mountains, can potentially increase the flow in the crucial river of northern Afghanistan, Amu Darya. There are already signs that this is happening. It raises the risks of floods (and summer droughts). Still, the process holds the prospect of impounding more water for agriculture and urban use, with sufficient investment.

Technology has played an ambiguous role. The success of warring groups in the country had owed in part to the falling cost of the technology commonly used in small-scale warfare. On the hand, the success of the centralizing development-bound state in recent years owed to improvements in the technology and institutions in the service of healthcare and infrastructure. The former factor remains a challenge for the modernization project and could lead to a permanent if an unofficial division of the country. The latter factor holds much promise. The recovery stage saw the construction of assets and institutions that should survive if the peace deal does. The future depends on these assets and institutions in which the regions have a stake.

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