



Analysis and Review the Role of Institutions in Afghanistan's Economic Underdevelopment

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Abstract

Economic development and growth, as the foundation of human life, has been the first problem facing human life. The causes and factors that hinder the economic progress of societies have long been a key issue for economic researchers. In this regard, economic development books have largely focused on purely economic factors, neglecting the institutional backgrounds of underdevelopment in societies. This paper aims to address the institutional factors that affect economic development. In this context, an underdeveloped country like Afghanistan is chosen as a research case, and the causes of its underdevelopment are analyzed from an institutional perspective. The research hypothesis is based on the premise that institutions, as the rules of the game, have played a fundamental and primary role in the underdevelopment of Afghanistan, and reforming these institutions is a prerequisite for the country's economic development. The economic underdevelopment of Afghanistan is the result of the weakness and fragmentation of various institutions, such as: the weakness of the political system, the weakness of the economic system, cultural weaknesses, failure in nation-building, weakness in justice and the redistribution of resources, weakness in economic laws, and ultimately the weakness of security institutions. Overall, the shortcomings in the above institutions have contributed to the failure of economic development in Afghanistan.

Keywords: *Economic Underdevelopment; Institutionalism; Justice; Economic Security; Afghanistan's Economy*

1- Introduction and Statement of the Problem

One of the fundamental topics that has preoccupied economists in recent decades is the vast disparity between countries in terms of welfare and economic development. Many countries with abundant natural resources are plagued by poverty and chronic underdevelopment, while some countries, lacking sufficient natural resources, have achieved remarkable economic growth and development. The

institutional approach and scholars of this doctrine believe that the root cause of this difference lies in the quality of institutions in different countries. Therefore, identifying the factors and causes of underdevelopment in countries, as well as strategies for overcoming it, is of paramount importance. In this context, one of the proposed approaches to the causes of underdevelopment in third-world countries is to uncover the institutional causes of underdevelopment in these countries. The aim of this study is to answer the question: *"What role have institutions played in the economic underdevelopment of Afghanistan?"*

The research hypothesis is that *"In the economic underdevelopment of Afghanistan, institutional factors play a more significant role than other economic factors."* To date, there have been no significant or scientific studies specifically focused on Afghanistan in this regard, and it is essential for scholars and researchers to study the institutional structure of Afghan society to uncover the reasons for its underdevelopment. Therefore, this research attempts to analyze and examine the role of institutions in Afghanistan's underdevelopment using an institutionalism approach.

While there has been extensive research on institutional factors and their role in economic development, there appears to be a lack of specific studies focused on the institutional causes and factors of economic development in Afghanistan. Some general works have addressed the relationship between institutions and the economy, including the following resources:

- **North, Douglass C. (1990). *Institutions, Institutional Change, and Economic Performance***

This book is a foundational work in institutional economics. Douglass North explains how institutions (laws, norms, and contracts) influence the economic performance of countries and how institutional changes can impact economic growth.

- **Acemoglu, Daron, Johnson, Simon, & Robinson, James A. (2001). "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review***

In this article, the authors use historical evidence to demonstrate that the quality of political and economic institutions during colonial times has a direct and long-lasting impact on modern-day economic development. They specifically analyze the role of transparent and reliable institutions in fostering sustainable growth.

- **Rodrik, Dani, Subramanian, Arvind, & Trebbi, Francesco (2004). "Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development." *Journal of Economic Growth***

This article emphasizes the importance of institutions compared to geographical factors and international trade policies. The findings highlight that institutional quality is the most critical factor for achieving sustainable economic growth.

- **Sen, Amartya (1999). *Development as Freedom***

In this book, Amartya Sen discusses the concept of freedom as a central institution in economic development. He explains that political freedom, access to information, and economic security are not only goals of development but also tools for achieving sustainable growth.

- **Williamson, Oliver E. (2000). "The New Institutional Economics: Taking Stock, Looking Ahead." *Journal of Economic Literature***

This article provides a comprehensive review of new institutional economics, exploring the impact of institutions on transaction costs, governance structures, and economic performance. Williamson

also examines the relationship between formal institutions (like laws) and informal institutions (like culture).

- Geoffrey Hodgson (2016), "Economics and Utopia": This book critiques capitalism and explores alternative institutional frameworks.
- Mahmoud Mashhadi Ahmad (2014), "Institutional Economics": This book critiques conventional economics from an institutional perspective and examines the heterodox versus orthodox economic approaches.
- Mahmoud Motavasseli (2014), "Economic Development": As an institutional economist, the author explores the components of economic development with an institutional approach.
- Mahmoud Motavasseli, Mostafa Sami Nezhad, and Ali Niko Nesbati (2013), "Institutions and Development": A collection of translated international articles on the relationship between institutions and development.
- Mehdi Taghavi and Hossein Mohammadi (2011), "Institutions and Economic Growth": This book features translated international articles discussing the role of institutions in economic growth.
- Mahmoud Motavasseli and others (2011), "The Revival of Institutional Economics": A translation of works by Western institutional economists.
- Mahmoud Motavasseli, Mahmoud Mashhadi, and others (2010), "Institutional Economics": A compilation of various articles on the nature of institutional economics.
- S. C. Dube (2007), translated by Seyed Ahmad Mothaghi, "Modernization and Development": This book emphasizes institutional factors as alternatives in development frameworks.
- Amartya Sen (2006), translated by Mohammad Saeed Noori Naeini, "Development as Freedom": The author moves beyond classical economic analysis to focus on institutional concepts such as freedom in addressing underdevelopment in poor countries.
- Alireza Ali Abadi (1994), "Roots of Underdevelopment in the Third World": The author analyzes and examines the roots and factors of underdevelopment in Third World countries.

2- Theoretical Foundations

2.1 Development

The term "development" became widely used after World War II. Until the early 1960s, it was mostly used in its economic and technological context. However, today its application has expanded, and it is used in various fields of science and technology, each with its own specific meaning. Examples include political development, cultural development, technological development, information development, and scientific development.

The word "development" in Persian linguistically means to expand or enlarge (Mo'in, 2007). In English, it corresponds to the word "develop," which means "to promote growth or cause to grow" (Oxford, 2023).

Michael Todaro defines development as follows:

“Development should be considered a multidimensional process that involves fundamental changes in social structure, people's general perceptions, and national institutions, as well as accelerating economic growth, reducing inequalities, and eradicating absolute poverty. In essence, development should demonstrate that a social system, aligned with the diverse needs and desires of individuals and social groups within the system, has moved away from an undesirable past and is progressing towards a better material and spiritual state.” (Todaro, 2012: 23)

2.2 Underdevelopment

The term "underdevelopment" and "less developed" or "developing" are sometimes used interchangeably, but a clear distinction can be made between them. An underdeveloped country is one where there are no signs of development, while "less developed" refers to countries that have the potential for development, but either that potential has not been utilized or it has been used in a limited way.

2.3 Progress

Ferdinand Tönnies defines progress as the dominance of rational will over natural management. In his view, progress involves the transition of society from a type of social organization where natural will is the organizing force, to a society where the social structure is based on rational and thoughtful will. In an advanced society, human will is not influenced by tradition, habits, shared beliefs, or emotional ties, but is based on rational, goal-oriented principles (Sabet et al., 2019: 59).

2.4 Institutions and Institutional Methodology

The fundamental question that institutionalism researchers face is, "What exactly is an institution?" Despite its seemingly simple appearance, this is a difficult question. The earliest institutional thinkers acknowledge this complexity (Mashhadi, 2014: 268).

North, a leading new institutional economist and Nobel laureate, defines institutions as "the rules of the game in society." More precisely, institutions are restrictions imposed by humans that shape the interactions between individuals and systematize the motivations underlying human exchanges. Douglas North divides institutions into two main categories: formal institutions and informal institutions. Formal institutions include "constitutions, customary laws, and legal regulations," while informal institutions consist of "culture, traditions, customs, rituals, and social norms" (Momeni, 2021). Institutional theorists, by combining definitions and theories from institutional economists, provide a broader definition of institutions. They argue that institutions are not limited to governments, organizations, and associated entities but also include customs, norms, and both legal and illegal practices (Safarpour et al., 2010: 468).

2.5 The Relationship Between Institutions and Development

According to North, institutions, which are the rules of the game for economic development, play a central and fundamental role in progress and development. Scholars believe that institutional development is a new and evolved interpretation of modernization theory, which emphasizes the effective role of organizations and social institutions in economic development. From this perspective, development refers to institutional and organizational changes that occur in societies, setting the stage for increased growth and per capita income.

Today, countries differ significantly in terms of development and underdevelopment. However, the research question for scholars has been the reason for these disparities. Economists and social scientists have identified various reasons for differences in development across countries. Some attribute development and underdevelopment to geographical conditions and climate, while others point to cultural and social conditions as the main factors. A number of scholars emphasize the differences in the

functioning of political and legal institutions, while some focus on religion, natural resources, property laws, or economic systems. A closer look at these factors reveals that most of them are institutional factors, which have led to development in some societies and underdevelopment in others. Therefore, focusing on and analyzing development based on institutional analysis is essential, and academic centers worldwide should give more attention to this issue in their research and scholarship

3. The Relationship Between Institutions and Economic Underdevelopment in Afghanistan

In Afghanistan's underdevelopment, numerous economic and non-economic factors are involved. By carefully examining the process, it becomes clear that the root cause of all weaknesses and imbalances leading to the country's underdevelopment lies in its institutional structure and the weakness and inefficiency of its institutions. Therefore, the most significant institutions affecting the underdevelopment of Afghanistan are analyzed from an economic perspective below.

3.1 Political System and Economic Underdevelopment

Different viewpoints have been expressed regarding the relationship between political systems and economic development. Regarding whether a democratic system is a prerequisite for economic development or if non-democratic regimes can also foster economic development, three perspectives have been put forward (Qavam, 2005: 49).

- a) **The Primacy of Political System Approach:** According to this perspective, the essential condition for economic development is a democratic political system. Proponents of this view argue that democracy leads to economic and social development through mechanisms such as strengthening the free market economy, private ownership, and equality (Weiner and Huntington, 2000: 15).
 - b) **The Primacy of the Economic System Approach:** Contrary to the previous view, this model argues that economic development is the primary condition for achieving democracy (Moses, 2012: 125). Aristotle believed that only in a prosperous society can conditions be created where the public can participate rationally in political matters (Qavam, 2005: 49). Scholars in this camp maintain that once a country reaches a sufficient level of economic growth and development, political and social underdevelopment will resolve itself automatically (same, p. 31).
 - c) **The Irrelevance of the Political System to Economic Development:** In this perspective, the type of political system is deemed irrelevant to economic development. Economic development is instead attributed to factors other than the political system. Adrian Leftwich argues that the quality of governance and the policies of the state have a far greater impact on national economic performance than the type of political system. He asserts that the nature of policy and the state's approach, rather than the form of government, take precedence. This is because many developed countries have been either democratic or non-democratic (Weiner & Huntington, 2000: 15). Economic development depends more on internal stability, acceptance in international markets, relative independence, reducing corruption, efficient administrative systems, wealth distribution, and consensus among social groups on development. These aspects are typically the result of effective governance.
- Leftwich further argues that democracy, especially in nascent, unstable, and populist systems, does not necessarily lead to economic development. The rapid development of countries like South Korea, Taiwan, and Singapore—despite being somewhat authoritarian—supports this view. Similarly, many industrialized, non-democratic countries in the West, such as Japan and China, have also achieved significant economic development through

centralized planning and dictatorial governance, while democratic countries like the USA and the UK have followed different paths to prosperity.

- In the context of Afghanistan, examining the economic development trajectory within various political systems reveals that economic development is not highly dependent on the political system type. Rather, the quality and characteristics of governance and policy-making play a far more significant role. For instance, during the monarchy under King Zahir Shah, Afghanistan experienced the most economic prosperity, whereas the communist period saw the least development. Even in the democratic era, despite receiving massive international aid (around \$200 billion), Afghanistan did not witness substantial economic growth. Experts argue that with \$100 billion, the country could have alleviated poverty significantly. Therefore, the key to Afghanistan's economic underdevelopment lies in the weaknesses of its institutional structure and governance, rather than the type of political system. This is also reflected in global examples of development in both democratic and non-democratic regimes.

3-2. Economic System and Underdevelopment

Some development scholars consider the choice of economic system to be the vital lifeline for development. However, they differ on which economic system can guarantee the economic survival of nations. Proponents of capitalism believe that the salvation of humanity lies in the market economy, while communists argue that human well-being is found in the communist economic system. Another group believes that the type of economic system is not significant; rather, economic development depends on good governance, regardless of the system.

3-2-1. Market System and Underdevelopment

Afghanistan, as one of the countries that has experienced several decades of developmental backwardness, has undergone a market economy system for twenty years (2001–2021). According to Article 10 of the Afghan Constitution during the democratic era: "The government encourages and guarantees the protection and immunity of private investments and enterprises based on the market economy system, in accordance with the law" (Constitution of Afghanistan, 2003). The rulers of this era also considered themselves obligated to adhere to the market system.

One of the key agreements for Afghanistan's economic development was the London Agreement (January 2006), signed between the international community and the Afghan government. In this agreement, the Afghan government committed to achieving the Millennium Development Goals within 15 years. Based on this agreement, Afghanistan's National Development Strategy was formulated, which identified three key pillars of development: security, good governance, and economic development. This strategy estimated a total cost of \$50 billion over five years to achieve these goals (Sanai & Yousefzai, 2019).

The result of Afghanistan's free-market system, with minimal government intervention, was the widespread corruption and rent-seeking behavior in the economy, which hindered economic development and growth. One might argue that this system did not lead to corruption and rent-seeking in Western countries. However, it should be noted that a one-size-fits-all solution cannot be applied. While the capitalist system, with its particular values and capacities, may work for Western societies, it proved to be detrimental in Afghanistan. The lack of institutionalized democracy and capitalism in Afghanistan made this system ineffective and ultimately led to its failure.

3-2-3. Socialist System and Underdevelopment

With the April 7, 1978, revolution in Afghanistan, the new socialist government replaced the Dawood Khan republic. This new government, largely established by Soviet-educated intellectuals, had a strong inclination toward a communist system. Nationalizing the economy and implementing centralized economic planning became key goals during this period. The system, supported by the economic power of the Soviet Union, led to the limitation of the private sector. The private sector, unable to resist the Soviet-backed economic power, was effectively sidelined, and cooperative-based agricultural systems replaced feudal agricultural practices. Nationalization of light and heavy industries, commerce, and trade were only allowed through state channels. Socialist technology dominated Afghanistan's economy, and the theory of state-led economic management became the guiding ideology of the new government.

Despite its flaws, this system did bring some benefits. The new government emphasized social justice through equitable distribution of national wealth and income. The implementation of a coupon-based distribution system helped garner public support, especially in urban areas. Furthermore, thousands of Afghan students were sent to the Soviet Union and Eastern Europe for education, fostering a new generation of skilled professionals. There were also noticeable improvements in urban infrastructure, such as the construction of Makaroryan neighborhoods and health facilities, which represented Soviet-style building designs.

However, the system had significant shortcomings. These benefits were primarily concentrated in urban areas, and rural regions were largely neglected, leading to growing discontent and resistance. This urban-rural divide, along with the dependence on Soviet aid, contributed to the eventual collapse of the system. When the Soviet Union faced economic stagnation and ultimately collapsed, Afghanistan's communist government followed suit, spiraling into prolonged conflict.

The failure of the communist system in Afghanistan was not just due to the economic model but also due to the incompatibility of its underlying values with Afghan societal beliefs. Afghanistan, a deeply traditional society with a strong religious foundation, saw the communist rejection of religion, considering it the "opiate of the masses," as deeply antagonistic. This ideological clash sparked widespread opposition, particularly from religious leaders, who mobilized resistance, especially from rural areas. The West, led by the U.S., supported the Afghan mujahideen in their fight against the Soviet-backed government, contributing to the ultimate downfall of the socialist system.

Thus, the core reason for Afghanistan's stagnation and backwardness under the socialist regime was not just the economic model itself, but the profound cultural and ideological contradictions between the socialist system and Afghan society. The rejection of private property, along with the religious opposition, led to open conflict and the eventual collapse of the socialist state.

From this analysis, we can conclude that Afghanistan's underdevelopment can be attributed to the mismatch between the ruling systems' values and the country's socio-economic foundations. Both capitalist and socialist systems failed to align with Afghanistan's unique cultural and religious context, ultimately resulting in the disintegration of these systems and the failure to achieve meaningful development.

3-3. Culture and Underdevelopment

Afghanistan remains one of the poorest countries in the world, with widespread poverty that has plagued its population for many years. This poverty is rooted in various factors, but the most significant is the decades of war and insecurity that the country has endured. These wars are not only politically and economically devastating, but also have deep cultural roots, reflecting a culture that has often promoted endless conflict and backwardness, which in turn hinders economic development.

Cultural factors can play a significant role in development. Societies with development-resistant cultures often face economic instability and underdevelopment. Afghanistan's ethnic, racial, and religious differences have contributed to the formation of many subcultures within the country. The various customs, behaviors, and beliefs of its diverse ethnic groups have created a fragmented society with few shared cultural values. This fragmentation has led to ethnic tensions and conflict, which, over the past four decades, have resulted in endless warfare, stalling the country's economic growth and development.

Afghanistan is home to more than 200 ethnic groups, each with its own distinct beliefs, customs, and traditions. These groups form tribal societies, where members may identify differently depending on whether they are interacting with people from their own group or with outsiders. This strong sense of ethnic identity has prevented the formation of a unified national identity, leading to clashes between various ethnic groups, such as Pashtuns, Hazaras, Tajiks, and Uzbeks. These divisions have contributed to heightened ethnic hostilities and feelings of alienation, fueling long-standing internal conflicts.

The concept of a "national culture" is essential for fostering unity in a country, as it allows people to come together under common symbols and values. However, in Afghanistan, the numerous subcultures have prevented the development of a cohesive national culture. National symbols and myths that represent cultural unity are not widely visible in Afghanistan, and ethnic pride has often overshadowed the development of shared symbols of national identity. Efforts by Afghan rulers, particularly from the Pashtun ethnic group, to promote Pashtunwali (Pashtun cultural values) as the national culture were met with resistance. The Pashtunwali values, deeply embedded in Pashtun culture, failed to resonate with Afghanistan's other ethnic groups, resulting in a lack of national cohesion.

This strategy of prioritizing one ethnic group's cultural symbols over others marginalized the cultural expressions of other ethnicities, leading to feelings of alienation and resentment. These tensions fueled the political and social instability that Afghanistan has experienced in the last five decades. As a result, economic development, which relies on strong legal, social, and security institutions, has been hindered by the lack of a unified national culture and ongoing ethnic strife.

In conclusion, Afghanistan's underdevelopment is not only a result of economic and political factors but also cultural fragmentation. Without a cohesive national culture, the country has struggled to build the institutions necessary for long-term economic growth. The lack of shared cultural values has made it difficult to establish the social cohesion required to stabilize the country and promote sustainable development.

3-4. Nation-Building and Underdevelopment

Afghanistan is a country with immense ethnic diversity, and its history has been marked by challenges in forming a unified national identity. The inhabitants of Afghanistan share very few common characteristics, with numerous ethnic, cultural, and historical differences that make the notion of a single national identity difficult to achieve. The country's inability to form a cohesive "nation" has been a core reason for its ongoing underdevelopment.

Afghanistan has always struggled with nation-building, with ethnic identity being the primary barrier. Despite the modern concept of a state relying on citizenship rather than ethnicity, Afghanistan's emphasis on ethnic identities has obstructed the formation of a unified national identity. The country's political and economic instability can be traced back to this unresolved issue of ethnic and national unity. Various ethnic groups, such as Pashtuns, Tajiks, Hazaras, and Uzbeks, often see themselves as separate entities, which has hindered efforts at social cohesion and political stability.

3-4-1. The History of Failed Nation-Building in Afghanistan

The first significant attempts at nation-building in Afghanistan took place in the early 20th century, during the constitutionalist movement. If sustained, this movement could have evolved into a powerful national discourse. However, when Amir Habibullah Khan realized that the constitutional movement would limit his absolute power, he swiftly moved to suppress it by imprisoning or executing the reformist leaders.

During the reign of King Amanullah Khan, several reforms aimed at creating a modern, responsive state were introduced. However, these reforms were stymied both by internal resistance and the king's lack of commitment to more fundamental changes, such as establishing a prime minister and a cabinet that would be accountable to the national assembly. As a result, these reforms failed to create a political system that was accountable and law-based. The nation-building process came to an end with the fall of Amanullah's government, after which his successor, Habibullah Kalakani, who was illiterate and unfamiliar with modern concepts of governance, proved unable to further the cause of nation-building. Failure of nation-building is deeply rooted in the inability to transcend ethnic divisions and create a unified national identity. The absence of a national sense of belonging has kept Afghanistan in a cycle of instability and underdevelopment.

After the brief government of Habibullah Kalakani fell, Nader Khan emerged as a prominent figure and capitalized on ethnic-based slogans to claim power. Upon his rise to authority, Nader Khan and his family, including his cousin Mohammad Daoud Khan, ruled Afghanistan for about half a century, from 1929 to 1978. This period is particularly significant in Afghanistan's modern history, as many of the key events and issues that unfolded over the subsequent decades trace their roots to this time.

The importance of this era lies in the fact that the political and social developments during these years profoundly shaped the country's future. The policies introduced or continued by the Nader Khan regime, and those of his successors, provided the foundation for many of the political strategies and government practices that persisted into the late 20th century. During this period, Afghanistan had a unique opportunity to establish a nation-state and pursue nation-building, but this potential was largely wasted.

Throughout this half-century, political parties based on various ideologies—leftist, right-wing, liberal, and nationalist—emerged. These parties each had their own vision for the formation of a national identity and statehood. The political movements of the time led to greater public awareness, particularly in urban areas. It was during this period that the concept of "solving the national question" was introduced, addressing the needs and aspirations of different ethnic groups in Afghanistan.

The role of student movements and women's involvement in politics also gained prominence. These movements, combined with a relative openness to political activity during the democratic period of the 1960s, sparked hope for the possibility of nation-building. However, this brief window of opportunity was abruptly closed when Mohammad Daoud Khan's military coup in 1973 followed by the 1978 coup of the People's Democratic Party of Afghanistan, extinguished the momentum for reform and nation-building.

The resulting prolonged period of conflict, which lasted for almost five decades, derailed the nation-building process. The devastation of war severely stunted any progress toward creating a cohesive Afghan identity, and the country was plunged into a cycle of endless wars, leaving little room for the establishment of a stable, unified state.

The primary reason for the failure of nation-building efforts in Afghanistan lies in the dominance of ethnic identity and tribal nationalism. Afghanistan's deeply entrenched tribal and ethnic divisions have consistently undermined efforts to create a unified, cohesive national identity. The political landscape has

been shaped by these divisions, with ethnic groups vying for political power, resulting in fragmented governance and an inability to establish a strong, centralized state.

Daniel Batisse emphasizes that when ethnic differences are tied to economic marginalization or the monopolization of resources, they often lead to social fragmentation, making it difficult to establish a unified national framework. This fragmentation leads to internal struggles, where ethnic groups, rather than focusing on collective national goals, are more concerned with advancing the interests of their specific communities. Roa similarly points out that in Afghanistan, the government has historically been subject to the dynamics of ethnic loyalty, particularly among the major tribes like the Durrani and Ghilzai, who see the central authority as a tool for advancing their own agendas.

During democratic reforms under U.S.-backed regimes, there was hope that a pluralistic model, influenced by Western democratic ideals, would succeed in fostering unity. However, the reality was that leaders from different ethnic groups, particularly those associated with the mujahideen movements, prioritized their own tribal interests over national unity. These leaders viewed themselves as representatives of their ethnic communities rather than as leaders of the entire country. As a result, the political system became heavily based on ethnic quotas, with key positions in government allocated according to tribal representation. This ethnic division of power led to corruption and further disillusionment, both within the country and internationally.

In conclusion, challenges in nation-building can be attributed to the deep-rooted ethnic divisions that have shaped its political culture. Efforts to create a unified, democratic state have repeatedly failed because of the dominance of tribalism and ethnic nationalism, which have consistently thwarted attempts at establishing a strong national identity.

Asimoglu's Theory on the Reasons for the Failure of Nation-Building During the Islamic Republic Era (2001-2021)

Asimoglu, the American institutional economist, in his article titled "*Why Nation-Building Failed in Afghanistan?*" explains the factors behind the failure of nation-building in Afghanistan as follows:

The situation the United States faced in Afghanistan was far worse than usual for eager nation-builders. From the very beginning, the people of Afghanistan viewed the presence of the United States as that of a foreign occupying force that sought to weaken their society. This was not something they wanted. When nation-building efforts from top to bottom proceed against the will of society, what happens? In many cases, the only appealing option is "exit." Sometimes this exit takes the form of physical withdrawal, as James C. Scott shows in his book *The Art of Not Being Governed* (in his study of the Zomia people in Southeast Asia). Alternatively, it can mean living together without cooperation, as in the case of the Scots in Britain or the Catalans in Spain. However, in a highly independent society, armed with an ancient tradition of blood vengeance and recent experiences of civil war, the likely response is violent conflict. Perhaps, if Pakistan's intelligence agency had not supported the Taliban when they were militarily defeated, if NATO's drone strikes had not killed so many civilians, and if the U.S.-backed elites had not been so corrupt, the situation might have been different. However, the cards turned out contrary to the expectations of the U.S. strategy of "state first." The reality is that U.S. leaders should have understood better. As Melissa Dell and Pablo Corbán documented, the U.S. adopted a similar top-down strategy in Vietnam, and the results were disastrous. Areas that were bombed to force the Viet Cong into submission only saw increased anti-American uprisings. The most influential example, however, is the recent experience of the U.S. military in Iraq. As research by Eli Berman, Jacob Shapiro, and Joseph Felter shows, troop surges in Iraq worked better than in Afghanistan, because the Americans sought to win the "hearts and minds" of the people, aligning them with local groups.

Similarly, my joint research with *Ali Chima*, *Asim Khwaja*, and *James Robinson* shows that in rural areas of Pakistan, people turn to non-state actors precisely when they perceive state institutions as

inefficient and foreign to them. None of this implies that an exit could not have been managed better. However, after 20 years of misguided efforts, the United States failed in its dual objectives of "exiting Afghanistan" and "leaving behind a sustainable, law-based society." The result was a major humanitarian disaster. Even if the Taliban do not return to their worst practices, Afghan men, and especially women, will pay a heavy price for America's failures in the years and decades to come. (Asimoglu, 2021)

With the failure of the "nation institution," another fundamental institution of economic development did not emerge in Afghanistan. As a result, the fragmented efforts at economic development in the history of this country have faced failure, and the process of underdevelopment continues to overshadow its economy.

3-5- Justice and Underdevelopment

According to North's definition, "institutions are the rules of the game in the economic structure." In the institutional approach, the doctrine of economics seeks to explore, examine, and analyze the relationship between social and political institutions and economic variables. Therefore, the role of ethnicity in the distribution of Afghanistan's economic resources is one of the most challenging topics in the country's economic domain, and its economic outcome is reflected in the unjust distribution of wealth. The use of power rents by the appointees of government leaders, although present in many economic systems, has deep-rooted manifestations in Afghanistan's modern history.

Afghanistan, due to its ethnic diversity and heterogeneity, is referred to as a "rainbow of nations." It is one of the few countries in the world where its inhabitants are a mix of neighboring nations and countries from the East, West, South, and North. The Pashtun, Tajik, Hazara, Uzbek, Farsi, Baloch, Turk, Turkmen, Qizilbash Emak, Kyrgyz, Nuristani, Gujjar, Brahui, Hindu, Mughal, and others have made this country a confederation of tribes.

The centrality of ethnicity in the societal structuring, through an intermediary, also influences the structural transformation of the economy. When ethnicity becomes the criterion for distributing government positions, it also transforms the distribution of resources and economic assets in the country. These natural resources are seized based on each ethnic group's role in bringing and maintaining power for the government.

From the establishment of Afghanistan by Ahmad Shah Durrani (1757 AD) to the fall of the monarchy under King Zahir Shah (1973 AD), most economic resources were distributed based on the role of ethnic groups in preserving and maintaining the king's power, with ethnicity playing a prominent role in acquiring positions and allocating resources. Ahmad Shah Durrani, although the most pluralistic ruler of Afghanistan, was forced to prioritize ethnicity in order to maintain his authority and develop the government. To secure the throne, he faced fierce competition from Afghan tribal rivals, so he paid tribute to win their support and used their tribesmen for government and provincial positions as a form of tribute. This tradition continued among his descendants and later rulers of the Durrani dynasty, with most government positions being distributed according to tribal affiliation. For instance, during the reign of Abdul Rahman Khan, many people from the south were relocated to the north, and government lands and properties were distributed to them for free. The government granted the properties of local inhabitants to the newly arrived immigrants.

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At the same time, the economic situation of society was severely miserable and wretched. Soldiers and government employees from other ethnic groups only received about 8 rupees per month in return for their service. The unjust policy of resource distribution was so tragic that the consequences of inequality in development exacerbated the wounds of society's heart, increasing poverty and social fragmentation.

One of the country's famous historians writes: "Since the time of Ahmad Shah Abdali, for nearly two hundred years, the rulers of Afghanistan have been Pashtuns, and within the Pashtuns, the Durrani tribe, and within the Durrani, first the Popalzai and later the Barakzai were in power, with the Mohammadzai being a branch of them. During this period, most of the central government officials and provincial rulers were Pashtuns. Even if some of them spoke Persian due to their residence in Kabul, they traced their lineage to one of the Pashtun tribes, particularly the Durrani..." (Farhang, 1992, p. 575)

One of the most tragic examples of injustice in Afghanistan is the history of the Shia people, especially the Hazara. The famous historian of the court of Habibullah Khan, Mullah Faiz Mohammad Katib Hazara, writes: "The Afghan nomads (Pashtuns) gradually turned the cultivated lands of the Hazaras into grazing grounds for their herds, and similarly allocated the grazing lands of Dayzangi, Behsud, Nahur, Malistan, and Jaghori for themselves, forcing the Hazaras to lead a hard and difficult life. All this oppression caused the decline of agriculture and cultivation in the Hazara region." (Katib, 1991, p. 1100).

The policy of ethnic discrimination, implemented through the forced relocation and settlement of other ethnic groups in unfavorable regions, is one of the results of the ethnic power structure in Afghanistan. According to this policy, the Uzbek, Turkmen, Imaq, and Hazara ethnic groups are settled on the outskirts of the country or in barren lands, while fertile lands are allocated to the Pashtuns and even the nomads of this ethnic group. The Shia Hazaras, while living within the territory of the Afghan government, have always been neglected by the state. They have constantly faced abuse, and most of their lands have been seized, forcing them to settle in valleys and mountainous areas.

A historian from the royal court writes: "In 1898 (1277 in the Solar Hijri calendar), new taxes were imposed on the Hazaras, one of which was a head tax, requiring two qiran per person annually. By 1902 (1281 SH), this was increased to four qiran. The Hazaras were also required to pay an additional two-puli tax, which was levied at two qiran per household. If the farmers of Hazara were unable to pay the taxes, they were forced to engage in compulsory labor and participate in the construction of roads, highways, etc. For a Hazara person, the only way to escape from paying these new taxes, along with the old taxes, was to sell their wife and children, who would then be turned into slaves and sent to the state treasury as tax payment." (Katib, 1991, p. 94-95).

Considering These Historical Evidences, It Can Be Concluded That One of the Causes of Economic Underdevelopment is Injustice and the Unequal Distribution of Resources

This not only leads to the parasitism of government leaders and their dynasties and prevents other segments of society from accessing sufficient resources for investment, but also creates a dialectical conflict between the peasant class and the feudal elites. This conflict eventually leads to widespread unrest and the internal collapse of the political system, resulting from the contradictions between labor and feudalism. The instability of the political system thus deprives the country of opportunities for development.

3-6- Law and Underdevelopment

If we consider institutions as a set of laws that influence human social behavior, as Douglas North argues, that "legal structures determine the opportunities available to societal actors for maximizing wealth" (North, 1994, p. 361), then the relationship between legal rules and institutional economics becomes clearer. From this perspective, we can conclude that institutions, which set the rules of the game in the economy, are, in one sense, the same as the laws governing economic and commercial relations. Property rights laws in an economic system are considered a fundamental pillar of economic development, and in turn, are one of the primary conditions for development.

3-6-1- The Relationship Between Economy and Law in Afghanistan

As observed, there is an inseparable relationship between legislation and the economy in Afghanistan.

Economic laws were the first laws codified in this country. Laws related to trade, taxation, customs, and others are considered the starting point for legislation in Afghanistan.

3-6-2- The Role of the Constitution in Formulating Afghanistan's Economic System

The constitution is one of the most important sources for establishing the economic system in a country. In modern constitutions, one of the key issues addressed is the type of economic system. This issue is among the core aspects of constitutional law. The second significant economic issue addressed in constitutions is the distribution of resources and justice, followed by property rights, trade, and taxation. Therefore, these topics are discussed in the constitutional laws of Afghanistan.

3-6-3- Economic System in Afghanistan's Constitutions

Before the reign of King Zahir Shah, the constitutions were simple and rudimentary, and the economic system was not outlined. Although, in practice, the socio-economic system of the people was feudal and lord-serf based.

3-6-3-1- Constitution of 1343 (1964)

The Constitution of 1343 (1964) does not explicitly discuss the economic system, but in its preamble, the representatives of the Loya Jirga (the grand council) who approved the constitution state:

In the name of God, the Almighty and Just

"To regulate the national life of Afghanistan according to the necessities of the time and based on the realities of history and national culture. To ensure justice and equality. To implement political, economic, and social democracy. To organize the duties and branches of government to ensure the freedom and welfare of individuals and maintain public order. To achieve balanced development in all vital aspects of Afghanistan. And ultimately, to form a prosperous and progressive society based on social

cooperation and the preservation of human dignity. We, the people of Afghanistan, recognizing the historical developments that have taken place in our lives as a nation and as part of the human community, while acknowledging that these values are the rights of all human societies, under the leadership of His Majesty King Mohammad Zahir Shah, the King and leader of Afghanistan's national life, have enacted this Constitution for ourselves and future generations." (Afghanistan's Constitution, 1343).

In the context of the **1964 Afghan Constitution**, several articles reflect the underlying principles that would guide the economic system, even though the specific type of economic system is not explicitly defined. Let's review key sections to better understand the intended framework:

Key Articles:

- **Article 29:**

"No one shall be deprived of acquiring or possessing property except under the law. The process of expropriating property for the public benefit shall be regulated by law."

- **Article 34:**

"The establishment and administration of public and higher education institutions is the exclusive right and responsibility of the government. Outside of this, citizens of Afghanistan have the right to establish private schools and education facilities."

- **Article 37:**

"Choosing a profession or occupation is free within the conditions determined by law. Forced labor, even for the state, is not permissible."

- **Article 38:**

"Every Afghan is obligated to pay taxes and duties to the government. No tax or duty shall be imposed without the provision of law. The amount of taxes and the manner of payment shall be determined by law, ensuring social justice."

Interpretation:

Although the articles don't directly define an economic system, a "**mixed economic system**" can be inferred from the following principles:

1. **State's Role in Resources:** The state's right to regulate the ownership and use of resources for public benefit, as indicated in Article 29, implies that the government plays a central role in managing resources.
2. **Public Welfare and Justice:** The references to social justice in the tax system and public service (e.g., education and profession regulation) in Articles 34, 37, and 38 suggest an intention to balance public welfare with individual rights and freedoms.
3. **Limited Free Market:** While the state has significant control, as indicated in Article 34 (about public institutions) and Article 29 (about property rights), private enterprise and individual economic freedoms are acknowledged, reflecting a **mixed system** with both private and public involvement.

In summary, the **1964 Afghan Constitution** supports a **mixed economic model**, where the state plays a pivotal role in ensuring public welfare, regulating property and resources, and imposing taxes to

achieve social justice. However, private property rights and market activities are also allowed, contributing to the diversity of economic activity.

Although, in practice, the existing economic system at this time was somewhat a feudal system, where numerous lords and khans ruled over various regions alongside the king. The khans considered themselves as the "**shadow of the king**", just as the king considered himself the "**shadow of God**". Most of the fertile and valuable lands belonged to the khans, and the peasants, through hard work and effort, only kept half of the product, while the other half was taken by the khan without any effort on his part.

3-3-3-2 Economic System in the 2003 Constitution

In the 2003 Constitution, it is explicitly stated that the economic system intended by this law is a "**market system**". Article 10 of this law states:

"The government shall encourage, support, and ensure the protection of private investments and enterprises based on a market economy system, in accordance with the law." (Afghan Constitution, 2003)

3-7 Security and Development

In the past centuries, security was mainly considered in political and military terms; however, in modern times, especially in the 21st century, economic security has taken on a special significance.

Historically, economists have sought to understand the differences in the economic growth and development of countries. In the past, their focus was primarily on economic aspects of these differences, such as savings rates, investment rates, and the quality of human capital. In recent decades, economic researchers have come to the conclusion that, in addition to these traditional economic indicators, non-economic factors also have a profound impact on the economic growth of countries, with one of the most significant being security.

Security, as one of the fundamental needs of humanity, has always been a central concern for societies. While security has political, social, and cultural aspects, today its economic dimension has become more prominent and has taken center stage in large-scale policymaking. This is because economic security can influence other aspects of security as well. Just as people need physical and social security, they also require financial and investment security. Investors need assurance that there are laws and regulations in place to safeguard their investments; otherwise, they will avoid investing in insecure environments.

In countries with unstable governments that constantly change, investment lacks security, and investors will refrain from investing. An investor is like a bird that will abandon its nest at the slightest threat. Therefore, a country that faces a decrease in investment will not experience growth in national production, employment, or, consequently, economic development. Thus, it can be said that security is one of the most fundamental infrastructure elements and the first condition for economic development. Without security, economic development will remain nothing but a fleeting dream.

In Afghanistan, from 1979 onwards, the country has been mired in prolonged and imposed wars. Ongoing conflict has become a major obstacle to economic security, challenging investment institutions in the country. As a result, industrial investment—the foundation of economic development—has failed to materialize. At the same time, poor countries like China, South Korea, Singapore, Qatar, the UAE, and others have achieved significant economic growth. Afghanistan, however, lagged behind due to the war and lack of economic security, causing national investors to move their capital elsewhere. For example, a capitalist like Marwaiz Azizi, who had established strong economic institutions in Afghanistan, moved his capital to the UAE due to the uncertain situation in the country, eventually becoming one of the

largest investors there. Other large and small investors have experienced similar fates. Consequently, as long as complete security for investment is not assured, there is little hope for investment. The lack of political stability and the frequent changes in political systems take away investors' confidence, replacing real investment opportunities with mafia-style economies and corruption.

Summary and Conclusion

Afghanistan, as a poor country, suffers from many instabilities. One of these challenges is its economic poverty or underdevelopment. By examining the causes of the country's economic underdevelopment, we find that all the economic factors contributing to its poverty can be traced back to its institutional and systemic challenges. These factors can be summarized as follows: the weakness of the state institution and political structure, the weakness of the cultural institutions in Afghan society, the failure to form a unified nation, persistent injustice and oppression, contradictions in the provisions of laws, and ultimately, the most significant institution hindering Afghanistan's economic progress: the national security institution. During four decades of civil war and foreign invasion, social, political, and economic security vanished from the country, preventing adequate economic investment from taking root. This institutional factor is the foundation and root cause of all of Afghanistan's underdevelopment.

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